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

Stock Code: 489

2017 Annual Report

* For identification purposes only

Contents

Corporate Profile

I. CORPORATE INFORMATION

Company Name

Dongfeng Motor Group Company Limited

Registered Address

Special No. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone
Wuhan, Hubei
PRC

Principal Place of Business in the PRC

Special No. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone
Wuhan, Hubei
PRC

Principal Place of Business in Hong Kong

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

II. STOCK PROFILE OF THE COMPANY

Listing Date

7 December 2005

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

00489

Total Issued Share Capital

RMB8,616,120,000

III. OTHER RELATED INFORMATION

Company Website

www.dfmg.com.cn

Company Secretaries

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

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

Business and Financial Summary

I SUMMARY OF BUSINESS

Dongfeng Motor Group Company Limited was listed on the Stock Exchange of Hong Kong on 7 December 2005. As at 31 December 2017, total assets of Dongfeng Motor Group amounted to RMB212,492 million, with approximately 150,000 employees and the production and sales of vehicles over 3 million units. The Company is principally engaged in a full range of passenger vehicles, commercial vehicles, new energy vehicles, key assembly, auto parts, vehicle manufacturing equipment and other automotive-related businesses, with industrial bases spreading over more than 20 cities across the country, such as Wuhan, Shiyan, Xiangyang and Guangzhou, etc.. In addition, it has formed a global presence and is one of the three largest shareholders ranking paripassu of PSA Group with overseas research and development bases in Sweden, overseas sales companies in Russia and overseas factories in Iran, South Africa and other countries. Leveraging on the complicated development system with the Technical Center as the core and the coordinated operations of research and development departments of its subsidiaries, Dongfeng Motor Group holds a leading position in technological innovation capacity, applications and possessions of patents in the industry.

As at 31 December 2017, the Company has 21 subsidiaries, jointly-controlled entities and other companies in which the Company has direct equity interests and 2 branches. Dongfeng Motor Group is primarily engaged in the manufacture and sale of commercial vehicles, passenger vehicles and auto engines and parts, equipment manufacturing business, financial businesses as well as other automotive related businesses.

As at the end of 2017, the commercial vehicle business of Dongfeng Motor Group is mainly operated by Dongfeng Commercial Vehicle Co., Ltd. (a joint venture between the Company and Volvo Cars), Dongfeng Motor Co., Ltd. (a joint venture between the Company and Nissan Motor Co., Ltd. (through Nissan (China) Investment Co., Ltd.) Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd..

Dongfeng Motor Group's passenger vehicle business is currently operated by Dongfeng Passenger Vehicle Company, Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Motor Co., Ltd. (through Dongfeng Nissan Passenger Vehicle Company, Dongfeng Infiniti Motor Co., Ltd. and Dongfeng Venucia Motor Co., Ltd. (東風啟辰汽車公司)), Dongfeng Peugeot Citroën Automobile Co., Ltd. (a joint venture between the Company and the PSA Peugeot Citroën Group), Dongfeng Honda Automobile Co., Ltd. (a joint venture between the Company and Honda Motor Co., Ltd.), Dongfeng Renault Automobile Co., Ltd. (a joint venture between the Company and Renault S.A.).

In recent years, Dongfeng Motor Group has strengthened its new energy vehicle business, which is principally operated by Dongfeng Motor Co., Ltd., Dongfeng Special Commercial Vehicle Co., Ltd., Dongfeng Passenger Vehicle Company and Dongfeng Electric Vehicle Co., Ltd.. eGT New Energy Automotive Co., Ltd. (易捷特新能源汽車有限公司) will also be actively engaged in new energy vehicle business in future.

Dongfeng Motor Group's financial business is currently operated by the following companies: Dongfeng Motor Finance Co., Ltd. (a wholly-owned subsidiary of the Company), Dongfeng Nissan Auto Finance Co., Ltd. (a joint venture between the Company, Dongfeng Motor Co., Ltd., Nissan Motor Co. Ltd. and Nissan (China) Investment Co., Ltd.) and Dongfeng Peugeot Citroën Auto Finance Co., Ltd. (a joint venture between the Company, Peugeot Citroën Netherlands Finance Co., Ltd. and Dongfeng Peugeot Citroën Automobile Co., Ltd.).

Dongfeng Motor Group Company Limited

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

Business and Financial Summary (Continued)

II. FINANCIAL SUMMARY

Unit: RMB million

	2017	2016 (Restated)	2015
Revenue	**125,016**	122,535	126,566
Gross profit	**16,112**	17,515	16,929
Profit attributable to equity holders of the Company	**14,063**	13,345	11,550
Earnings per share attributable to ordinary equity holders of the Company (RMB yuan)	**1.63**	1.55	1.34
Net cash flows from operating activities	**4,150**	3,638	558
Total assets	**212,492**	185,079	160,786
Total liabilities	**97,496**	81,441	69,302
Equity attributable to equity holders of the Company	**108,201**	96,726	84,650
Equity per share attributable to ordinary equity holders of the Company (RMB yuan)	**12.56**	11.23	9.82
The weighted average return on equity	**13.70%**	14.70%	14.60%

Note: The Group acquired part of businesses of Dongfeng Motor Corporation and its subsidiaries. Since the acquisition took place at the time of common control combination, the comparative information had been restated. In addition, the financial data in 2015 was extracted from the accountant's report of the Company which have been announced to the public on 29 March 2016.

Chairman's Statement

Dear Shareholders,

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

In 2017, the aggregate number of vehicles sold in China's automobile market amounted to approximately 28,878,900 units, representing an increase of 3.0% as compared with the corresponding period last year. The overall automobile market showed slowing-down growth, intensified competition, consumption upgrade and divergent tendencies in the following aspects: the competition in the passenger vehicles market was increasingly fierce and continued to fragment, sedan recorded a decrease of 2.5%; due to the consumption upgrade, SUV achieved a year-on-year increase of 13.3% with a continuous growth momentum; luxury vehicles and mid-to-premium MPV maintained a rapid growth; commercial vehicles continued to grow in a rapid pace, with a further increase in market concentration. In 2017, the sales volume of commercial vehicles was approximately 4,160,600 units throughout the year, with a year-on-year increase of 14.0%. Heavy-duty trucks witnessed a record-high growth in sales volume of more than 1,000,000 units again after 2010, with a year-on-year increase of 52.4%; the sales volume of new energy vehicles recorded a steady growth. Due to the Double Points policy on new energy passenger vehicles, automobile enterprises have enhanced their product arrangements and sales. The sales volume of new energy vehicles amounted to 777,000 units for the year, representing an increase of 53.3% as compared with the corresponding period last year. The advance of "New Five (新五化)" of automobiles was more apparent. The automotive industry is facing new opportunities and challenges.

In 2017, the total sales of Dongfeng Motor Group for the year were approximately 3,284,200 vehicles, representing an increase of approximately 4.1% over the corresponding period of last year. The sales revenue of the Group was approximately RMB125,016 million, representing an increase of 2.0% as compared with the corresponding period of last year. Based on the proportionate consolidation method, the sales revenue of the Group for the whole year amounted to approximately RMB273,243 million, representing an increase of 11.3% as compared with the corresponding period last year. Among which, the sales revenue of passenger vehicles amounted to approximately RMB193,304 million, representing an increase of 2.1% as compared with the corresponding period last year; the sales revenue of commercial vehicles amounted to approximately RMB76,245 million, representing an increase of 40.1% as compared with the corresponding period last year. In 2017, profit attributable to shareholders was approximately RMB14,063 million, representing an increase of 5.4% as compared with the corresponding period last year. From the business units, commercial vehicles maintained double-digit growth and recorded a significant improvement in operating performance; new energy vehicles achieved strong sales growth while controlling the risks; overseas businesses seized opportunities for rapid development and made breakthroughs in exports of passenger vehicles under self-owned brands.

Chairman's Statement (Continued)

The operation of Dongfeng Motor Group had the following characteristics in 2017:

1. Maintaining high-quality operation. A total of 3,284,200 vehicles were sold during the year, representing a year-on-year increase of approximately 4.1%. More than 20 types of new passenger vehicles were introduced during the year. Our medium-to-high-end vehicle models gained a larger proportion of sales volume. The proportion of sales volume of our SUV models to the Group's total sales volume of passenger vehicles increased by approximately 6.1 percentage points. The proportion of sales volume of heavy-duty trucks, in particular tractors, increased rapidly. Our revenue and profit per vehicle both increased. Due to adhering to the principle of delivery orientation, our total retail volume was higher than the wholesale volume during the year and the whole vehicles inventory level declined. Satisfactory results were achieved in our efforts to reduce costs and enhance efficiency over the whole value chain.

2. Stepping up our efforts to enhance the core capability of self-owned brand passenger vehicles with a focus of "New Five" (新五化). Light-weighted, electrification, intellectualization and networked products were launched more quickly. A sharing platform was preliminarily set up. Active efforts have been made in the preparatory work for intelligent networked services and big data platforms. The Group has entered into a framework agreement for strategic cooperation with each of FAW and Chang'an to conduct strategic cooperation in the fields of cutting-edge generic technologies innovation, whole value chain operation, forming alliances when "going global" and emerging business models.

3. New developments marked in self-owned brands, new energy and overseas business. A total of approximately 962,000 self-owned brand vehicles were sold during the year, representing a year-on-year increase of approximately 6.2%, and a total of approximately 441,200 commercial vehicles were sold during the year, representing a year-on-year increase of approximately 23.8%. The Double Points Management Measures and Synergistic Mechanism for Points Transfer were adopted by the Group. In active response to the "Belt & Road" Initiative, the Group exported a total of approximately 53,000 vehicles during the year, representing a year-on-year increase of approximately 68%.

4. Promoting the sustainable and stable development of its joint venture business. Following the commencement of the 13th Five-year Plan Period, Dongfeng Motor Group devoted more efforts into the management of its joint venture business. Over the past year, as the communication between Dongfeng Motor Group and senior management of the joint venture partners entered into normalization, the strategic interactive capacity of Dongfeng Motor Group was obviously improved, its leadership in the strategic planning of joint venture business and its right to speak on the resource allocation further enhanced, the development orientation and strategy of various joint venture businesses expressly explicated. In particular, this strongly drived Dongfeng Nissan Passenger Vehicles to reach a new level of over 1,100,000 units in a steady way and Dongfeng Honda vehicles to maintain strong growth despite in its capacity limit, which made a great contribution to the operations of the Group. For some business lines of Dongfeng Peugeot Citroën Company in the adjustment period, we have reached a consensus in various aspects through our active communication with the joint venture partners, which created favorable conditions for returning to the track.

As China's economy development has shifted from rapid growth to high-quality development, China's automotive industry has evolved into a new phase of quality competition. Being confronted with new challenges and opportunities, Dongfeng Motor Group will primarily focus on the following aspects: 1. strengthening product competitiveness, marketing strength and brand power and accelerating the launching of new vehicle models; 2. strengthening overall competitiveness of the Group by making breakthroughs in the self-owned brand business segment; On one hand, new leading advantages will be created for its commercial vehicles, on the other hand, the Group will make further efforts in pursuing the platform-based strategy, and enhancing the core capability of its self-owned brand passenger vehicles; 3. tapping further into the overseas market by actively responding to the "Belt & Road" Initiative; 4. accelerating the development and implementation of the new-energy automobiles commercialization project, advancing the industrialization projects of "power batteries, electric engines and electronic control systems" (三電) for new-energy automobiles, strengthening Double Points management, and promoting the rapid development of the new energy automobile undertaking; 5. keeping abreast with the trend of "light weight, electrification, intellectualization, network and sharing" (新五化) while propelling innovation-driven development.

In face of a complicated industry environment, Dongfeng Motor Group will further enhance the sense of mission and responsibility, continue to promote the development of each business segment, and strive to maximize the return to its shareholders.

Zhu Yanfeng
Chairman

27 March 2018

I. BUSINESS OPERATIONS DURING THE YEAR UNDER REVIEW

1. Production and sales volume and market share for whole vehicles of Dongfeng Motor Group in 2017

For the year ended 31 December 2017, the production and sales volume for whole vehicles of Dongfeng Motor Group were 3,306,111 units and 3,284,238 units, respectively. According to the statistics published by China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 11.4% in terms of total sales volume of commercial and passenger vehicles made by domestic manufacturers in 2017. The following table sets out the production and sales volume of commercial and passenger vehicles of Dongfeng Motor Group as well as their respective market shares in terms of sales volume in 2017:

	Production Volume *(units)*	**Sales Volume** *(units)*	**Market share in terms of sales volume** *(%)*[1]
Commercial Vehicles	**469,000**	**455,011**	**10.9**
Trucks	427,698	413,434	11.4
Buses	41,302	41,577	7.9
Passenger Vehicles	**2,837,111**	**2,829,227**	**11.4**
Basic passenger cars	1,288,062	1,291,372	10.9
MPV	194,412	192,571	9.3
SUV	1,354,637	1,345,284	13.1
Total	**3,306,111**	**3,284,238**	**11.4**

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

2. Market ranking of Dongfeng Motor Group's major segments in domestic market in 2017

	No. of units sold by Dongfeng Motor Group *(units)*	Ranking in Domestic market[2]
Heavy truck	216,083	2
Medium truck	41,247	2
Light truck	154,761	4
Basic passenger car	1,291,372	3
MPV	192,571	5
SUV	1,345,284	2

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

3. Sales revenue of Dongfeng Motor Group in 2017

The sales revenue of the Group for the year ended 31 December 2017:

Business	Sales revenue *(RMB millions)*	Contribution to the Group's sales revenue *(%)*
Passenger vehicles	61,732	49.4
Commercial vehicles	59,826	47.9
Financing service	3,047	2.4
Corporate and others	539	0.4
Elimination	(128)	(0.1)
Total	**125,016**	**100.0**

4. Sales and service networks

Dongfeng Motor Group has always placed importance on the interest of customers and keeps improving its products and services for speedy, efficient, accurate and quality service support for distributors and customers. In 2017, Dongfeng Motor Group further strengthened and improved the sales capacity of the networks. On the one hand, Dongfeng Motor Group continually adjusted and optimized the network layout to cope with the changing automobile market. On the other hand, it reconstructed and developed the vehicle sales networks subject to the changes of the businesses.

As at the end of 2017, the sales and after-sales services of motor vehicles of Dongfeng Motor Group were mainly provided through 14 sales and service networks in China. Each of these 14 sales and service networks provided sales and after-sales services of vehicles of a particular whole vehicle manufacturing unit and was independently managed by the relevant whole vehicle manufacturing units, which were not connected with any other members of Dongfeng Motor Group.

Sales and after-sales services of commercial vehicles are mainly provided through 5 major sales and service networks.

	Brand names	**No. of sales outlets**	**No. of after-sales service outlets**	**No. of provinces covered**
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	Dongfeng (high-end light truck, light truck, mini truck, pickup)	457	879	31
Dongfeng Liuzhou Motor Co., Ltd.	Chenglong (heavy and medium truck)	420	823	31
Dongfeng Commercial Vehicle Co., Ltd.	Dongfeng (heavy and medium truck)	366	877	31
Dongfeng Special Commercial Vehicle Co., Ltd.	Dongfeng	128	781	31
Zhengzhou Nissan Motor Co., Ltd.	Dongfeng	214	415	31

Sales and after-sales services of passenger vehicles are mainly provided through 9 major sales and service networks.

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Citroën	380	587	31
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Peugeot	440	582	31
Dongfeng Motor Co., Ltd. (Dongfeng Nissan Passenger Vehicle Company)	Dongfeng Nissan	750	973	31
Dongfeng Infiniti Motor Co., Ltd.	Dongfeng Infiniti	119	110	30
Dongfeng Motor Co., Ltd. (Dongfeng Venucia Automobile Company)	Venucia	265	232	31
Dongfeng Liuzhou Motor Co., Ltd.	Dongfeng Future	500	495	31
Dongfeng Honda Automobile Co., Ltd.	Dongfeng Honda	471	588	31
Dongfeng Renault Automobile Co., Ltd.	Dongfeng Renault	194	196	30
Dongfeng Passenger Vehicle Company	Dongfeng Fengshen	308	415	31

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

As at 31 December 2017, the total whole vehicle production capacity of Dongfeng Motor Group was approximately 3,595,000 units. The total production capacity of engines was approximately 3,370,000 units, among which the production capacity of commercial vehicles and commercial vehicle engines was approximately 625,000 units and 370,000 units, respectively; the production capacity of passenger vehicles and passenger vehicle engines were approximately 2,970,000 units and approximately 3,000,000 units respectively.

The following table shows the production capacity distribution of vehicles and engines of Dongfeng Motor Group as at 31 December 2017.

(1) Production capacity of commercial vehicles

(1.1) Whole vehicle

Company	Production capacity *(0'000 units)*
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	25
Dongfeng Commercial Vehicle Co., Ltd.	24
Dongfeng Liuzhou Motor Co., Ltd.	6
Dongfeng Special Commercial Vehicle Co., Ltd.	7.5

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

(1.2) Engines

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

(2) Production capacity of passenger vehicles

(2.1) Whole vehicle

Company	Production capacity *(0'000 units)*
Dongfeng Motor Co., Ltd.	123.5
Dongfeng Liuzhou Motor Co., Ltd.	33
Dongfeng Peugeot Citroën Automobile Co., Ltd.	60
Dongfeng Honda Automobile Co., Ltd.	48
Dongfeng Passenger Vehicle Company	21.5
Dongfeng Renault Automobile Co., Ltd.	11

(2.2) *Engines*

Company	Production capacity *(0'000 units)*
Dongfeng Motor Co., Ltd.	104
Dongfeng Peugeot Citroën Automobile Co., Ltd.	65
Dongfeng Honda Automobile Co., Ltd.	51
Dongfeng Passenger Vehicle Company	12
Dongfeng Honda Engines Co., Ltd.	53
Dongfeng Renault Automobile Co., Ltd.	7
Dongfeng Liuzhou Motor Co., Ltd.	8

Dongfeng Motor Group will expand its production capacity with reasonable utility to meet the demand of its products gradually base on automobile market forecast and its business plan. By the end of 2018, the production capacity of whole vehicles is expected to remain at 3,595,000 units.

6. Capital expenditure

In 2017, Dongfeng Motor Group strictly prevented its risks of overcapacity and realized its smart management by adhering to the principle of rationality and profitability. Total investment in fixed assets during the year amounted to approximately RMB13,895 million (including all members of Dongfeng Motor Group), resulting in steady progress in the following aspects of investment project development:

(1) Introduction of new products and development of new models timely according to the requirements of the relevant regulations and policies of the PRC and the market demand.

(2) Strictly managing the rhythm in production capacity expansion or construction to minimize overcapacity risks in accordance with the needs of strategic development and arrangements of commodity plans to achieve the production and sales targets.

(3) Strengthening the investment to improve the core competitiveness and sustainability of Dongfeng Motor Group.

In the next two years, Dongfeng Motor Group will, according to its strategies and business plans, continue to improve its innovation and new energy capability, explore the service of vehicle travel and horizontal business, to introduce new models and new products rationally, to upgrade intelligent manufacturing technology and to optimize its investment structure. The annual average investment of Dongfeng Motor Group is expected to be approximately RMB18,800 million (including all members of Dongfeng Motor Group) in 2018 and 2019.

II. MAJOR OPERATING RESULTS DURING THE YEAR OF 2017

1. Further consolidated operation quality

In 2017, the sales volume of Dongfeng Motor Group was approximately 3,284,200 units, making its sales volume elevated to a new level, representing an increase of approximately 4.1% as compared with the corresponding period last year. Among which, the sales volume of passenger vehicles amounted to approximately 2,829,200 units, representing an increase of approximately 1.5% as compared with the corresponding period last year; the sales volume of commercial vehicles amounted to approximately 455,000 units, representing an increase of approximately 23.9% as compared with the corresponding period last year.

In 2017, the management foundation was consolidated in further. Based on the proportionate consolidation method, the sales revenue of the Group for the whole year amounted to approximately RMB273,243 million, representing an increase of approximately 11.3% as compared with the corresponding period last year. Net profit attributable to shareholders amounted to RMB14,003 million, representing an increase of approximately 4.9% as compared with the corresponding period last year.

2. Accelerated the development of self-owned brands and new energy business

The introduction of light-weighted, electrification, intellectualization and networked products were accelerated. Sharing platform was preliminarily set up. The intelligent networked services and big data platforms were planning to be built by the Group. The sales volume of vehicles under self-owned brands amounted to approximately 962,000 units, representing an increase of approximately 6.2% year-on-year. Among which, the sales volume of passenger vehicles for the year amounted to approximately 520,800 units, representing a decrease of approximately 5.2% year-on-year and the sales volume of commercial vehicles for the year amounted to approximately 441,200 units, representing an increase of approximately 23.8% as compared with the corresponding period last year. Meanwhile, the Double Points Management Measures and Synergistic Mechanism for Points Transfer were actively adopted by the Group.

3. Promoted continuous development of joint venture business

In 2017, as the communication between Dongfeng Motor Group and senior management of the joint venture partners entered into normalization, the strategic interactive capacity of Dongfeng Motor Group was obviously improved, its leadership in the strategic planning of joint venture business and its right to speak on the resource allocation further enhanced, and the development orientation and strategy of various joint venture businesses expressly explicated. In particular, this strongly drived Dongfeng Nissan Passenger Vehicles to reach a new level of over 1,100,000 units in a steady way and Dongfeng Honda vehicles to maintain strong growth despite in its capacity limit, which made a great contribution to the operations of the Group. For some business lines of Dongfeng Peugeot Citroën Company in the adjustment period, we have reached a consensus in various aspects through our active communication with the joint venture partners, which created favorable conditions for returning to the track.

III. BUSINESS OUTLOOK

It is estimated that the overall growth rate of the industry will be approximately 3% in 2018. In the next five years, the annual average growth of the industry is expected to be approximately 2.6%, during which the annual average growth of passenger vehicles will be approximately 3.3% and the annual average growth of commercial vehicles will be approximately -1.8%.

According to the judgement of motor market development trend and new pattern of motor industry in the future, Dongfeng Motor Group has set up detailed “13th Five-Year” development strategic plan and vigorously promoted its implementation. Meanwhile, it prepares rolling updates on the interim business plan annually to maintain stable pace of development in the ever-changing market environment with fierce competition.

First, accelerate the development of passenger vehicles under self-owned brands and provide more support for the whole vehicles business of self-owned bands, such as Dongfeng Fengshen, to make a breakthrough.

Second, consolidate the leading position of commercial vehicles and accelerate the transformation and innovative development.

Third, promote the healthy development of joint-venture passenger vehicles, strengthen the development of Japanese joint venture, and enhance the contribution from French joint venture.

Fourth, speed up the strategic implementation of “electrification, intellectualization, network, sharing and light weight” (新五化), and possess core technology and platform resource advantage of the Group.

Confronted by the complex industry situation, Dongfeng Motor Group will further enhance the sense of mission and responsibility, and strive to focus on the core technology and resource, strengthen commodity force and marketing force and promote the new breakthrough of company operation in accordance with the Company’s “13th Five-Year Plan”.

IV. SIGNIFICANT EVENTS

Results and dividends

The Group’s results for the year ended 31 December 2017 and the financial position of the Company and the Group as at that date are set out in the audited financial statements on pages 91 to 189 in this annual report.

The Board of Directors recommends the dividend distribution of RMB0.25 per share in respect of 2017 results, subject to consideration and approval at the annual general meeting to be held on 15 June 2018.

Subsequent events

On 27 March 2018, the Company entered into the Equity Transfer Agreement with Dongfeng Motor Corporation ("Dongfeng Motor Corporation"), the controlling shareholder of the Company. Pursuant to the Equity Transfer Agreement, Dongfeng Motor Corporation has agreed to dispose of and the Company has agreed to acquire the 100% equity interests in Dongfeng Motor Trading Co., Ltd. subject to the terms and conditions therein.

Material legal proceedings

For the year ended 31 December 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 Dongfeng Motor Group was aware.

Dividend distribution by the Company's jointly controlled entities (JCEs)

In 2017, the Company's JCEs, in total, declared and distributed aggregate dividends of approximately RMB14,283 million to the Company. Although the exact amounts of dividend distributions are not set each year, pursuant to each of the joint venture agreements, distributions are required to be paid out of the profit made by the relevant JCEs (after payments of income tax) in accordance with the relevant PRC law as determined at the meetings of the Board of Directors of each JCE as being appropriate dividend distributions on the circumstances of each JCE. When determining dividend distributions, the Board of Directors of each JCE will offset losses of previous years and deduct from the profit made by the relevant JCE the portion of profit to be allocated for applicable legal reserves as required under the PRC laws and regulations and company reserve (including but not limited to amounts allocated to cover the relevant JCE's working capital or to increase capital or expand production), employee bonus and welfare and company development. Pursuant to each of the joint venture agreements, distributions of profit will be made in proportion to the capital contributions paid by the relevant joint venture party and the Company respectively in accordance with the PRC laws.

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

Financial summary

A summary of the Group's operating results, for the last five years ended 31 December 2017 and the assets and the liabilities of the Group as at that date are set out on pages 190 to 191 in this annual report.

Bank loans and other borrowings

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

Interest capitalised

Details of the interest capitalised of the Group for the year ended 31 December 2017 are set out in note 7 to the audited financial statements.

Property, plant and equipment

Changes in property, plant and equipment of the Group for the year ended 31 December 2017 are set out in note 13 to the audited financial statements.

Designated deposits and overdue term deposits

As at 31 December 2017, the Group had no designated deposits and overdue term deposits in any financial or other authorities.

Reserves

Details of movements in reserves of the Company and the Group for the year ended 31 December 2017 are set out in note 40 to the audited financial statements and the consolidated statement of changes in equity on pages 95 to 96, respectively. Pursuant to Article 155 of the Articles of Association of the Company, if there are material discrepancies between the financial statements prepared in accordance with the accounting standards and regulations in the PRC and the financial statements prepared in accordance with International Financial Reporting Standards or the accounting standards in other place(s) where the Company is listed, the after-tax profit to be allocated for the relevant accounting period shall be the lower of the after-tax profits in these financial statements. The Board of Directors recommends allocation of 10% of total profit to the statutory surplus reserve and no allocation to the discretionary surplus reserve under the laws and the Articles of Association, subject to consideration and approval at the annual general meeting to be held on 15 June 2018.

Donations

The Group has made total donations of approximately RMB2 million for the year ended 31 December 2017.

Major customers and suppliers

During the year ended 31 December 2017, the revenue attributable to the five largest customers accounted for no more than 30% of the Group's revenue for the year.

During the year ended 31 December 2017, the purchases (other than those of a capital nature) from the five largest suppliers accounted for no more than 30% of the Group's total purchase for the year.

Subsidiaries, JCEs and other companies in which the company has direct equity interests

As at 31 December 2017, details of the subsidiaries and JCEs as well as other companies in which the Company has direct equity interests are set out in notes 16, 17, 18 and 25 to the audited financial statements for the year respectively.

Share capital

As at 31 December 2017, the aggregate share capital of the Company was RMB8,616,120,000, divided into 8,616,120,000 ordinary shares with a nominal value of RMB1 each, of which 5,760,388,000 were Domestic Shares representing approximately 66.86% of the aggregate number of shares in issue, and 2,855,732,000 were H Shares representing approximately 33.14% of the aggregate number of shares in issue. During the year ended 31 December 2017, there is no change in the aggregate share capital of the Company.

Pre-emptive rights

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

Purchase, sale or redemption of securities

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

Interests of substantial shareholders

As at 31 December 2017, the name of the persons (other than directors and supervisors) entitled to exercise 5% or more (class of shares categorized into domestic shares and H shares) of the voting rights at any general meeting of the Company and the number of underlying shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

The percentage is calculated based on the number of issued ordinary shares as at 31 December 2017.

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

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital %	Percentage in the total share capital %
DONGFENG MOTOR CORPORATION	Domestic Shares	5,760,388,000 (L)	100	66.86
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
REYNOLDS MARGARET (MEG)	H Shares	231,602,000 (L)	8.11 (L)	2.68
WARD BRYAN	H Shares	231,602,000 (L)	8.11 (L)	2.68
WESTWOOD GLOBAL INVESTMENTS, LLC	H Shares	231,602,000 (L)	8.11 (L)	2.68
ALLAN & GILL GRAY FOUNDATION	H Shares	171,659,721 (L)	6.01 (L)	1.99
ORBIS ALLAN GRAY LIMITED	H Shares	171,659,721 (L)	6.01 (L)	1.99
ORBIS HOLDINGS LIMITED	H Shares	171,659,721 (L)	6.01 (L)	1.99
ORBIS INVESTMENT MANAGEMENT LIMITED	H Shares	171,659,721 (L)	6.01 (L)	1.99
PRUDENTIAL PLC	H Shares	170,806,000 (L)	5.98 (L)	1.98
BLACKROCK, INC	H Shares	170,071,218 (L) 468,000 (S)	5.95 (L) 0.01 (S)	1.97 (L) 0.00 (S)
CITIGROUP INC	H Shares	161,415,175 (L) 3,697,682 (S) 114,729,225 (P)	5.65 (L) 0.12 (S) 4.01 (P)	1.87 (L) 0.04 (S) 1.33 (P)
EDINBURGH PARTNERS LIMITED	H Shares	153,514,000 (L)	5.38 (L)	1.78
MONDRIAN INVESTMENT PARTNERS LIMITED	H Shares	144,648,000 (L)	5.06 (L)	1.67

Directors, supervisors and senior management of the Company

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

Directors

Zhu Yanfeng	Executive Director and Chairman
Li Shaozhu	Executive Director and President
Liu Weidong	Executive Director
Tong Dongcheng	Non-executive Director (Resigned on 16 June 2017)
Ouyang Jie	Non-executive Director (Resigned on 16 June 2017)
Ma Zhigeng	Independent Non-executive Director
Zhang Xiaotie	Independent Non-executive Director
Cao Xinghe	Independent Non-executive Director
Chen Yunfei	Independent Non-executive Director

Senior Management

Yang Qing	Vice President
An Tiecheng	Vice President
Cai Wei	Vice President
Qiao Yang	Vice President
Lei Ping	Vice President
Lu Feng	Secretary of the Board of Directors

Brief biographies of each of the directors and senior management are set out on pages 50 to 54 in this annual report.

Supervisors

Wen Shuzhong	Chairman of the Supervisory Committee (Appointed on 16 June 2017)
Ma Liangjie	Chairman of the Supervisory Committee (Resigned on 16 June 2017)
Zhao Jun	Independent Supervisor
He Wei	Employee Supervisor

Brief biographies of each supervisor are set out on page 55 in this annual report.

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

As at 31 December 2017, none of the directors, supervisors or senior management of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), which were required to be entered in the register required to be kept under section 352 of the Securities and Futures Ordinance, or were required to be notified to the Company and the Stock Exchange of Hong Kong under the Model Code for Securities Transactions by Directors of Listed Companies. As at 31 December 2017, the Company did not grant to any director, supervisor and senior management of the Company or their respective spouses or children under eighteen years of age any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

Confirmations of independence from independent non-executive directors

The Company has received the annual written confirmations of independence from all independent non-executive directors for 2017, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei. They are independent in the view of the Company.

Directors' and supervisors' service contracts

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

Directors' and supervisors' interests in contracts

Except for service contracts, none of the directors or supervisors of the Company has direct or indirect material interests in any important contract entered into by the Company or any of its subsidiaries and JCEs during the year ended 31 December 2017.

Remunerations of directors and supervisors

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

Five highest-paid individuals

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

Employees

As at 31 December 2017, Dongfeng Motor Group had a total of 146,843 full-time employees. The number of employees in various divisions and their percentage of the total number of employees are as follows:

Division	No. of Employees *(number)*	Percentage of total *(%)*
Manufacturing workers	97,722	66.6
Engineering and technology	17,031	11.6
Management	30,756	20.9
Services	1,334	0.9
Total	146,843	100

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

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

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

Retirement benefits

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

Management contracts

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into with any person, firm or legal person during the year ended 31 December 2017.

Directors' interests in competing businesses

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

Compliance with non-competition agreement

The Company has received from Dongfeng Motor Corporation a written confirmation confirming that during the year ended 31 December 2017, it had complied with Non-competition Agreement signed with the Company.

Public float

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

V. CONNECTED TRANSACTIONS

For the year ended 31 December 2017, the continuing connected transactions between Dongfeng Motor Group and Dongfeng Motor Corporation and its associates (as defined under the Listing Rules) were as follows (together with the highest annual caps exempted subject to the Listing Rules):

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

1. Trademarks Licensing

Date: 29 October 2005

Parties: (1) Dongfeng Motor Group
(2) Dongfeng Motor Corporation

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

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

Pricing: Nil

2. Social Insurance Funds

For the year ended 31 December 2017, Dongfeng Motor Group made payments to the following funds or schemes through the accounts of Dongfeng Motor Corporation according to the applicable laws and regulations in the PRC: (1) basic pension fund; (2) supplementary pension fund; (3) medical insurance; (4) unemployment insurance; and (5) housing provident fund (collectively called “Social Insurance Funds”).

3. Provision of Ancillary Services

On 28 December 2016, Dongfeng Motor Group and Dongfeng Motor Corporation entered into the master ancillary services agreement (the "Master Ancillary Services Agreement") in relation to supply of electricity, water and steam to the Group, the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Ancillary Services Agreements, Dongfeng Motor Corporation agreed to procure its subsidiaries to provide ancillary services, including electricity, water and steam, to Dongfeng Motor Group. Pursuant to the Master Ancillary Services Agreement, Dongfeng Motor Group agreed that it will give priority in using the ancillary services of Dongfeng Motor Corporation's subsidiaries if the terms offered by them are no less favourable than the terms offered by an independent third party. Moreover, Dongfeng Motor Corporation's subsidiaries are entitled to provide ancillary services to third parties provided that this would not affect the provision of services pursuant to the Master Ancillary Services Agreement. If the ancillary services supplied by Dongfeng Motor Corporation's subsidiaries cannot satisfy the needs of Dongfeng Motor Group in any respect, Dongfeng Motor Group is entitled to obtain such ancillary services from third parties. However, if Dongfeng Motor Group fails to obtain such ancillary services from third parties, Dongfeng Motor Corporation shall procure its subsidiaries not to terminate the provision of such ancillary services under such circumstances
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The above ancillary services shall be provided at (i) the government-prescribed prices approved by the state or local government; (ii) where there is no government-prescribed price but where there is a government-guidance price, the government-guidance prices; and (iii) where there is neither a government prescribed price nor a government-guidance price, the market prices

Annual cap of water supply for the year ended 31 December 2017:	RMB80 million
Annual cap of steam supply for the year ended 31 December 2017:	RMB200 million
Annual cap of electricity supply for the year ended 31 December 2017:	RMB1,200 million
Annual actual consideration of water supply for the year ended 31 December 2017:	RMB51 million
Annual actual consideration of steam supply for the year ended 31 December 2017:	RMB99 million
Annual actual consideration of electricity supply for the year ended 31 December 2017:	RMB746 million

4. Commodity Vehicles Master Sales Agreement

On 28 December 2016, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a commodity vehicles master sales agreement (the "Commodity Vehicles Master Sales Agreement"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Commodity Vehicles Master Sales Agreement, Dongfeng Motor Group agreed to sell and procure its subsidiaries to sell whole vehicles and chassis of commodity vehicles to Dongfeng Motor Corporation and its subsidiaries. During the term of the Commodity Vehicles Master Sales Agreement, Dongfeng Motor Group may from time to time enter into definitive written agreement(s) with Dongfeng Motor Corporation and/or its subsidiaries in relation to sales of whole vehicles and chassis of commodity vehicles to Dongfeng Motor Corporation and/or its subsidiaries, based on both parties' production plan and actual needs
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The prices of sales under the Commodity Vehicles Master Sales Agreement will be determined and negotiated based on normal commercial terms that are in the interest of the Group, with reference to the prevailing fair market prices range of comparable products. The selling price charged by Dongfeng Motor Group for the commodity vehicles sold to Dongfeng Motor Corporation and its subsidiaries will not be lower than the abovementioned fair market prices range

The proposed annual caps for sales of commodity vehicles to Dongfeng Motor Corporation and its subsidiaries for the year 2017 was approximately RMB3,500 million. For the year ended 31 December 2017, the annual actual amount for Dongfeng Motor Corporation and its subsidiaries' purchase of commodity vehicles from Dongfeng Motor Group was approximately RMB3,082 million.

5. Master Auto Parts Sales Agreement

On 28 December 2016, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master agreement (the "Master Auto Parts Sales Agreement") in relation to sales of auto parts and other products, the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Auto Parts Sales Agreement, Dongfeng Motor Group agreed to sell and procure its subsidiaries to sell auto parts and other products (including, amongst others, fuel tank, exhaust pipes, mounting and other auto parts of commercial vehicles) to Dongfeng Motor Corporation and its subsidiaries. During the term of the Master Auto Parts Sales Agreement, Dongfeng Motor Group may from time to time enter into definitive written agreement(s) with Dongfeng Motor Corporation and/or its subsidiaries in relation to sales of auto parts and other products (including, amongst others, fuel tank, exhaust pipes, mounting and other auto parts of commercial vehicles) to Dongfeng Motor Corporation and/or its subsidiaries, based on both parties' production plan and actual needs
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The transactions under the Master Auto Parts Sales Agreement will be conducted in the ordinary and usual course of business and on normal commercial terms and such terms and conditions will be negotiated on an arm's length basis and will be no less favourable than those available from independent third parties of the Company

The proposed annual caps for sales of auto parts to Dongfeng Motor Corporation and its subsidiaries for the year 2017 was approximately RMB300 million. For the year ended 31 December 2017, the annual actual amount for Dongfeng Motor Corporation and its subsidiaries' purchase of auto parts was approximately RMB285 million.

6. Master Auto Parts Procurement Agreement

On 28 December 2016, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master agreement (the "Master Auto Parts Procurement Agreement") regarding the procurement of auto parts and other products for the Group, the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Auto Parts Procurement Agreement, Dongfeng Motor Corporation agreed to provide and procure its subsidiaries to provide auto parts and other products (including, amongst others, event data recorders, electronic products and other customised auto parts) to the Group based on the production plan and actual needs of the Group. During the term of the Master Auto Parts Procurement Agreement, the Group may from time to time enter into definitive agreement(s) with Dongfeng Motor Corporation and/or its subsidiaries in relation to procurement of auto parts and other products (including, amongst others, event data recorders, electronic products and other customised auto parts) for the Group
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The purchase prices to be payable by Dongfeng Motor Group under the Master Auto Parts Procurement Agreement are determined with reference to the market price of comparable products which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent suppliers for comparable products

The proposed annual caps for procurement of auto parts from Dongfeng Motor Corporation and its subsidiaries for the year 2017 was approximately RMB500 million. For the year ended 31 December 2017, the annual actual amount of procurement of auto parts from Dongfeng Motor Corporation and its subsidiaries was approximately RMB319 million.

7. Master Logistics Services Agreement

On 28 December 2016, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master agreement in relation to provision of logistics services (the "Master Logistics Services Agreement"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Logistics Services Agreement, Dongfeng Motor Corporation agreed to provide and procure its subsidiaries to provide logistics services to the Group. During the term of the Master Logistics Services Agreement, Dongfeng Motor Group may from time to time enter into individual agreement(s) or sales orders with Dongfeng Motor Corporation and its subsidiaries in relation to provision of logistics services to the Group
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The price under the Master Logistics Services Agreement will be agreed within the range of the government-guided price (if any) prescribed or approved by state or local price control department and where there is no government-guided price, at market price

The proposed annual caps for the logistics services provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group for the year 2017 is approximately RMB2,100 million. For the year ended 31 December 2017, the annual actual amount for Logistics Service provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB1,443 million.

8. Master Automobile Inspection Services Agreement

On 28 December 2016, Dongfeng Motor Group and Dongfeng Motor Corporation entered into the master technology consultancy and automobile inspection services agreement (the "Master Automobile Inspection Services Agreement"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Automobile Inspection Services Agreement, Dongfeng Motor Group agrees to engage Dongfeng Motor Corporation and its subsidiaries for provision of technology consultancy and vehicle inspection services. During the term of the Master Automobile Inspection Services Agreement, Dongfeng Motor Group may from time to time enter into definitive written agreement(s) with Dongfeng Motor Corporation and its subsidiaries in relation to the provision of technology consultancy and vehicle inspection services to the Group, subject to the terms and conditions of and in compliance with the Master Automobile Inspection Services Agreement
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The price will be determined with reference to the market prices for comparable services which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent service providers for services of the same type and comparable quality

The annual caps of payment by Dongfeng Motor Group to Dongfeng Motor Corporation and its subsidiaries for the provision of vehicle inspection services by Dongfeng Motor Corporation and its subsidiaries are approximately RMB700 million for the year 2017. For the year ended 31 December 2017, the annual actual amount for vehicle inspection services provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB290 million.

9. Financial Services Master Agreement

On 28 December 2016, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a financial services master agreement (the "Financial Services Master Agreement"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Financial Services Master Agreement, Dongfeng Motor Group agreed to provide and procure its subsidiaries to provide financial services to Dongfeng Motor Corporation and its subsidiaries. The parties may from time to time enter into individual financial services agreement in compliance with the principles set out in the Financial Services Master Agreement. Services to be provided by Dongfeng Motor Group to Dongfeng Motor Corporation and its subsidiaries include (i) treasury services, including budget management, settlement, fund allocation and depository; (ii) financing services, including lending, discount, acceptance and factoring; and (iii) financial services in relation to the automobile products of Dongfeng Motor Corporation, including consumer facilities, buyer facilities and leasing
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	Financial services to be provided under the Financial Services Master Agreement will be charged at (i) the government-prescribed prices approved by the state or local government; (ii) where there is no government prescribed price but where there is a government guidance price, the government-guidance prices; and (iii) where there is neither a government prescribed price nor a government-guidance price, the market prices; and/or (iv) at rates determined on an arm's length and reasonable basis and comply with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and regulations of the PRC

The proposed annual cap for the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Corporation and its subsidiaries to the Company of the year 2017 was RMB1,500 million. As at 31 December 2017, the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB279 million.

10. Deposit Agreement

On 28 December 2016, Dongfeng Motor Group has entered into the deposit agreement (the "Deposit Agreement") with Dongfeng Nissan Auto Finance Co., Ltd. regarding the procurement of financial services from Dongfeng Nissan Auto Finance, the principal terms of which are set out below.

Date:	28 December 2016
Parties：	(1) Dongfeng Motor Group (2) Dongfeng Nissan Auto Finance Co., Ltd.
Subject matter：	Pursuant to the Deposit Agreement, Dongfeng Motor Group agreed to purchase and Dongfeng Nissan Auto Finance agreed to provide financial services to the Company and its subsidiaries. The parties may from time to time enter into individual financial services agreement in compliance with the principles set out in the Financial Services Master Agreement. Services to be provided by Dongfeng Motor Group to Dongfeng Nissan Auto Finance and its subsidiaries include (i) placing deposit; (ii) treasury services, including budget management, settlement, fund allocation and depository; (iii) financing services, including lending, discount, acceptance and factoring; and financial services in relation to the automobile products of Dongfeng Nissan Auto Finance Co., Ltd., including consumer facilities, buyer facilities and leasing
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing：	Financial services to be provided under the Deposit Agreement will be charged at (i) the government prescribed prices approved by the state or local government; (ii) where there is no government-prescribed price but where there is a government-guidance price, the government-guidance prices; and (iii) where there is neither a government prescribed price nor a government guidance price, the market prices; and/or (iv) at rates determined on an arm's length and reasonable basis and comply with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and regulations of the PRC

The maximum balance of Deposits maintained by Dongfeng Motor Group with Dongfeng Nissan Auto Finance Co., Ltd. shall not exceed RMB2,800 million on any given day for the year 2017. As at 31 December 2017, the outstanding amount of the deposits placed by Dongfeng Motor Group with Dongfeng Nissan Auto Finance Co., Ltd. was approximately RMB2,200 million.

11. Master Land Lease

(1) On 28 December 2016, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master land lease (the "Master Land Lease"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (excluding Dongfeng Motor Co., Ltd.) (2) Dongfeng Motor Corporation
Subject matter:	Pursuant to the Master Land Lease, Dongfeng Motor Corporation agreed to lease and procure its subsidiaries to lease the land located in Hubei Province (the "Land") to Dongfeng Motor Group and Dongfeng Motor Group agreed to lease the Land from Dongfeng Motor Corporation and its subsidiaries to meet its production and operational needs. The parties will enter into individual land lease for each leased Land pursuant to the terms and conditions of the Master Land Lease. The transactions contemplated under the Master Land Lease and the individual land leases will at all times be conducted subject to and in accordance with the Listing Rules and the applicable guidelines, rules and regulations of the Stock Exchange
Lease term:	Three years from 1 January 2017 to 31 December 2019; and three months before the lease term expires, the parties may negotiate to extend or renew the Master Land Lease
Rental:	The annual rental amount paid by Dongfeng Motor Group will not exceed the Proposed Cap. The rental amounts for the Master Land Lease were determined by the parties to the individual land lease on arm's length basis. During the term of the Master Land Lease (as extended or renewed thereafter), the rental amount may be adjusted every three years since the relevant dates of the individual land lease subject to negotiation and agreement between the parties, which will be no more than the fair market value of the leased land as determined by an independent valuer jointly engaged by both parties. During the term of the Master Land Lease, rental payments shall be made semi-annually and within 10 days after half of or the whole calendar year (i.e. 30 June or 31 December). If Dongfeng Motor Group fails to meet their payment obligations under the Master Land Lease, it will pay to Dongfeng Motor Corporation or its subsidiaries a fine on a daily basis at the rate of 5% until the outstanding payment has been made
Sublet:	Without written consent from Dongfeng Motor Corporation or its subsidiaries, Dongfeng Motor Group shall not sublet the land or assign any rights or obligations under the Master Land Lease. And the land shall be used according to the purpose as set out in the Master Land Lease

The annual cap of Dongfeng Motor Group's leasehold payments to Dongfeng Motor Corporation was approximately RMB230 million in 2017. For the year ended 31 December 2017, the leasehold payment payable by Dongfeng Motor Group to Dongfeng Motor Corporation was approximately RMB129 million and the actual leasehold payment made by the Group to Dongfeng Motor Corporation was approximately RMB194 million. The outstanding amount for the year amounted to RMB0 and the total outstanding amount was RMB22 million.

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

Date: From 2003 to 2053

Parties: (1) Dongfeng Motor Co., Ltd.
(2) Dongfeng Motor Corporation

Lease Term: 50 years

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

Pricing: At fair market rate

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

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

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

For the year ended 31 December 2017, the total leasehold payment payable by Dongfeng Motor Co., Ltd. to Dongfeng Motor Corporation was approximately RMB71 million and the actual leasehold payment made by Dongfeng Motor Co., Ltd. to Dongfeng Motor Corporation was approximately RMB74 million. The outstanding amount for the year amounted to approximately RMB0 million and the total outstanding amount was approximately RMB0 million.

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

Date: 28 November 2006

Parties: Dongfeng Motor Group
Dongfeng Hongtai Wuhan Holdings Group Limited

Term: The agreement has been effective from 28 November 2006 and is a continuing contract terminable by agreement between the parties on the occurrence of certain events such as the bankruptcy or reorganisation of a party

Objective: Dongfeng Motor Group sells whole vehicles and purchases auto parts such as seats for assembly through the whole vehicles selling network of Dongfeng Hongtai. Dongfeng Hongtai purchases related auto parts for assembly from Dongfeng Motor Group

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

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

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

For the year ended 31 December 2017, the total consideration paid by Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was RMB3,017 million and the total amount paid by Dongfeng Hongtai to Dongfeng Motor Group for purchases of vehicle and auto parts from Dongfeng Motor Group was RMB2,511 million.

13. For the year ended 31 December 2017, the continuing connected transactions relating to the joint ventures include:

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

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

During the year ended 31 December 2017, each of Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Co., Ltd., Dongfeng Honda Automobile Co., Ltd, Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd., and Dongfeng Renault Automobile Co., Ltd. (including each of these companies' subsidiaries, joint ventures and associates) regularly purchased auto parts or production facilities from the joint venture partners of the Company in the manner described below and such purchases will continue for the duration of the joint venture term.

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

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

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

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

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

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

For the year ended 31 December 2017, the total consideration paid by the joint ventures (including their subsidiaries, joint ventures and associates) in respect of purchases of auto parts and production facilities from the joint venture partners (including their subsidiaries and associates) was RMB56,083 million.

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

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

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

Dongfeng Honda Auto Parts Co., Ltd. continued to sell auto parts to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. as at 31 December 2017.

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

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

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

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

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

As at 31 December 2017, GAC Honda Automobile Co., Ltd. continued to purchase from Dongfeng Honda Engine Co., Ltd. engines and auto parts needed by it.

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

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

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

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

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

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

For the year ended 31 December 2017, the total consideration paid by the joint ventures in respect of purchases of technology license and technical assistance stated above was RMB6,880 million.

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

1. REVENUE

In 2017, automobile production and sales showed a slight increase trend. Production and sales volume registered approximately 29,015,400 units and 28,878,900 units respectively, up by a year-on-year growth of approximately 3.2% and approximately 3.0%.

With respect to the passenger vehicle market, in 2017, a sales volume of approximately 24,718 thousand units was achieved, representing a year-on-year increase of approximately 1.4%. Among which, the standard sedan recorded a year-on-year decrease of 2.5%. MPV declined by approximately 17.1% year on year; and SUV increased by approximately 13.3% compare with the corresponding period of last year, a continuation of growth momentum; the cross passenger vehicle fell by 20.0% year on year, representing continued market shrinkage.

As for the commercial vehicle market, the sales volume accumulated to approximately 4,161 thousand units in 2017, representing a year-on-year increase of approximately 14.0%. Among which, trucks increased by 16.9% year-on-year and buses decreased by 3.0% year-on-year.

In 2017, the Group managed to overcome various risks and challenges and its operation remained steady growth. The total sales volume of the Group for the year was approximately 3,284,200 units, representing an increase of approximately 4.1% over last year. Sales of passenger vehicles were approximately 2,829,200 units, representing an increase of approximately 1.5% over last year. Sales of commercial vehicles were approximately 455,000 units, representing an increase of approximately 23.9% over last year. The domestic market share of the Group in terms of sales volume was approximately 11.4%, representing an increase of approximately 0.1 percentage points over last year. The market share of its passenger vehicles was approximately 11.4%, basically the same as the corresponding period last year. The market share of its commercial vehicles was 10.9%, representing an increase of approximately 0.8 percentage points over last year.

In 2017, the revenue of the Group was approximately RMB125,016 million, representing an increase of approximately RMB2,481 million, or 2.0%, as compared with approximately RMB122,535 million of the corresponding period of last year. The increase in revenue was mainly due to the increase in sales revenue from Dongfeng Commercial Vehicles Co., Ltd..

Business	**2017 Sales revenue** ***RMB million***	2016 Sales revenue *RMB million* (Restated)
Passenger vehicles	**61,732**	76,656
Commercial vehicles	**59,826**	43,298
Financing service	**3,047**	2,338
Corporate and others	**539**	351
Elimination	**(128)**	(108)
Total	**125,016**	122,535

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group decreased by approximately RMB14,924 million, or 19.5%, to approximately RMB61,732 million from approximately RMB76,656 million of 2016. The decrease in revenue was mainly due to the decrease in sales revenue from Dongfeng Peugeot Citroën Automobile Sales Co., Ltd..

1.2 Commercial Vehicle Business

The sales revenue of commercial vehicles of the Group increased by approximately RMB16,528 million, or 38.2%, to approximately RMB59,826 million from approximately RMB43,298 million of 2016. 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 RMB709 million, or 30.3%, to approximately RMB3,047 million from approximately RMB2,338 million of 2016. The financial business of the Group maintained its rapid growth.

2. COST OF SALES AND GROSS PROFIT

The total cost of sales of the Group for 2017 was approximately RMB108,904 million, representing an increase of approximately RMB3,884 million, or 3.7%, as compared with approximately RMB105,020 million of last year. The total gross profit was approximately RMB16,112 million, representing a decrease of approximately RMB1,403 million, or 8.0%, as compared with approximately RMB17,515 million of last year. The comprehensive gross margin decreased by 1.4 percentage points to approximately 12.9% from approximately 14.3% of last year.

3. OTHER INCOMES

The total other incomes of the Group for 2017 amounted to approximately RMB2,775 million, representing an increase of approximately RMB574 million as compared with approximately RMB2,201 million of last year.

The increase in other incomes was mainly due to the increase in income from subsidies and interest income.

4. SELLING AND DISTRIBUTION COSTS

The selling and distribution costs of the Group for 2017 decreased by approximately RMB364 million to approximately RMB7,270 million from approximately RMB7,634 million of last year.

The decrease in selling and distribution costs was mainly due to the decrease in the advertising expenses.

5. ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for 2017 increased by approximately RMB841 million to approximately RMB4,608 million from approximately RMB3,767 million of last year.

The increase in administrative expenses was mainly due to the corresponding increase in staff costs as the result of the business performance growth.

6. OTHER EXPENSES

The other expenses of the Group for 2017 amounted to approximately RMB6,423 million, representing an increase of approximately RMB722 million as compared with approximately RMB5,701 million of last year.

The increase in other expenses was mainly attributable to the increase in research and development expenditures.

7. STAFF COSTS

The staff costs of the Group for 2017 amounted to approximately RMB7,292 million, representing an increase of approximately RMB1,108 million as compared with approximately RMB6,184 million of last year.

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

8. FINANCE EXPENSES

The net finance expenses of the Group for 2017 amounted to approximately RMB592 million, representing an increase of approximately RMB147 million as compared with net finance expenses of approximately RMB445 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 2017 amounted to approximately RMB13,574 million, representing an increase of approximately RMB1,909 million as compared with that of approximately RMB11,665 million of the corresponding period of last year, mainly due to the facts that: 1. the investment gain of the Group increased year-on-year by approximately RMB1,563 million, as a result of the increase of 25.3% of sales of Dongfeng Honda Automobile Co., Ltd., the enhancement of competitiveness and steady sales price of high-revenue vehicles such as CRV, XRV and CIVIC, and tightening business policy on new model of vehicles; 2. the investment gain of the Group increased year-on-year by approximately RMB414 million as a result of the increase of 140.6% of sales of Dongfeng Renault Automotive Co., Ltd. to approximately 72 thousand units; 3. the investment gain of the Group increased by approximately RMB642 million year-on-year as a result of the increase of 12.1% of sales of Dongfeng Motor Co., Ltd., and the continuous and steady increase in operating profit mainly due to the improvement of sales and business structure; 4. the investment gain of the Group attributable to Dongfeng Peugeot Citroën Automobile Co., Ltd. decreased year-on-year by approximately RMB983 million, mainly due to the decrease in sales of vehicles such as C3-XR, New 408, 3008, 2008 and C-Elysee.

10. SHARE OF PROFITS AND LOSSES OF ASSOCIATES

Share of profits and losses of associates of the Group for 2017 amounted to approximately RMB2,207 million, representing an increase of approximately RMB310 million as compared with that of approximately RMB1,897 million of the corresponding period of last year, mainly due to the increase in investment gain of approximately RMB208 million generated from the investment in PSA.

11. INCOME TAX

The income tax expense of the Group for 2017 amounted to approximately RMB1,141 million, representing a decrease of approximately RMB135 million as compared with approximately RMB1,276 million of the corresponding period of last year. The effective tax rate for the period was approximately 7.2%, representing a decrease of approximately 0.9% as compared with approximately 8.1% of last year.

12. PROFIT FOR THE YEAR

The profit attributable to shareholders of the Group for 2017 was approximately RMB14,063 million, representing an increase of approximately RMB718 million, or 5.4% as compared with that of approximately RMB13,345 million for the corresponding period of last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 11.2%, representing an increase of approximately 0.3% as compared with approximately 10.9% of the corresponding period of last year. The return of equity (a percentage of profit attributable to shareholders to average net assets) was approximately 13.7%, representing a decrease of approximately 1.0% as compared with approximately 14.7% of the corresponding period of last year.

13. TOTAL ASSETS

Total assets of the Group as at the end of 2017 amounted to approximately RMB212,492 million, representing an increase of approximately RMB27,413 million as compared with approximately RMB185,079 million of the end of last year. The increase was mainly due to the increase in cash and cash equivalents, restricted cash, trade receivables, inventories, property, plant and equipment and investments in associates.

14. TOTAL LIABILITIES

Total liabilities of the Group as at the end of 2017 amounted to approximately RMB97,496 million, representing an increase of approximately RMB16,055 million as compared with approximately RMB81,441 million of the end of last year. The increase was mainly due to the increase in bills payable, amounts payable to jointly-controlled entities and interest-bearing borrowings, among which bills payable increased by approximately RMB6,659 million, deposits from joint venture received by finance companies increased by approximately RMB5,848 million.

15. TOTAL EQUITY

Total equity of the Group as at the end of 2017 amounted to approximately RMB114,996 million, representing an increase of approximately RMB11,358 million as compared with approximately RMB103,638 million at the end of last year. Equity attributable to equity holders of the parent amounted to approximately RMB108,201 million, representing an increase of approximately RMB11,475 million as compared with approximately RMB96,726 million at the end of last year.

16. LIQUIDITY AND SOURCES OF CAPITAL

	Twelve months ended 31 December 2017 ***(RMB million)***	Twelve months ended 31 December 2016 *(RMB million)* (Restated)
Net cash flows generated from operating activities	**4,150**	3,638
Net cash flows generated from investing activities	**1,169**	1,403
Net cash flows (used in) financing activities	**(3,493)**	(4,155)
Net increase in cash and cash equivalents	**1,826**	886

Net cash inflows from operating activities of the Group amounted to approximately RMB4,150 million, reflecting mainly: (1) profit before taxation of approximately RMB2,379 million, net of depreciation, impairment and other non-cash items; (2) increase of approximately RMB8,404 million of trading payable, bills payable and other payables and accrued liabilities; (3) the loans and receivables generated from financial business increased by approximately RMB8,762 million; (4) inventories increased by approximately RMB1,687 million; (5) amount due to joint ventures increased by approximately RMB5,091 million; and (6) income tax payment of approximately RMB1,161 million;

Net cash inflows from investing activities of the Group amounted to approximately RMB1,169 million, mainly reflecting: (1) spending approximately RMB4,475 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 RMB10,646 million; (3) increase in pledged bank balances and time deposits, resulting in a decrease of approximately RMB3,866 million;

Net cash outflows used in financing activities of the Group amounted to approximately RMB3,493 million, mainly reflecting (1) increase of proceeds from bank borrowings resulting in a cash inflow of approximately RMB2,628 million; (2) repayment of bank borrowings resulting in a cash outflow of approximately RMB2,563 million; and (3) approximately RMB3,633 million of dividends to shareholders.

As a result of the above, the Group's cash and cash equivalents (excluding time deposits with an original maturity of three months or more) amounted to approximately RMB31,550 million as at 31 December 2017, representing an increase of approximately RMB1,826 million as compared with approximately RMB29,724 million as at 31 December 2016. Cash and bank balances (including time deposits with an original maturity of three months or more) amounted to approximately RMB33,350 million, representing an increase of approximately RMB2,499 million as compared with approximately RMB30,851 million as at 31 December 2016. Net cash (cash and bank balances less interest-bearing borrowings) of the Group amounted to approximately RMB26,965 million, representing an increase of approximately RMB3,866 million when compared with approximately RMB23,099 million as at 31 December 2016.

As at 31 December 2017, the Group's equity ratio (as a percentage of total borrowings to total shareholders' equity) was approximately 15.6%, representing an increase of approximately 0.7 percentage points as compared with approximately 14.9% as at 31 December 2016. The Group's liquidity ratio was approximately 1.27 times, representing a decrease of approximately 0.08 times from approximately 1.35 times as at 31 December 2016. The Group's quick ratio was approximately 1.15 times, representing a decrease of 0.07 times from approximately 1.22 times as at 31 December 2016.

The inventory turnover days of the Group increased by approximately 4 days to approximately 34 days as at 31 December 2017, from approximately 30 days as at 31 December 2016. The Group's turnover days of receivables (including bills receivable) increased by approximately 2 days to approximately 60 days as at 31 December 2017, from approximately 58 days as at 31 December 2016. The turnover days of receivables (excluding bills receivable) increased by approximately days to approximately 17 days from approximately 12 days as at 31 December 2016. The turnover days of bills receivable decreased by approximately 3 days to approximately 43 days from 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 2017 was approximately RMB273,243 million, representing an increase of approximately RMB27,687 million, or 11.3%, as compared with approximately RMB245,556 million of last year. Profit before income tax for 2017 was approximately RMB21,579 million, representing an increase of approximately RMB730 million, or 3.5%, as compared with approximately RMB20,849 million of last year. Total assets for 2017 were RMB296,886 million, representing an increase of approximately RMB35,023 million, or 13.4%, as compared with approximately RMB261,863 million of last year.

Profiles of Directors, Supervisors and Senior Management

CHAIRMAN

Mr. Zhu Yanfeng, aged 56, was appointed as an Executive Director on 19 June 2015. He is the Chairman and Party Secretary of the Company. Mr. Zhu graduated from Zhejiang University with a Bachelor's degree in Engineering specializing in Chemical Automation and Instruments in 1983 and graduated from Harbin Institute of Technology with a Master's degree in Engineering specializing in Control Engineering in 2002. He is a senior postgraduate engineer. He started his career in 1983 at FAW (First Automobile Works) manufacturing plant. He was the vice general manager of FAW Group Corporation from March 1997 to November 1998 and concurrently served as the general manager and party secretary of FAW Car Co., Ltd. (一汽轎車股份有限公司) from April 1997 to November 1998. Mr. Zhu served as the executive deputy general manager and committee member of the communist party of FAW Group Corporation from November 1998 to February 1999, and served as the general manager and committee member of the communist party of FAW Group Corporation from February 1999 to August 2000. He became the general manager and deputy party secretary of FAW Group Corporation from August 2000 to November 2007, and served as the committee member of the provincial party committee of Jilin Province from November 2007 to December 2007. He was a standing committee member of the provincial party committee and standing deputy governor of Jilin Province from December 2007 to May 2012. He was a deputy party secretary of the provincial party committee of Jilin Province from May 2012 to May 2015. He has been the chairman and party secretary of Dongfeng Motor Corporation since May 2015. He was appointed as the chairman and party secretary of Dongfeng Motor Group Company Limited in May 2015, the chairman and party secretary of Dongfeng Motor Co., Ltd. in May 2015 and November 2015 respectively, and the chairman of the commitment of Global Strategic Alliance of DFG-PSA in May 2015. Mr. Zhu has more than 30 years of business and management experience in the automotive industry.

EXECUTIVE DIRECTOR

Mr. Li Shaozhu, aged 57, was appointed as an Executive Director on 5 August 2005. He is an Executive Director and President of the Company. Mr. Li graduated from Tsinghua University in 1983 with a Bachelor's degree in Engineering Science, specializing in Casting Engineering and Equipment. He also graduated from Zhongnan University of Finance and Economics with a Master's degree in Business Administration in 1996. He is a senior postgraduate engineer. Mr. Li joined Dongfeng Motor Corporation in 1983. Mr. Li served as a deputy general manager of Dongfeng Motor Corporation from July 1997 to June 2016, and the general manager of Dongfeng Automobile Co., Ltd. From July 1999 to November 2001 and was appointed as a committee member of the communist party of Dongfeng Motor Corporation from July 2001 to June 2016. He was the vice president of Dongfeng Motor Co., Ltd. from July 2003 to September 2005. Mr. Li was the general manager of Dongfeng Passenger Vehicle Company from July 2007 to July 2011. He was the party secretary of Dongfeng Design Institute Co., Ltd. from August 2011 to September 2016. He has been a director, the general manager and deputy party secretary of Dongfeng Motor Corporation since June 2016 as well as the president of Dongfeng Motor Group Company Limited since August 2016. He was appointed as a committee member of the communist party and a director of Dongfeng Motor Co., Ltd. in August 2003 and August 2016, respectively, the chairman of Dongfeng Commercial Vehicle Co., Ltd. in August 2016, the chairman of Dongfeng Renault Automobile Company Limited in August 2016, and the chairman of Dongfeng Infiniti Motor Company Limited in August 2016. Mr. Li has more than 30 years of business and management experience in the automotive industry.

Mr. Liu Weidong, aged 51, was appointed as a Non-executive Director on 9 October 2004 and re-designated as an Executive Director on 28 March 2017. He is an Executive Director of the Company. Mr. Liu graduated in 1988 from Wuhan Technical Institute with a Bachelor's Degree in Engineering, specializing in the automotive industry. He studied Management Science and Engineering and received a Master's degree in Management from Wuhan Polytechnic University in 2003. Mr. Liu is a senior postgraduate engineer. He joined Dongfeng Motor Corporation in 1988 and worked as the general manager of Dongfeng Peugeot Citroën Automobile Co., Ltd. from April 2001 to January 2011 and has been the deputy general manager of Dongfeng Motor Corporation since July 2001. Mr. Liu has served as a standing committee member of the communist party of Dongfeng Motor Corporation since March 2009. He served as the deputy secretary of the community party committee of the Dongfeng Peugeot Citroën Automobile Co., Ltd. from February 2004 to December 2005 and the secretary of the community party committee of the Dongfeng Passenger Vehicle Company from July 2007 to July 2011. From July 2011 to May 2014, he was appointed as the general manager of Dongfeng Passenger Vehicle Company. From July 2011 to March 2012, he served as the secretary of the community party committee of Technical Center of Dongfeng Motor Corporation. He also served as the chairman of Dongfeng GETRAG Transmission Co., Ltd. In November 2012, Chief engineer of Dongfeng Motor Group Company Limited in June 2017, chairman of China Dongfeng Motor Industry Import and Export Co., Ltd. In June 2017, chairman of Dongfeng Off-road Vehicle Co., Ltd. in June 2017, chairman of Dongfeng Xiaokang Motor Company Limited in June 2017 and the vice chairman of the Board of Supervisors of PSA Peugeot Citroën in June 2017. Mr. Liu has nearly 30 years of business and management experience in the automotive industry in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Ma Zhigeng, aged 73, was appointed as an Independent Non-executive Director of the Company on 23 January 2013. He has served as the external director of Dongfeng Motor Corporation and China Three Gorges Corporation since March 2011. Mr. Ma graduated from Yangzhou Institute of Technology majoring in mechanical manufacturing in 1968. Mr. Ma has worked in various positions since September 1968, including the deputy head of Sichuan Ordnance Bureau of the Ordnance Ministry (兵器部四川兵工局), deputy head of the Southwest regional department of China North Industries Group (中國北方工業(集團)總公司), as well as deputy head, chief economist, deputy general manager and deputy party secretary of the Southwest Ordnance Bureau of China North Industries Corporation (中國兵器工業總公司). He served as the general manager and party secretary of China North Industries Group Corporation from June 1999 to June 2007, and as the general manager of China North Industries Group Corporation from June 2007 to October 2008. Mr. Ma has served as the external director of Shanghai Electric Group, China Three Gorges Corporation and Dongfeng Motor Corporation since June 2010, December 2010 and March 2011 respectively. Mr. Ma became a Director of the Third Session of the Board of Directors of the Company in January 2013 and Director of Four Session from 10 October 2013 with a term of three years commencing from 10 October 2013.

Profiles of Directors, Supervisors and Senior Management (Continued)

Mr. Zhang Xiaotie, aged 65, was appointed as an Independent Non-executive Director of the Company on 10 October 2013. He is the external director of Dongfeng Motor Corporation and China National Travel Service (HK) Group Corporation. Mr. Zhang graduated from the School of Economics and Management of Tsinghua University as a part-time postgraduate in Industrial Management Engineering and received a Master's degree in Engineering in 1989. Mr. Zhang had worked in various positions since 1969, including the deputy director general of the Finance Department of the Ministry of Posts and Telecommunications, deputy director general and director general of the Department of Financial Adjustment and Communications Clearance of the Ministry of Information Industry, assistant to president, general manager and deputy general manager of the Planning and Financial Division and a member of leading party group of China Netcom Group Corporation, and director and senior vice president of China Netcom Group Corporation (Hong Kong) Limited. From May 2008 to June 2010, he served as the deputy general manager and a member of leading party group of China Mobile Communications Corporation. He became the external director of China Electronics Corporation and Dongfeng Motor Corporation in June 2010 and March 2011 respectively.

Mr. Cao Xinghe, aged 68, a senior economist, was appointed as an Independent Non-executive Director of the Company on 10 October 2013. He is the external director of Dongfeng Motor Corporation. Mr. Cao graduated from Tianjin Politics and Law Management College majoring in Economic Laws and Capital University of Economics and Business as a postgraduate majoring in Business Administration. Mr. Cao had worked in various positions since 1965, including the deputy general manager, general manager and secretary of the communist party of China Offshore Oil Bohai Corporation, and assistant to general manager of China National Offshore Oil Corporation. From 2004 to 2010, he served as the deputy general manager and member of leading party group of China National Offshore Oil Corporation. He served as the executive vice chairman of China Petroleum Enterprise Association and honorary chairman of China Petroleum and Chemical Enterprise Association (中國石油化工企業聯合會) in 2007. He became an independent director of China Yangtze Power Co., Ltd. in 2010, external director of Dongfeng Motor Corporation in 2011 and external director of China Shipping (Group) Company in 2012.

Mr. Chen Yunfei, aged 47, was appointed as an Independent Non-executive Director of the Company on 10 October 2013. He lives in Hong Kong. Mr. Chen received his Bachelor's degree in law from Wuhan University in July 1992 and JD from Southern Illinois University in the US in December 1996. In early 1997, he joined Sullivan & Cromwell, an American law firm based in New York, and started practicing securities law. He moved to Hong Kong in 1998 and continued legal practice in the Hong Kong office of Sullivan & Cromwell. He left Sullivan & Cromwell in July 2001 and joined the Asian investment banking division of Deutsche Bank. During his service as a managing director in the Asian investment banking division of Deutsche Bank, he took charge of its Asian general industry (such as automobile industry) and metal and mining groups in different periods. In August 2007, he left Deutsche Bank and became an independent investor engaged in investment and consultation. He served as the board chairman of Asia Coal Limited, a company listed in Hong Kong, and is currently the independent director of China Gold International Resources Corp. Ltd., a company listed in Toronto, Canada and Hong Kong.

SENIOR MANAGEMENT

Mr. Yang Qing, aged 51, is the Vice President of the Company. Mr. Yang graduated from Wuhan Technical Institute in 1988 with a Bachelor's degree in Engineering Science, majoring in Internal Combustion Engines. He is a senior engineer. He started working for Dongfeng Motor Corporation in 1988. From November 2012 to June 2016, he was the general manager of Dongfeng Automobile Co., Ltd.. Mr. Yang has been the general manager of Dongfeng Commercial Vehicles Co., Ltd. since June 2016, and the vice president of Dongfeng Motor Group Company Limited since August 2016. He was a director of Dongfeng Commercial Vehicles Co., Ltd. in August 2016. Mr. Yang was a standing committee member of the communist party and a deputy general manager of Dongfeng Motor Corporation in March 2017, chairman of Dongfeng Motor Trade Corporation in December 2017 and the secretary of the community party committee of Dongfeng Commercial Vehicle Co., Ltd. in February 2018.

Mr. An Tiecheng, aged 54, is the Vice President of the Company. Mr. An graduated from Jilin Institute of Technology in 1984 with a Bachelor's degree in Engineering Science, majoring in Advanced Molecular Chemical Engineering. He also graduated from Jilin University of Technology in 2002 with a Master's Degree of Management Science, majoring in Management Science and Engineering. From July 1984 to March 2017, he worked at FAW manufacturing plant, and then entered into Dongfeng Motor Corporation in March 2017 serving as the standing committee member of the communist party and deputy general manager. Mr. An became the vice president of the Company in June 2017.

Mr. Cai Wei, aged 59, is the Vice President of the Company. Mr. Cai graduated from Hefei Industrial University in 1982 with a Bachelor's degree in Engineering Science, specializing in internal combustion engines. He is a senior postgraduate engineer. Mr. Cai joined Dongfeng Motor Corporation in 1982. He was the general manager and party secretary of the auto parts division of Dongfeng Motor Corporation from November 2001 to July 2003, and the head of the Planning Department of Dongfeng Motor Corporation from July 2003 to September 2005. He has been the vice president of Dongfeng Motor Group Company Limited since October 2004, and the assistant to the general manager of Dongfeng Motor Corporation since October 2006. Mr. Cai concurrently served as the secretary to the board of directors of Dongfeng Motor Group Company Limited from October 2004 to August 2016, the secretary to the party committee of Dongfeng Honda Automobile Co., Ltd. from December 2009 to June 2016, and the secretary to the board of directors of Dongfeng Motor Corporation from July 2011 to August 2016. Mr. Cai was appointed as a director of Dongfeng Honda Automobile Co., Ltd. in July 2003, the vice chairman of Dongfeng Peugeot Citroën Automobile Co., Ltd. in August 2016, and a director of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. in August 2016.

Profiles of Directors, Supervisors and Senior Management (Continued)

Mr. Qiao Yang, aged 55, is a Vice President of the Company. Mr. Qiao graduated from Hubei Radio & TV University in 1986, specializing in Industrial Accounting. He is a senior accountant. In 1982, he started working for Dongfeng Motor Corporation. Mr. Qiao was the director general of the general office for finance and accounting of Dongfeng Motor Co., Ltd. from July 2003 to March 2015, and the party secretary of finance & accounting office of Dongfeng Motor Co., Ltd. from July 2006 to December 2009. He was the head of the finance planning department of Dongfeng Motor Corporation from December 2008 to July 2011. He has been the head of the department for finance and accounting of the same company since July 2011, the assistant to the general manager of Dongfeng Motor Corporation since December 2015, and a vice president of Dongfeng Motor Group Company Limited since August 2016. In addition, he was the deputy chief accountant of Dongfeng Motor Corporation in February 2002, the chairman of the board of directors of Dongfeng Peugeot Citroën Auto Finance Co., Ltd. in October 2011, a director of Dongfeng Renault Automobile Co., Ltd. in May 2013, a supervisor of Dongfeng Motor Investment (Shanghai) Co., Ltd. (東風汽車投資(上海)有限公司) in March 2014, a director of Dongfeng Commercial Vehicle Co., Ltd. in August 2014, a director of Dongfeng Motor (Hong Kong) International Co., Ltd. in March 2015, the chairman of Dongfeng Motor Finance Co., Ltd. in November 2015, the chairman of Dongfeng Nissan Auto Finance Co., Ltd. in November 2015, an executive director of Dongfeng Asset Management Co., Ltd. (東風資產管理有限公司) in November 2015, Chairman of Chuangge Financial Leasing Company in December 2016 and the chairman of Dongfeng Yulon Motor Co., Ltd. in July 2017.

Mr. Lei Ping, aged 53, is the Vice President of the Company. Mr. Lei graduated from Wuhan Technical Institute (武漢工學院) in 1984 with a Bachelor's degree in Engineering Science, majoring in Management engineering for the machinery industry and graduated from Tsinghua University in 1992 with a Master's degree in Engineering Science, majoring in Management Engineering. He is a senior economist. In 1984, he started working for Dongfeng Motor Corporation. From July 2003 to August 2016, Mr. Lei was the head of the general operation planning department of Dongfeng Motor Co., Ltd.. From July 2011 to June 2016, he was the head of the operational management department of Dongfeng Motor Corporation. Since August 2016, Mr. Lei has been the vice president of Dongfeng Motor Group Company Limited, and a director, executive vice president and standing committee member of the communist party of Dongfeng Motor Co., Ltd.. In addition, he was a director of Dongfeng Infiniti Motor Co., Ltd. in August 2016, the chairman of the board of directors of Dongfeng Automobile Co., Ltd. and Zhengzhou Nissan Automobile Co., Ltd. in December 2016, and of Dongfeng Motor Parts and Components Group Co., Ltd. in January 2017.

Mr. Lu Feng, aged 50, is the Secretary of the Board of Directors, Company Secretary, the general manager of Investor Relationship Department of the Company and the general manager of Dongfeng Assets Management Company Limited. Mr. Lu served as the deputy general manager of Dongfeng Automobile Co., Ltd. from June 2002 to December 2009 and the general manager of Dongfeng Automobile Co., Ltd. from December 2009 to November 2012. Mr. Lu served as the general manager of Legal and Securities Affairs Department from November 2012 to August 2016.

SUPERVISORS

Mr. Wen Shuzhong, aged 56. Holding a master's degree in public administration, he started his career in July 1984. He was a cadre of the human resources office of education department of Inner Mongolia Autonomous Region and the secretary of Youth League Committee of the department. At the party committee of Inner Mongolia Autonomous Region, Wen served as a cadre of the university working committee office, and a principal staff member and assistant investigator of the supervisory office of the party committee general office (during his term, he also assumed the role of deputy county committee secretary of Guyang County, Inner Mongolia Autonomous Region). Furthermore, he worked as a full-time secretary of the general office secretariat of the party committee of Tibet Autonomous Region. Back in the Inner Mongolian authority, Wen served as the head of the general affairs section of the reception office, a cadre and deputy chief of the conduct improvement office at the supervisory department of the commission for discipline inspection, and the deputy chief of the supervisory department, standing committee member, secretary general and office head of the same commission. In December 2016, Wen became a standing committee member and secretary of the commission for discipline inspection of Dongfeng Motor Corporation. In February 2017, Wen acted as Chairman of the Supervisory Committee of the Company.

Mr. Zhao Jun, aged 59, was appointed as the supervisor of the Company on 10 October 2013. He graduated from Jilin University with a Bachelor's degree of science majoring in Mathematics in 1982 and obtained his master's and doctoral degrees in Science from Beijing Institute of Technology in 1987 and 1990 respectively. He was promoted to associate professor in 1991. He served as the director of registry in the former Beijing Institute of Commerce (currently known as Beijing Technology and Business University) from 1995 to 1998 and was promoted to professor in 2001. He is a professor and postgraduate instructor in administration at the International Business School of University of International Business and Economics. His researches cover academic fields of econometric model, management decision analysis, and statistical analysis and forecasting. He has published over 20 articles on theories of professional disciplines, application of theories, teaching materials and methodologies and education management. Mr. Zhao received the second prize for National Outstanding Teaching Achievements (國家級優秀教學成果二等獎) and the first prize for Beijing Outstanding Teaching Achievements (北京地區優秀教學成果一等獎).

JOINT COMPANY SECRETARY

Mr. Lu Feng, aged 50, is the Secretary of the Board of Directors, Company Secretary, the general manager of Investor Relationship Department of the Company and the general manager of Dongfeng Assets Management Company Limited. Mr. Lu served as the deputy general manager of Dongfeng Automobile Co., Ltd. from June 2002 to December 2009 and the general manager of Dongfeng Automobile Co., Ltd. from December 2009 to November 2012. Mr. Lu served as the general manager of Legal and Securities Affairs Department from November 2012 to August 2016.

Ms. Lo Yee Har, Susan, aged 58, is the Joint Company Secretary of the Company. Ms. Lo is an executive director of Tricor Services Limited. She is a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

Profiles of Directors, Supervisors and Senior Management (Continued)

HEADS OF DEPARTMENTS

The head of the Office of the Company (Party Committee Office) 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 Investor Relationship 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 Supervisory Department of the Company is Mr. Zeng Xian'an

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

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

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

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

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

Report of the Supervisory Committee

Dear shareholders,

In 2017, the Supervisory Committee has carried out its supervisory and other duties in accordance with the Company's Articles of Association to ensure the sound, stable and sustainable development of the Company as well as to safeguard the legal interests of all shareholders. It has performed effective supervision, through the inspection of relevant documents and information of the Company, and attending meetings of the Board of Directors and the shareholders' general meetings, on the compliance of laws, financial positions, connected transactions and internal control of the Company. The Supervisory Committee expressed the following independent opinion of such matters of the Company during the reporting period:

I. PERFORMANCE OF THE SUPERVISORY COMMITTEE

In 2017, the Supervisory Committee held two meetings and the number of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2017, the Supervisory Committee has reviewed and approved: the 2016 report of the Supervisory Committee of the Company; the 2016 financial report, which was audited by PricewaterhouseCoopers Zhong Tian LLP; the 2016 auditor's report, which was audited by PricewaterhouseCoopers and reviewed and approved by the Audit and Risk Management Committee; the 2016 annual report and preliminary results announcement; the 2016 profit distribution and payment of dividend proposal; the 2017 interim report and results announcement and the distribution proposal of 2017 interim dividend.

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

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

After the supervision on the directors and senior management of the Company, the Supervisory Committee is of the view that the Board of Directors was in compliance with the Company Law, the Securities Law, the Listing Rules of the Stock Exchange of Hong Kong, the Articles of Association of the Company and other relevant laws, rules and regulations and all Directors diligently performed their duties in 2017. The Supervisory Committee also considers that through scientific and democratic decision making of the Board of Directors, the internal management and internal control system of the Company have been further improved and a better internal control mechanism was established. The decision of the Company on material matters was reasonable and procedures of decision-making were in compliance with laws and valid. Almost all of the Directors and the senior management of the Company complied with the laws, regulations, the Article of Association of the Company and the resolutions passed at the Shareholders' General Meeting and Board Meeting during their performance of duty. They were devoted to performing their duties diligently and precisely and performed their duties cautiously and aggressively.

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

The Chairman of the Supervisory Committee has attended all meetings of the Audit and Risk Management Committee under the Board during the reporting period, examined the financial system, financial position and internal audit of the Company and reviewed the 2016 annual report and 2017 interim report of the Company. The Supervisory Committee considers that the financial statements of the Company were prepared in accordance with the Listing Rules, Company Ordinance and International Accounting Principles and Standards. The financial system of the Company was sound and the management measures and internal control system were effective and could ensure the smooth operation and production of the Company. The Supervisory Committee also considers that the 2017 financial report gives a full, true and fair view of the operating results and financial position of the Dongfeng Motor Group for the year and that the unqualified opinion in the financial report issued by PricewaterhouseCoopers the auditors of the Company, are objective and fair.

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

The Supervisory Committee has seen the operating results and assets position of the Company in 2017 to its satisfaction. In 2018, the Supervisory Committee will strictly follow the relevant provisions, such as the Company Law, Securities Law and the Articles of Association of the Company and carry out supervision on the performance and conduct of the Board of Directors and senior management in accordance with laws. The Supervisory Committee will also supervise the Company to refine the corporate governance structure based on the requirements of modern enterprise system, in order to enhance the corporate governance level. In addition, the Supervisory Committee will carry out supervision and perform their duties diligently and attend meetings of the Board of Directors, so as to ensure the decision-making procedures of material matters of the Company to be in compliance with laws and protect the interests of our shareholders. Besides, through supervising on the financial situation of the Company, further enhancing its internal control and operational risk prevention and maintaining the communication with the internal audit department and external audit institution, the Supervisory Committee will further protect the interests of the Company and our shareholders, in order to consolidate its solid foundation for steady and sustainable development.

By Order of the Supervisory Committee

Wen Shuzhong
Chairman of the Supervisory Committee

Wuhan, the PRC
27 March 2018

1. OVERVIEW OF CORPORATE GOVERNANCE

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

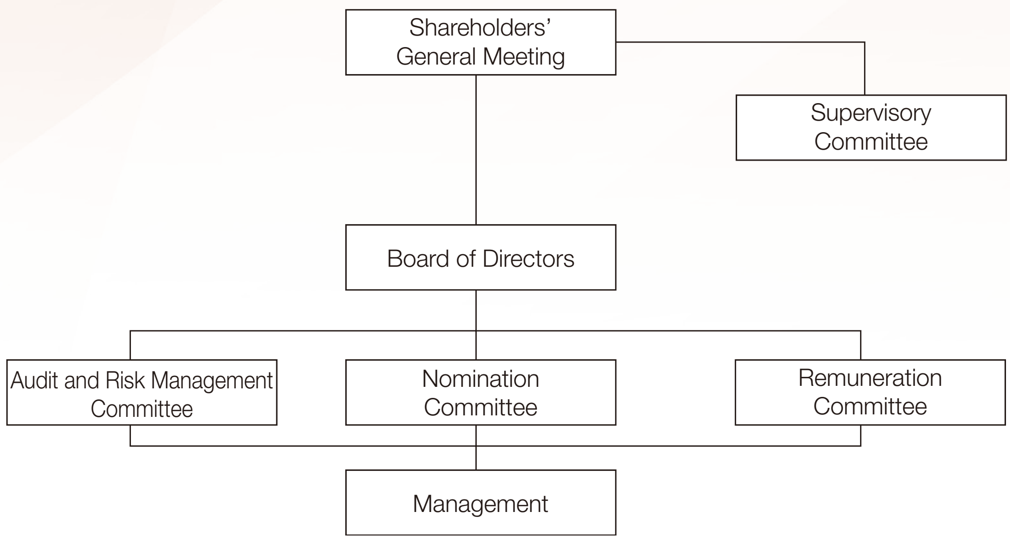
The Board of Directors has reviewed the corporate governance practices of the Company and adopted a number of improved practices, details of which are set out in this report. During the financial year ended 31 December 2017, the Company fully complied with the code provisions as set out in the Corporate Governance Code (Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited) except for Code Provision A.4.2.

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

2. STRUCTURE OF CORPORATE GOVERNANCE

1. General Structure of Corporate Governance

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



2. Shareholders and Shareholders' General Meeting

(1) Shareholders

As at 31 December 2017, Dongfeng Motor Corporation, the controlling shareholder of the Company, held approximately 67.4% equity interest in the Company both directly and indirectly, with a market value of RMB45,899.35 million. The remaining approximately 32.6% equity interest in the Company was held by public shareholders, with a market value of RMB22,233.60 million.

Information of other shareholders and persons who are entitled to exercise 5% or more (class of shares classified into domestic shares and H shares) of the voting power at shareholders' general meeting during the reporting period is set out on page 21 in this annual report.

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

The full text of the Articles of Association of the Company had been posted on the websites of the Company and Hong Kong Stock Exchange. In 2017, there was no amendment or change to the Articles of Association.

(2) Rights of Shareholders

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

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

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

2) Where the Board of Directors fails to issue notice to convene the meeting within 30 days upon the receipt of the written request, the requisitionists may convene a meeting within 4 months from the date of the receipt of the requisitionists by the Board of Directors. The meeting shall be convened by the requisitionists in accordance with the same procedures, as nearly as possible, as that to be followed by the Board of Directors for convening meetings;

3) Where the shareholders decide to convene shareholders' general meeting on their own, they should inform the Board of Directors in writing, and the Board of Directors and the secretary to the Board of Directors shall be cooperative for the purpose of the meeting;

4) When the Company convenes an annual general meeting, shareholder(s) holding 5% or more of the total number of shares of the Company carrying voting rights shall be entitled to propose new motions in writing to the Board of Directors;

5) Shareholders may raise enquiries about the Company at shareholders' general meeting and, except for trade secrets of the Company which may not be disclosed at the meeting, the chairman of the meeting shall instruct the directors, supervisors or other attendees to answer such enquiries;

6) A shareholder or shareholders present in person or by proxy holding shares, severally or jointly, of 10% or more conferring the right to attend and vote at shareholders' general meeting may demand a poll.

(3) Communication with Shareholders/Investor Relations

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

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

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

(4) *Shareholders' General Meeting*

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

During the reporting period, an annual general meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the People's Republic of China, at 9:00 a.m. on 16 June 2017 (Friday). The resolutions considered at the meeting and the percentages of voters for and against are as follows:

Resolutions	For	%	Against	%
I. As more than half (1/2) of the voters from the shareholders who attended and voted at the annual general meeting were cast in favor of the following resolutions, the resolutions were duly passed as ordinary resolutions:				
1. To consider and approve the report of the Board of Directors (the "Board") of the Company for the year ended 31 December 2016.	7,332,053,910	100	0	0
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2016.	7,332,053,910	100	0	0
3. To consider and approve the independent auditors' report and audited financial statements of the Company for the year ended 31 December 2016.	7,332,053,910	100	0	0
4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2016 and to authorize the Board to deal with all issues in relation to the Company's distribution of final dividend for the year 2016.	6,932,778,913	97.01	213,934,000	2.99
5. To consider and approve the authorization to the Board to deal with all issues in relation to the Company's distribution of interim dividend for the year 2017 in its absolute discretion (including, but not limited to, determining whether to distribute interim dividend for the year 2017).	7,144,282,494	99.97	2,430,419	0.03

Resolutions	For	%	Against	%
6. To consider and approve the appointments of PricewaterhouseCoopers as the international auditor of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the year 2017 to hold office until the conclusion of the annual general meeting for the year 2017, and to authorize the Board to determine their remunerations.	7,232,794,002	98.80	87,622,598	1.19
7. To consider and approve the authorization to the Board to determine the remuneration of the directors and the supervisors of the Company for the year 2017.	7,325,797,181	99.92	5,807,729	0.08
8. To consider and approve the application an adjustment of the caps of continuing connected transactions.	6,553,717,164	89.39	777,887,746	10.61
9. To consider and approve the resignation of Mr. Ma Liangjie as supervisor.	7,331,604,910	100	0	0
10. To elect Mr. Wen Shuzhong as supervisor.	7,256,286,491	98.96	76,011,419	1.04
11. To consider and approve the resignation of Mr. Tong Dongcheng as Non- Executive Director.	7,332,297,910	100	0	0
12. To consider and approve the resignation of Mr. Ouyang Jie as Non-Executive Director.	7,332,297,910	100	0	0

II. As more than two-thirds (2/3) of the votes from the shareholders who attended and voted at the annual general meeting were cast in favor of the following resolution, the resolution was duly passed as special resolutions:

13. To grant a general mandate to the Board to issue, to approve to issue, allot and deal with additional shares not exceeding 20% of the total number of each of Domestic Shares and H Shares in issue of the Company	5,995,782,445	83.89	1,150,930,468	16.10

All the resolutions proposed at the 2016 annual general meeting were approved. There was no restriction on shareholders to cast votes on the resolutions proposed at the 2016 annual general meeting. Computershare Hong Kong Investor Services Limited, the share registrar of the Company, retained lawyer Xu Ling from Commerce & Finance Law Offices as the scrutineer for the vote-taking at the 2016 annual general meeting. Poll results were announced at the meeting and on the websites of the Company and the Hong Kong Stock Exchange on the day of the meeting.

(5) *Shareholders' Calendar*

The following table sets out the tentative key dates for shareholders for the financial year ending 31 December 2018. The dates are subject to changes in situation. Shareholders should refer to our announcements issued from time to time.

2018 Shareholders' Calendar

27 March	Announcement of final results and proposed final dividend for the year ended 31 December 2017
Late April	Upload of the 2017 annual report on the websites of the Company and the Hong Kong Stock Exchange
Late April	Dispatch of the 2017 annual report to shareholders
15 June	2017 annual general meeting
Mid August	Payment of final dividends for the year ended 31 December 2017
30 August	Announcement of interim results and proposed interim dividend for the six months ending 30 June 2018, if any
Mid September	Payment of interim dividends for the six months ending 30 June 2018, if any

3. Directors and Board of Directors

(1) *Directors*

1) *Composition and Term of Office of Directors*

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

The current session of the Board of Directors is the fourth session since the establishment of the Company, which consists of seven directors, including Mr. Zhu Yanfeng, Mr. Li Shaozhu and Mr. Liu Weidong as executive directors and Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei as independent non-executive directors. Due to their age, Mr. Tong Dongcheng and Mr. Ouyang Jie resigned as the non-executive directors and their resignation were approved at the 2016 annual general meeting held on 16 June 2017. The term of office of all current directors has expired on 9 October 2016. Prior to the re-election of the new session of the Board of Director, the above directors shall perform their duty in good faith. In addition, independent non-executive directors are all independent parties who do not have any connected relationship with the Company and substantial shareholders and their term of office does not exceed nine years.

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

Members of the Board of Directors of the Company have different industry backgrounds, having expertise and extensive experience in areas of corporate management, financial accounting, laws and investment. The Board of Directors has formulated the Board Diversification Policy and reviews its composition at least once a year. Brief biographies of each of the directors are set out on page 50 to 52 in this annual report.

2) *Chairman and President*

The Chairman and President of the Company are acted by different persons with a clear division of duties. In particular, the Chairman is responsible for supervising the daily operation of the Board of Directors, examining the execution of the Board resolutions and other duties, while the President is responsible for the daily operation management of the Company and implementing the resolutions of the Board of Directors under the Chairman's leadership. Details of the senior management of the Company are set out on page 53 to 54 in this annual report.

3) *Independent non-executive directors*

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

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

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

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

4) *Non-executive directors*

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

5) *Training and Continuous Professional Development Directors*

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

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

	Information Reviewed
Executive directors	
Mr. Zhu Yanfeng	10 issues
Mr. Li Shaozhu	10 issues
Mr. Liu Weidong	10 issues

	Information Reviewed
Non-executive directors	
Mr. Tong Dongcheng (Resigned on 16 June 2017)	5 issues
Mr. Ouyang Jie (Resigned on 16 June 2017)	5 issues
Independent non-executive directors	
Mr. Ma Zhigeng	10 issues
Mr. Zhang Xiaotie	10 issues
Mr. Cao Xinghe	10 issues
Mr. Chen Yunfei	10 issues

6) *Securities Transactions by Directors*

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") to regulate the directors' securities transactions. During the reporting year, none of the directors had any other interest in the shares of the Company. All directors have confirmed, following enquiry by the Company, that they fully complied with the Model Code during 2017.

7) *Remuneration of Directors*

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

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

During the reporting year, the Company paid remuneration of RMB60,000 (before tax) to each of three independent non-executive directors of the fourth session of the Board of Directors, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie and Mr. Cao Xinghe. Mr. Chen Yunfei was paid remuneration of RMB147,000 (before tax).

(2) The Board

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

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

- to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders in general meetings;
- to implement the resolutions passed by the shareholders in general meetings;
- to determine the business plans and investment proposals of the Company;
- to formulate the preliminary and final annual financial budgets of the Company;
- to formulate the profit distribution proposal and loss recovery proposal of the Company;
- to formulate the debt and financial policies, proposals for the increase or reduction of the registered capital of the Company and for the issuance of debentures;
- to draw up the material acquisition or disposal proposals and plans for the merger, division or dissolution of the Company;
- to determine the establishment of the internal management structure of the Company;
- to appoint or remove the president of the Company, to appoint or remove the vice president and the finance director of the Company based on the nominations of the president, and to decide on their remuneration;
- to decide on the establishment of the branch organizations of the Company;
- to set up the basic management system of the Company, including the financial management and human resources management systems;

- to formulate proposals for any amendment of the Articles of Association;
- to submit the proposals for application of bankruptcy of the Company;
- to determine the external guarantees of the Company under the authorization of general meetings;
- except for the matters that the Company Law and the Articles of Association require to be resolved by the shareholders in general meeting, to decide on other important and administrative matters of the Company and to execute other important agreements;
- to exercise such other authorities as conferred at general meetings and the Articles of Association.

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

1) *The Board Meeting*

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

	The Board	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive directors					
Mr. Zhu Yanfeng (chairman)	6/8 (75%)	–	–	3/4 (75%)	1/1 (100%)
Mr. Li Shaozhu (president)	7/8 (87.5%)	–	1/2 (50%)	–	1/1 (100%)
Mr. Liu Weidong	8/8 (100%)	–	–	–	1/1 (100%)
Non-executive directors					
Mr. Tong Dongcheng (Resigned on 16 June 2017)	2/2 (100%)	–	–	–	0/1 (0%)
Mr. Ouyang Jie (Resigned on 16 June 2017)	2/2 (100%)	1/1 (100%)	–	–	0/1 (0%)

	The Board	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Independent non-executive directors					
Mr. Ma Zhigeng	8/8 (100%)	2/2 (100%)	2/2 (100%)	4/4 (100%)	1/1 (100%)
Mr. Zhang Xiaotie	7/8 (87.5%)	2/3 (66.7%)	–	4/4 (100%)	1/1 (100%)
Mr. Cao Xinghe	5/8 (62.5%)	–	2/2 (100%)	–	0/1 (0%)
Mr. Chen Yunfei	8/8 (100%)	3/3 (100%)	–	–	1/1 (100%)

In addition, the Chairman of the Board of Directors has held meetings with non-executive directors (including independent non-executive directors) annually without executive directors' attendance.

2) *Committees under the Board*

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

Audit and Risk Management Committee

Committee members

The members of the Audit and Risk Management Committee are independent non-executive directors, including Mr. Zhang Xiaotie (the convenor), Mr. Chen Yunfei and Mr. Ma Zhigeng. Mr. Ma Zhigeng was appointed as a member of Audit and Risk Management Committee on 16 June 2017 as replacement of Mr. Ouyang Jie who resigned as a member of Audit and Risk Management Committee on the same date. Mr. Zhang Xiaotie has professional experience in financial management.

Major duties

- to advice the Board on the appointment or replacement of intermediary firms such as auditor and their remuneration;
- reviewing the financial reports of the Company, accounting policy of the Company and its changes, and other financial documents that required approval of the Board, and making suggestions to the Board;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

- meeting with the auditor, in the absence of the management, at least twice a year to discuss about the auditing fee, issues arising from the auditing work and other matters suggested by the auditor;

- reviewing the systems for financial control, internal control and risk management of the Company, and discussing the internal control system with the management to ensure the management has performed their duties to establish an effective internal control system;

- coordinating the communication and work of internal and external auditors;

- ensuring sufficient resources provided to and appropriate standing for the internal auditing department within the Company, and reviewing and monitoring the efficiency of the internal auditing department;

- reviewing the following arrangements of the Company which the employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit and Risk Management Committee shall ensure that proper arrangements are in place for a fair and independent investigation of such matters and for appropriate follow-up actions;

- to comply with any new requirements on the duties and authorities of the Audit and Risk Management Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;

- other duties as authorized by the Board.

The major works in 2017

The Audit and Risk Management Committee held three meetings in 2017 and the attendance of its members was set out in this report.

The major works of the Audit and Risk Management Committee in 2017 included:

- reviewing the annual financial report of the Company for 2016;

- reviewing the engagement of chief auditor of the Company for 2017;

- reviewing the interim financial report of the Company for 2017;
- receiving report on the conclusion of internal audit work of the Company for 2016 and report on audit work plan of the Company for 2017;
- considering and approving the work plan of Audit and Risk Management Committee of the Board for 2018;
- Meeting with the external auditors twice during the year.

Remuneration Committee

Committee members

The members of the Remuneration Committee are mainly independent non-executive directors, including Mr. Ma Zhigeng (the convenor), Mr. Cao Xinghe and Mr. Li Shaozhu.

Major duties

- to formulate the remuneration structure and strategy of senior management, and submit the same to the Board for approval;
- to formulate the remuneration proposal of Directors, Supervisors and senior management and medium and long term incentive schemes and submit it to the Board for approval, and conduct performance appraisal for senior management;
- to make suggestion on the remuneration of particular Executive Directors and senior management to the Board;
- to review and approve the compensation (if any) payable to the Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and is also fair and reasonable and not excessive for the Company;
- to review and approve compensation arrangements (if any) relating to the dismissal or removal of the Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and compensation payment is reasonable and appropriate;

- to ensure that no Director or any of his/her associates are involved in determining his/her own remuneration. The remuneration of a non-executive director who is a member of the Remuneration Committee shall be determined by other committee members;

- to comply with any new requirements on the duties and authorities of the Remuneration Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;

- other duties authorized by the Board.

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

The major works in 2017

The Remuneration Committee held two meetings in 2017 and the attendance of its members was set out in this report.

The major works of the Remuneration Committee in 2017 included:

- reviewing the remuneration scheme of the Directors and Supervisors of the Company for 2017;

- reviewing and considering the work plan of the Remuneration Committee of the Board for 2018.

Nomination Committee

Committee members

The members of the Nomination Committee are mainly independent non-executive directors, including Mr. Zhu Yanfeng (the convenor), Mr. Ma Zhigeng and Mr. Zhang Xiaotie.

Major duties

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

The major works in 2017

The Nomination Committee held four meetings in 2017 and the attendance of its members was set out in this report.

The major works of the Nomination Committee in 2017 included:

- assessing the independence of the independent non-executive directors;
- reviewing the composition of the Board;
- considering the resignation of the relevant senior management of the Company;
- considering the resignation of the relevant non-executive directors of the Company;
- considering the appointment of the relevant senior management of the Company;
- considering the adjustment of relevant members of committees under the Board of the Company;
- considering and approving the work plan of the Nomination Committee of the Board for 2018.

4. Supervisors and the Supervisory Committee

(1) Supervisors

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

The current Supervisory Committee is the fourth session of Supervisory Committee since the establishment of the Company and currently comprises three Supervisors, namely, Mr. Wen Shuzhong (the Chairman of the Supervision Committee), Mr. He Wei (the Supervisor representing Employees) and Mr. Zhao Jun (independent Supervisor). Mr. Wen Shuzhong was appointed as Supervisor and chairman of the Supervisory Committee on 16 June 2017, Mr. He Wei was appointed as Supervisor representing Employees on 12 May 2017 while Mr. Ma Liangjie resigned as Supervisor on 16 June 2017.

(2) Supervisory Committee

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

	The Supervisory Committee	The regular meeting of the Board	Annual general meeting
Supervisor			
Mr. Wen Shuzhong *(Chairman)*	2/2 (100%)	3/3 (100%)	1/1 (100%)
Independent Supervisor			
Mr. Zhao Jun	3/3 (100%)	5/5 (100%)	1/1 (100%)
Supervisor representing employees			
Mr. He Wei	2/2 (100%)	3/3 (100%)	1/1 (100%)

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

The Supervisory Committee reviewed the annual and interim financial reports and relevant information of the Company. Upon the audit, the certified public accountant have issued an unqualified auditors' report on the 2016 annual financial report of the Company, confirmed that the consolidated financial statements give a true and fair view of the financial position and the financial performance of the Company. Accordingly, the certified public accountant have also issued review opinion on the 2017 interim financial report, confirmed that the interim financial information was prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Report".

5. Accountability and Auditing

(I) Financial Reporting

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

The statement of the auditor of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditors' Report on page 82 to 90 of this annual report.

(II) Auditors and their Remuneration

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

The Company retained PricewaterhouseCoopers as the international auditor of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the reporting period. The total remuneration paid to the primary auditors for the review of the interim report and audit of annual report amounted to RMB12.70 million (of which RMB100,000 was paid to Deloitte Touche Tohmatsu CPA LLP for the change from interim report inspection to interim report review of the Company since 2015, and therefore the fee of RMB100,000 was payable to Deloitte Touche Tohmatsu CPA LLP for their interim report review of Dongfeng Peugeot Citroën Automobile Co., Ltd. and Dongfeng Peugeot Citroën Automobile Sales Company Limited, the subsidiaries of the Company).

The Audit and Risk Management Committee has discussed and evaluated the professional qualification and the audit works of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP for 2017.

(III) Risk Management and Internal Control

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

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

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

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

During the Reporting Period, under the authorization of the Board and the Audit and Risk Management Committee, the Audit Department of the Company carried out self-evaluation on the structure and operation of internal control in respects of the comprehensiveness, significance, control, adaptability and cost effectiveness to ensure the operation of the Company is in compliance with laws, to prevent risks and to enhance the management of the Company. The Company further refined and improved risk prevention mechanism and internal control system so as to ensure the sound operation of the Company. The principal businesses and issues under the internal control assessment cover all the businesses and management issues of the five elements of internal control. Key emphasis has been placed on the high-risk areas, including safety management, quality management, fund management, procurement management, sales management, production management, logistics management, inventory management, contract management and other businesses. During the Reporting Period, the Company has established internal control system for all businesses and issues which were included in the evaluation and the system was implemented effectively, meeting the objectives of internal control of the Company. The internal control of the Company did not have any material deficiencies. As such, reasonable assurance has been given to the fulfillment of the objectives of internal control of the Company. With the foundation of the annual risk assessment and improvement in specific risk management and control, the focus of the risk management tasks of the Company has been laid on the principle of “integration, innovation and promotion” to endeavor to integrate risks with businesses, innovative approaches with means and promotional templates and results, to augment risk control mechanisms and systems and to enhance the management and control of major risks. The Company has placed great emphasis on the implementation of risk control and management while constantly elevating the effectiveness of risk management and control to ensure the progressive and accelerated development via risk management. During the Reporting Period, there were no material events in relation to risks.

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

6. Company Secretaries

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

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

7. Other Stakeholders

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

8. Strengthening of Corporate Governance

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

Independent Auditor's Report

pwc

羅兵咸永道

To the shareholders of Dongfeng Motor Group Company Limited
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 91 to 189, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Key audit matter identified in our audit are summarised as follows:

- Warranty provisions;
- Impairment assessment of Property, plant and equipment.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Warranty provisions	
Refer to Note 3 "Significant Accounting Estimates", Note 6 "Profit Before Income Tax", Note 17 "Investments in Joint Ventures" and Note 29 "Provisions" to the consolidated financial statements. As at 31 December 2017, the balance of warranty provisions in the consolidated statement of financial position of the Group amounted to RMB1,848 million, and warranty provisions made for the year of RMB1,381 million were recorded in the consolidated income statement of the Group. Provisions for warranties granted by the Group and its joint ventures ("JVs") for the passenger and commercial vehicles sold are recognised based on sales volume and past experience of the cost of repair and replacement. The key judgement adopted by management as part of the process includes determining the estimated unit cost of warranty provisions of passenger and commercial vehicles sold. Meanwhile, the Group's share of profits of JVs for the year which were accounted for using the equity method amounted to RMB13,598 million. The warranty provisions made by JVs during the year were significant to the JVs' profit, therefore it had significant impact on the consolidated income statement of the Group. We focused on this area because of the magnitude of the amount of warranty provisions and the significant involvement of management's judgement and assumptions applied in estimating of costs in respect of future warranty claims.	With regard to the warranty provisions of the Group and JVs audited by us: • We understood, evaluated and validated the key controls over the estimation of the warranty provisions. In addition, we tested the information technology environments of the Group's system and the specific automatic controls related to the maintenance of data which was used to calculate the warranty provisions. • We assessed management's warranty provision models using our knowledge of the Group and experience of the passenger and commercial vehicles industry. We also tested the mathematical accuracy of calculations therein by re-performing the calculations. • We compared management's estimation on the warranty cost per unit with the historical actual claims on a sample basis and checked the selected historical actual claims to supporting documents. • In addition, we assessed management's estimation on the warranty cost per unit by discussing with management and performing analysis on actual claims during the year and subsequent to the year-end to identify any indicators of significant quality defect, significant changes of labours and parts costs, and significant changes of expected occurrence of repair or replacement that would significantly affect the estimates of the year end warranty provisions.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)

Warranty provisions (Continued)

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

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

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

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

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)

Impairment assessment of Property, plant and equipment

Refer to Note 3 "Significant Accounting Estimates", Note 6 "Profit Before Income Tax", Note 13 "Property, plant and equipment" and Note 17 "Investments in Joint Ventures" to the consolidated financial statements.

As at 31 December 2017, certain Property, plant and equipment ("PP&E") of the Group and its JVs had impairment indicators, either because manufacturing of certain products has been ceased, or the economic performance of the production and operation of the Group and its JVs were continuously below expectation. As a result, the Group recorded a total impairment provision charge of RMB268 million against these PP&E to the consolidated income statement of the Group for the year then ended.

In assessing the recoverability of the PP&E that had impairment indicators, management of the Group and the JVs identified the relevant cash generation units ("CGU") to which these PP&E belong, respectively, and estimated the recoverable amounts of these CGUs based on the higher of their fair value less costs of disposal ("FVLCOD") and value in use ("VIU") calculation. Management used VIU to assess the recoverability of the CGUs and applied significant judgements in determining the VIU calculation. The judgements included:

- growth rates to extrapolate revenue and cash flows within and beyond the budget period;
- gross margin; and
- discount rate

How our audit addressed the Key Audit Matter (Continued)

With regard to the impairment assessment of PP&E of the Group:

We evaluated the appropriateness of management's grouping of these PP&E with the relevant CGUs.

We assessed the discounted cash flow method used by management to determine the VIU by reference to industry practices, and tested the mathematical accuracy of the VIU calculations.

We compared the input data used in the cash flow forecasts against the historical figures and the approved budget and business plans.

We challenged management's key assumptions by:

- Comparing the revenue growth rates within the budget period with the relevant CGUs' historical growth rates; and those beyond the budget period with our independent expectation based on economic data;
- Comparing the gross margin with the relevant CGUs' past performance, taking into consideration of market trends; and
- Assessing the discount rate by considering and recalculating the weighted average cost of capital for the CGUs and comparable companies in the relevant industry, as well as considering territory specific factors, such as risk free interest rate and debt ratio prevailing in China market as at base.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)

Impairment assessment of Property, plant and equipment (Continued)

Meanwhile, the Group's share of profits of JVs for the year which were accounted for using the equity method amounted to RMB13,598 million. The impairment charged over PP&E made by JVs during the year were significant to the JVs' profit, therefore it had significant impact on the consolidated income statement of the Group.

We focused on this area due to the magnitude of the impairment provision and the significance of management judgements adopted in assessing the recoverable amount.

With regard to the impairment assessment of PP&E of JVs audited by non-PricewaterhouseCoopers auditors ("Other Auditors"):

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

We found that management's judgements applied in the Group's impairment assessment were supported by available evidence.

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB million	2016 RMB million (Restated) (Note 2.2)
Revenue	4	**125,016**	122,535
Cost of sales		**(108,904)**	(105,020)
Gross profit		**16,112**	17,515
Other income	5	**2,775**	2,201
Selling and distribution expenses		**(7,270)**	(7,634)
Administrative expenses		**(4,608)**	(3,767)
Other expenses		**(6,423)**	(5,701)
Finance expenses	7	**(592)**	(445)
Share of profits and losses of:			
Joint ventures	17	**13,574**	11,665
Associates	18	**2,207**	1,897
PROFIT BEFORE INCOME TAX	6	**15,775**	15,731
Income tax expense	10	**(1,141)**	(1,276)
PROFIT FOR THE YEAR		**14,634**	14,455
Profit attributable to:			
Equity holders of the Company		**14,063**	13,345
Non-controlling interests		**571**	1,110
		14,634	14,455
Earnings per share attributable to ordinary equity holders of the Company:	12		
Basic for the year		**163.22 cents**	154.89 cents
Diluted for the year		**163.22 cents**	154.89 cents

The notes on pages 100 to 189 form an integral part of the consolidated financial information

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB million	*RMB million*
		(Restated)
		(Note 2.2)
PROFIT FOR THE YEAR	**14,634**	14,455
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Share of other comprehensive income of investments accounted for using the equity method	**(70)**	43
Others	**119**	(33)
	49	10
Items that may be reclassified to profit or loss		
Currency translation differences	**659**	257
Share of other comprehensive income of investments accounted for using the equity method	**(252)**	(19)
	407	238
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	**(26)**	14
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**430**	262
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**15,064**	14,717
Total comprehensive income attributable to:		
Equity holders of the Company	**14,448**	13,619
Non-controlling interests	**616**	1,098
	15,064	14,717

The notes on pages 100 to 189 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	31 December 2017 RMB million	2016 RMB million (Restated) (Note 2.2)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**15,005**	13,873
Lease prepayments		**1,207**	1,296
Intangible assets	14	**4,237**	3,618
Goodwill	15	**1,763**	1,798
Investments in joint ventures	17	**39,858**	40,549
Investments in associates	18	**14,614**	12,598
Available-for-sale financial assets	25	**174**	174
Other non-current assets	19	**18,257**	14,377
Deferred income tax assets	10	**2,520**	2,134
Total non-current assets		**97,635**	90,417
Current assets			
Inventories	20	**10,207**	8,735
Trade receivables	21	**6,000**	4,138
Bills receivable	22	**14,605**	15,416
Prepayments, deposits and other receivables	23	**26,611**	20,205
Due from joint ventures	24	**13,573**	8,672
Pledged bank balances and time deposits	26	**10,511**	6,645
Cash and cash equivalents	26	**33,350**	30,851
Total current assets		**114,857**	94,662
TOTAL ASSETS		**212,492**	185,079
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	27	**8,616**	8,616
Reserves		**14,565**	12,716
Retained profits		**85,020**	75,394
		108,201	96,726
Non-controlling interests		**6,795**	6,912
Total equity		**114,996**	103,638

The notes on pages 100 to 189 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2017

		31 December	
		2017	2016
	Notes	***RMB million***	*RMB million*
			(Restated)
			(Note 2.2)
Non-current liabilities			
Interest-bearing borrowings	28	**2,398**	7,087
Other long term liabilities		**1,438**	1,320
Government grants	30	**771**	872
Deferred income tax liabilities	10	**1,555**	1,302
Provisions	29	**652**	674
Total non-current liabilities		**6,814**	11,255
Current liabilities			
Trade payables	31	**21,512**	21,501
Bills payable	32	**21,526**	14,867
Other payables and accruals	33	**17,414**	16,206
Due to joint ventures	24	**13,620**	8,529
Interest-bearing borrowings	28	**14,498**	7,310
Income tax payable		**827**	688
Provisions	29	**1,285**	1,085
Total current liabilities		**90,682**	70,186
TOTAL LIABILITIES		**97,496**	81,441
TOTAL EQUITY AND LIABILITIES		**212,492**	185,079

The notes on pages 100 to 189 form an integral part of the consolidated financial information.

Li Shaozhu
Director

Liu Weidong
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2017

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory reserves	Retained profits	Total		
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Year ended 31 December 2016 (Restated)							
As at 1 January 2016							
Past reported	8,616	2,378*	8,191*	65,465	84,650	6,834	91,484
Business combination involving enterprises under common control (Note 2.2)	–	55	–	37	92	5	97
As restated	8,616	2,433	8,191	65,502	84,742	6,839	91,581
Profit for the year	–	–	–	13,345	13,345	1,110	14,455
Other comprehensive income for the year	–	274	–	–	274	(12)	262
Total comprehensive income for the year	–	274	–	13,345	13,619	1,098	14,717
Transfer to reserves	–	–	1,716	(1,716)	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	98	98
Share of capital reserve of investments accounted for using the equity method	–	102	–	–	102	–	102
Final 2015 dividend declared and paid	–	–	–	(1,737)	(1,737)	(1,123)	(2,860)
As at 31 December 2016	8,616	2,809*	9,907*	75,394	96,726	6,912	103,638

* These reserve accounts comprise the consolidated reserves of RMB12,716 million (2015: RMB10,624 million) in the consolidated statement of financial position.

The notes on pages 100 to 189 form an integral part of the consolidated financial information.

Consolidated Statement of Changes In Equity (Continued)

For the year ended 31 December 2017

	Attributable to equity holders of the Company					Non-	
	Issued capital *RMB million*	Capital reserve *RMB million*	Statutory reserves *RMB million*	Retained profits *RMB million*	Total *RMB million*	controlling interests *RMB million*	Total equity *RMB million*
Year ended 31 December 2017							
As at 1 January 2017							
Past reported	8,616	2,746*	9,907*	75,381	96,650	6,908	103,558
Business combination involving enterprises under common control (Note 2.2)	–	63	–	13	76	4	80
As restated	8,616	2,809	9,907	75,394	96,726	6,912	103,638
Profit for the year	–	–	–	14,063	14,063	571	14,634
Other comprehensive income for the year	–	385	–	–	385	45	430
Total comprehensive income for the year	–	385	–	14,063	14,448	616	15,064
Transfer to reserves	–	–	1,596	(1,596)	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	75	75
Business combination involving enterprises under common control	–	(63)	–	–	(63)	(3)	(66)
Share of capital reserve of investments accounted for using the equity method	–	(97)	–	–	(97)	–	(97)
Final 2016 and interim 2017 dividend declared and paid	–	–	–	(2,841)	(2,841)	(804)	(3,645)
Others	–	28	–	–	28	(1)	27
As at 31 December 2017	8,616	3,062*	11,503*	85,020	108,201	6,795	114,996

* These reserve accounts comprise the consolidated reserves of RMB14,565 million (2016: RMB12,716 million) in the consolidated statement of financial position.

The notes on pages 100 to 189 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB million	2016 RMB million (Restated) (Note 2.2)
Cash flows from operating activities			
Profit before income tax		**15,775**	15,731
Adjustments for:			
Share of profits and losses of joint ventures and associates		**(15,781)**	(13,562)
Gain/(Loss) on disposal of items of property, plant and equipment and lease prepayments, net	6	**13**	(3)
Amortisation of lease prepayments	6	**87**	66
Provision/(Reversal of) provision against inventories	6	**216**	(64)
Impairment of trade and other receivables	6	**165**	533
Exchange losses/(gains), net	6	**24**	(60)
Depreciation	6	**1,758**	1,672
Impairment of items of property, plant and equipment	6	**268**	2
Amortisation of intangible assets	6	**416**	321
Finance expenses	7	**592**	445
Interest income	5	**(1,031)**	(834)
Government grants	30	**(121)**	(90)
Gain on other equity interest transaction		**(2)**	(64)
		2,379	4,093
Increase in trade and bills receivables and prepayments,deposits and other receivables		**(1,456)**	(3,662)
(Increase)/Decrease in inventories		**(1,687)**	14
Decrease/(Increase) in amounts due from joint ventures		**233**	(1,330)
Increase in trade and bills payables, and other payables and accruals		**8,404**	10,528
Increase in loans and receivables from financing services		**(8,762)**	(7,309)
Increase in cash deposits received from financing services		**1,986**	1,104
Increase in a mandatory reserve with the People’s Bank of China		**(894)**	(329)
Increase in amounts due to joint ventures		**5,091**	1,696
Increase in provisions		**178**	252
Cash generated from operations		**5,472**	5,057
Interest paid		**(161)**	(237)
Income tax paid		**(1,161)**	(1,182)
Net cash flows from operating activities		**4,150**	3,638

The notes on pages 100 to 189 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2017

	Notes	2017 RMB million	2016 RMB million (Restated) (Note 2.2)
		Year ended 31 December	
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(3,269)**	(2,382)
Increase in lease prepayments and other long term assets		**(166)**	(396)
Purchases of intangible assets		**(1,040)**	(1,142)
Payment for acquisition of subsidiary, net of cash acquired	16	**(67)**	(1,203)
Investments in joint ventures	17	**(50)**	–
Proceeds from disposal of items of property, plant and equipment		**47**	29
Proceeds from disposal of intangible assets		**–**	3
Proceeds from disposal of available-for-sale financial assets		**–**	34
Dividends from joint ventures and associates		**10,646**	9,192
Government grants received		**20**	408
Interest received		**823**	1,012
Increase in pledged bank balances and time deposits	26	**(3,866)**	(2,885)
(Increase)/Decrease in non-pledged time deposits with original maturity of three months or more when acquired	26	**(673)**	1,947
Cash decreased relating to disposal of subsidiaries		**(174)**	–
Cash paid relating to other investing activities		**(1,062)**	(3,214)
Net cash flows from investing activities		**1,169**	1,403

The notes on pages 100 to 189 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB million	2016 RMB million (Restated) (Note 2.2)
Cash flows from financing activities			
Proceeds from borrowings		**2,628**	4,939
Repayment of borrowings		**(2,563)**	(6,314)
Capital contribution from non-controlling shareholders		**75**	98
Dividends paid to non-controlling shareholders		**(792)**	(1,116)
Dividends paid to the equity holders of the Company		**(2,841)**	(1,762)
Net cash used in financing activities		**(3,493)**	(4,155)
Net increase in cash and cash equivalents		**1,826**	886
Cash and cash equivalents at beginning of year		**29,724**	28,838
Cash and cash equivalents at end of year	26	**31,550**	29,724

The notes on pages 100 to 189 form an integral part of the consolidated financial information.

1. GENERAL INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

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

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

2.2 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 consideration and book value of Dongfeng Engineering at the time of common control combination is taken to the reserves of the Group. The comparative figures of this consolidated financial information have been restated.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

(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 unrealized 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 summarized financial information (para B17 of IFRS 12).

The adoption of these standards did not have any significant impact on the Group's results and financial position.

(ii) New standards and interpretations not yet 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 consolidated financial statement. 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 new standards and amendments. The new standards and amendments to standards and interpretations are set out below:

IFRS 9 Financial Instruments

Nature of change

IFRS 9 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.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted (Continued)

IFRS 9 Financial Instruments (Continued)

Impact

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 amortized 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. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. It is 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.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative figures for 2017 will not be restated.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted (Continued)

IFRS 15 Revenue from Contracts with Customers

Nature of change

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognized 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.

Impact

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 recognized 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.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group will adopt the standard using the modified retrospective approach. The Group has assessed the adoption of this standard and concluded that it will not have a significant impact on the Group's results and financial position, except that certain new disclosures are introduced.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted (Continued)

IFRS 16 Leases

Nature of change

IFRS 16 was issued in January 2016. It will result 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.

Impact

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 RMB5,943 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.

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.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Nature of change

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted (Continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Continued)

Date of adoption by the Group

Mandatory application date has not been determined by IASB, and the Group will not adopt the standard before mandatory application date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

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

Investments in associates and joint ventures

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations (except for business combination under common control in 2.2) are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange of control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at face value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same Group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a); or

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

Intangible assets (other than goodwill)

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

(i) Patents and licenses

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

(ii) Research and development costs

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

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

(iii) Customer relationships

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease prepayments

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

Operating leases

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

Investments and other financial assets

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

(ii) Subsequent measurement (Continued)

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

(i) Financial assets carried at amortized cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

(i) Financial assets carried at amortized cost (Continued)

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

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

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

(ii) Assets carried at cost

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

(iii) Available-for-sale financial instruments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

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

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

Financial liabilities

(i) Initial recognition and measurement

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

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

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

(ii) Subsequent measurement

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

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

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

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

Trade and other receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

(i) Current income tax

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

(ii) Deferred income tax

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

(ii) Deferred income tax (Continued)

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

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

Government grants

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

Revenue recognition

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

(i) Sale of goods

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

(ii) Rendering of services

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

(iii) Interest income

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

(iv) Dividend income

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

Employee benefits

(i) Retirement benefits

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

(ii) Medical benefits

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

(iii) Cash housing subsidies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(iv) Termination and early retirement benefits

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

Borrowing costs

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

Dividends

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

Foreign currencies

(i) Functional and presentation currency

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

(iv) Disposal of foreign operation and partial disposal

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

(i) Warranty provisions

Provisions for warranties granted by the Group and its JVs for the passenger and commercial vehicles sold are recognized based on sales volume and past experience of the cost of repair and replacement. The key judgement adopted by management as part of the process includes determining the estimated unit cost of warranty provisions of passenger and commercial vehicles sold. The calculation of the estimated unit cost includes a number of variable factors and assumptions including changes of expected occurrence of repair or replacement and the changes of labor and parts costs.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

(ii) Deferred tax assets

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

(iii) Income tax

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

(iv) Impairment assessment of Property, plant and equipment and Intangible assets impairment assessments

As at 31 December 2017, certain Property, plant and equipment ("PP&E") of the Group and its JVs had impairment indicators, either because manufacturing of certain products has been ceased, or the economic performance of certain production lines of the Group and its JVs were continuously below expectation. In assessing the recoverability of the PP&E that had impairment indicator, management of the Group and the JVs identified the relevant cash generation units ("CGUs") to which these PP&E belong, respectively, and estimated the recoverable amounts of these CGUs based on the higher of their fair value less costs of disposal ("FVLCOD") and value in use ("VIU") calculation. Management used VIU to assess the recoverability of the CGUs and applied significant judgements in determining the VIU calculation. The judgements include growth rates to extrapolate revenue and cash flows within and beyond the budget period gross margin and discount rate.

4. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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

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

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

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

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

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

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

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

During the year ended 31 December 2017, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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

Year ended 31 December 2017

	Commercial vehicles *RMB million*	Passenger vehicles *RMB million*	Financing service *RMB million*	Corporate and others *RMB million*	Elimination *RMB million*	Total *RMB million*
Segment revenue						
Sales to external customers	59,747	61,732	2,998	539	–	125,016
Sales to internal customers	79	–	49	–	(128)	–
	59,826	61,732	3,047	539	(128)	125,016
Results						
Segment results	1,667	(2,014)	1,632	(2,452)	722	(445)
Interest income	574	369	–	857	(769)	1,031
Finance expenses						(592)
Share of profits and losses of:						
Joint ventures	210	14,035	231	(902)	–	13,574
Associates	–	1,664	504	39	–	2,207
Profit before income tax						15,775
Income tax expense						(1,141)
Profit for the year						14,634
Other segment information						
Capital expenditure:						
– Property, plant and equipment	1,422	1,781	8	58	–	3,269
– Intangible assets	672	347	21	–	–	1,040
– Lease prepayments	9	12	120	25	–	166
Depreciation of property, plant and equipment	798	884	4	72	–	1,758
Amortisation of intangible assets	264	13	4	135	–	416
(Reversal of)/provision against inventories	(7)	223	–	–	–	216
Impairment losses	144	173	116	–	–	433
Warranty provisions	852	529	–	–	–	1,381

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

Year ended 31 December 2016

	Commercial vehicles *RMB million* (Restated)	Passenger vehicles *RMB million* (Restated)	Financing service *RMB million* (Restated)	Corporate and others *RMB million* (Restated)	Elimination *RMB million* (Restated)	Total *RMB million* (Restated)
Segment revenue						
Sales to external customers	43,218	76,656	2,310	351	–	122,535
Sales to internal customers	80	–	28	–	(108)	–
	43,298	76,656	2,338	351	(108)	122,535
Results						
Segment results	266	1,384	1,279	(1,717)	568	1,780
Interest income	340	371	–	726	(603)	834
Finance expenses						(445)
Share of profits and losses of:						
Joint ventures	335	11,759	219	(648)	–	11,665
Associates	–	1,466	399	32	–	1,897
Profit before income tax						15,731
Income tax expense						(1,276)
Profit for the year						14,455
Other segment information						
Capital expenditure:						
– Property, plant and equipment	750	1,600	5	27	–	2,382
– Intangible assets	779	353	7	3	–	1,142
– Lease prepayments	115	188	–	–	–	303
Depreciation of property, plant and equipment	743	857	3	69	–	1,672
Amortisation of intangible assets	204	4	2	111	–	321
(Reversal of)/provision against inventories	(84)	18	–	2	–	(64)
Impairment losses	325	37	149	24	–	535
Warranty provisions	678	793	–	–	–	1,471

5. OTHER INCOME

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

	2017 RMB million	2016 RMB million (Restated)
Net income from disposal of other materials	128	121
Government grants and subsidies	771	427
Rendering of services	237	122
Interest income	1,031	834
Management dispatch fee received from joint ventures	253	283
Others	355	414
	2,775	2,201

6. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Notes	2017 RMB million	2016 RMB million (Restated)
Cost of inventories recognized as expense		108,137	103,647
Interest expense for financing services (included in cost of sales)		275	151
Provision/(reversal of) against inventories		216	(64)
Depreciation	13	1,758	1,672
Amortization of intangible assets	14	416	321
Amortization of lease prepayments		87	66
Auditors' remuneration		19	21
Lease payments under operating leases in respect of land and buildings		154	148
Staff costs (excluding directors' and supervisors' remuneration (note 8)):			
– Wages and salaries		6,274	5,283
– Pension scheme costs	(a)	640	618
– Medical benefit costs	(b)	372	346
– Cash housing subsidy costs	(c)	1	2
– Reversal of expense of stock appreciation rights		–	(71)
		7,287	6,178

6. PROFIT BEFORE INCOME TAX (CONTINUED)

	Notes	2017 RMB million	2016 RMB million (Restated)
Included in other expenses:			
Gains/(losses) on disposal of items of property, plant and equipment, net		12	(2)
Gains/(losses) on disposal of lease prepayments		1	(1)
Impairment of items of property, plant and equipment	13	268	2
Impairment of trade and other receivables		165	533
Warranty provisions	29	1,381	1,471
Research costs		3,385	3,004
Royalty fee		1,146	1,051
Other exchange gains/(losses), net		24	(60)

(a) Retirement benefits

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

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

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

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

6. PROFIT BEFORE INCOME TAX (CONTINUED)

(b) Medical benefits

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

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

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

(c) Cash housing subsidies

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

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

6. PROFIT BEFORE INCOME TAX (CONTINUED)

(d) Termination and early retirement benefits

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

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

7. FINANCE EXPENSES

	2017 ***RMB million***	2016 *RMB million* (Restated)
Interest on bank loans and other borrowings	**87**	151
Interest on short term notes and discounted bills	**77**	94
Exchange net losses of financing activities	**439**	200
Less: Amount capitalized	**(11)**	–
Finance expenses	**592**	445

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Directors		Supervisors	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fees	**327**	650	**48**	54
Other emoluments:				
– Salaries	**644**	848	**527**	163
– Discretionary bonuses	**2,040**	2,531	**430**	595
– Estimated money value of other benefits	**163**	225	**58**	52
– Employer's contribution to a retirement benefit scheme	**230**	310	**80**	72
Total charged to the income statement	**3,404**	4,564	**1,143**	936

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

For the year ended 31 December 2017:

Name	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonuses *RMB'000*	Estimated money value of other benefits *RMB'000*	Employer's contribution to a retirement benefit scheme *RMB'000*	Total *RMB'000*
Executive directors:						
Zhu Yanfeng	–	195	402	47	66	710
Li Shaozhu (Chief Executive)	–	195	494	47	66	802
Liu Weidong	–	172	516	47	66	801
	–	562	1,412	141	198	2,313

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2017 (Continued):

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Non-executive directors:						
Tong Dongcheng	–	41	319	11	16	387
Ouyang Jie	–	41	309	11	16	377
	–	82	628	22	32	764
Independent non-executive directors:						
Ma Zhigeng	60	–	–	–	–	60
Zhang Xiaotie	60	–	–	–	–	60
Cao Xinghe	60	–	–	–	–	60
Chen Yunfei	147	–	–	–	–	147
	327	–	–	–	–	327
	327	644	2,040	163	230	3,404
Supervisors:						
Ma Liangjie	–	–	278	–	–	278
Wen Shuzhong	–	101	152	29	40	322
He Wei	–	426	–	29	40	495
	–	527	430	58	80	1,095
Independent supervisors:						
Zhao Jun	48	–	–	–	–	48
	48	527	430	58	80	1,143

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2016:

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

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

No retirement benefits or termination benefits were paid to directors or supervisors during the year ended 31 December 2017. No considerations were provided to third parties for making available directors' services (2016: same).

During the year, no loans, quasi-loans or other dealings was entered into by the company in favor of directors or supervisors (2016: same).

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include directors (2016: nil directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the five (2016: five) highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	2017	2016
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,898**	3,366
Bonuses	**5,530**	7,545
Pension scheme contributions	**551**	449
	9,979	11,360

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

	Number of employees	
	2017	2016
RMB1,500,001 – RMB2,000,000	**4**	1
RMB2,000,001– RMB2,500,000	**1**	4
	5	5

10. INCOME TAX EXPENSE AND DEFERRED INCOME TAX

	2017 RMB million	2016 RMB million (Restated)
Current income tax	1,300	1,325
Deferred income tax	(159)	(49)
Income tax expense for the year	1,141	1,276

(a) Corporate income tax

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

(b) Hong Kong profits tax

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

(c) Deferred income tax

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

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

10. INCOME TAX EXPENSE AND DEFERRED INCOME TAX (CONTINUED)

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

	2017		2016	
	RMB million	***%***	*RMB million* (Restated)	*%*
Profit before income tax	**15,775**		15,731	
At the PRC statutory corporate income tax rate of 25% (2016: 25%)	**3,944**	**25.0**	3,933	25.0
Tax concessions and lower tax rates for specific provinces or locations	**(259)**	**(1.6)**	(240)	(1.5)
Income not subject to corporate income tax	**(3,538)**	**(22.4)**	(3,059)	(19.4)
Expenses not deductible for corporate income tax	**50**	**0.3**	29	0.2
Tax losses not recognized	**944**	**6.0**	613	3.9
Income tax expense at the Group's effective income tax rate	**1,141**	**7.3**	1,276	8.2

10. INCOME TAX EXPENSE AND DEFERRED INCOME TAX (CONTINUED)

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

	Consolidated statement of financial position As at 31 December		Consolidated income statement and statement of comprehensive income Year ended 31 December	
	2017	2016	**2017**	2016
	RMB million	*RMB million* (Restated)	***RMB million***	*RMB million* (Restated)
Deferred tax assets:				
Assets impairment	**222**	197	**(25)**	(74)
Accrued expenses	**1,542**	1,248	**(294)**	(152)
Warranty provisions	**325**	288	**(37)**	(44)
Wages payable	**146**	179	**33**	(26)
Tax losses carry-forwards	**–**	–	**–**	118
Interest received in advance	**215**	163	**(52)**	(163)
Others	**70**	59	**(11)**	11
Gross deferred tax assets	**2,520**	2,134	**(386)**	(330)
Deferred tax liabilities:				
Fair value adjustments arising from acquisition of controls in subsidiaries	**(90)**	(103)	**(13)**	(13)
Reallocation subsidy received from government	**(99)**	–	**99**	–
Unremitted earnings of oversea businesses	**(1,366)**	(1,199)	**167**	280
Gross deferred tax liabilities	**(1,555)**	(1,302)	**253**	267
			(133)	(63)
Represented by:				
Deferred tax credited to consolidated income statement			**(159)**	(49)
Deferred tax credited to consolidated other comprehensive income			**26**	(14)
			(133)	(63)

10. INCOME TAX EXPENSE AND DEFERRED INCOME TAX (CONTINUED)

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

	2017 RMB million	2016 RMB million (Restated)
Deferred income tax assets:		
– Deferred income tax assets to be recovered over 12 months	450	310
– Deferred income tax assets to be recovered within 12 months	2,070	1,824
	2,520	2,134
Deferred income tax liabilities:		
– Deferred income tax liabilities settled over 12 months	(1,541)	(1,282)
– Deferred income tax liabilities settled within 12 months	(14)	(20)
	(1,555)	(1,302)
	965	832

11. DIVIDEND

	2017 RMB million	2016 RMB million (Restated)
Proposed final – RMB0.25 (2016: RMB0.23) per ordinary share	2,154	1,982

The proposed final dividend for year 2017 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The dividends paid in 2017 amounted to RMB2,841 million, being RMB0.33 per share (2016: RMB1,723 million, being RMB0.20 per share).

11. DIVIDEND (CONTINUED)

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

(i) Making up prior years' cumulative losses, if any.

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

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

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

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

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

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

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

The calculation of basic earnings per share is based on:

	2017	2016
	RMB million	*RMB million*
		(Restated)
Earnings:		
Profit for the year attributable to ordinary equity holders of the Company	**14,063**	13,345
	Number of shares	
	million	*million*
Shares:		
Weighted average number of ordinary shares in issue during the year	**8,616**	8,616
Earnings per share	**163.22 cents**	154.89 cents

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB million*	Plant and equipment *RMB million*	Construction in progress *RMB million*	Total *RMB million*
At 31 December 2016 and 1 January 2017:				
Cost	1,027	20,314	2,210	23,551
Accumulated depreciation and impairment	(288)	(9,390)	–	(9,678)
Net carrying amount	739	10,924	2,210	13,873
At 1 January 2017, net of accumulated Depreciation and impairment	739	10,924	2,210	13,873
Additions	13	569	2,645	3,227
Disposal of subsidiaries	(2)	(5)	–	(7)
Disposals	(22)	(36)	(4)	(62)
Reclassification	79	2,139	(2,218)	–
Impairment	–	(268)	–	(268)
Depreciation during the year	(57)	(1,701)	–	(1,758)
At 31 December 2017, net of accumulated depreciation and impairment	750	11,622	2,633	15,005
At 31 December 2017:				
Cost	1,091	22,724	2,633	26,448
Accumulated depreciation and impairment	(341)	(11,102)	–	(11,443)
Net carrying amount	750	11,622	2,633	15,005

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Plant and equipment	Construction in progress	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
At 31 December 2015 and 1 January 2016 (Restated):				
Cost	1,077	17,749	2,436	21,262
Accumulated depreciation and impairment	(328)	(8,005)	–	(8,333)
Net carrying amount	749	9,744	2,436	12,929
At 1 January 2016, net of accumulated Depreciation and impairment	749	9,744	2,436	12,929
Additions	11	463	2,100	2,574
Gain of control in subsidiaries	5	66	–	71
Disposals	(16)	(8)	(3)	(27)
Reclassification	45	2,278	(2,323)	–
Impairment	–	(2)	–	(2)
Depreciation during the year	(55)	(1,617)	–	(1,672)
At 31 December 2016, net of accumulated depreciation and impairment	739	10,924	2,210	13,873
At 31 December 2016:				
Cost	1,027	20,314	2,210	23,551
Accumulated depreciation and impairment	(288)	(9,390)	–	(9,678)
Net carrying amount	739	10,924	2,210	13,873

14. INTANGIBLE ASSETS

	Patents and licenses *RMB million*	Customer relationships *RMB million*	Research and development costs *RMB million*	Others *RMB million*	Total *RMB million*
For the year ended 31 December 2017					
Cost:					
At 1 January 2017	1,707	1,336	1,180	834	5,057
Additions	52	–	884	102	1,038
Reclassification	122	–	(149)	27	–
Disposal of control in subsidiaries	–	–	–	(5)	(5)
At 31 December 2017	1,881	1,336	1,915	958	6,090
Accumulated amortization:					
At 1 January 2017	491	276	–	560	1,327
Amortization	256	79	–	81	416
Disposal of control in subsidiaries	–	–	–	(2)	(2)
At 31 December 2017	747	355	–	639	1,741
Impairment:					
At 1 January 2017	112	–	–	–	112
At 31 December 2017	112	–	–	–	112
Net book value:					
At 1 January 2017	1,104	1,060	1,180	274	3,618
At 31 December 2017	1,022	981	1,915	319	4,237

14. INTANGIBLE ASSETS (CONTINUED)

	Patents and licenses *RMB million*	Customer relationships *RMB million*	Research and development costs *RMB million*	Others *RMB million*	Total *RMB million*
For the year ended 31 December 2016 (Restated):					
Cost:					
At 1 January 2016	844	1,336	1,060	674	3,914
Additions	390	–	593	156	1,139
Gain of control in subsidiaries	–	–	–	4	4
Reclassification	473	–	(473)	–	–
At 31 December 2016	1,707	1,336	1,180	834	5,057
Accumulated amortization:					
At 1 January 2016	294	197	–	513	1,004
Amortization	197	79	–	45	321
Gain of control in subsidiaries	–	–	–	2	2
At 31 December 2016	491	276	–	560	1,327
Impairment:					
At 1 January 2016	112	–	–	–	112
At 31 December 2016	112	–	–	–	112
Net book value:					
At 1 January 2016	438	1,139	1,060	161	2,798
At 31 December 2016	1,104	1,060	1,180	274	3,618

15. GOODWILL

	2017 *RMB million*	2016 *RMB million* (Restated)
At 1 January	**1,798**	1,798
Loss	**(35)**	–
At 31 December	**1,763**	1,798

The recoverable amounts of the cash-generating units, to which the goodwill is allocated, have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 13%-15% (2016: 13%-15%).

16. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2017 were as follows:

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

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Special Commercial Vehicle Co., Ltd.	PRC	RMB343,314,200	75.08	–	Manufacturing and sale of special commercial vehicles, parts and components
Dongfeng Peugeot Citroën Automobile Sales Co., Ltd.	PRC	RMB100,000,000	50	–	Marketing and sale of automobiles
Dongfeng Nengdi (Hangzhou) Motor Co., Ltd.	PRC	RMB289,900,700	50	50	Manufacture and sale of automotive parts and components

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

Summarized financial information on subsidiaries with non-controlling interests

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

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarized statement of financial position

	2017 *RMB million*	2016 *RMB million*
Current assets	62,920	53,474
Current liabilities	62,317	51,597
Net current assets	603	1,877
Non-current assets	20,679	18,673
Non-current liabilities	2,993	2,602
Net non-current assets	17,686	16,071
Net assets	18,289	17,948

Summarized statement of comprehensive income

	2017 *RMB million*	2016 *RMB million*
Revenue	114,587	115,443
Profit before income tax	2,120	3,224
Income tax expense	(420)	(654)
Profit for the year	1,700	2,570
Other comprehensive income	93	(28)
Total comprehensive income for the year	1,793	2,542
Total comprehensive income attributable to non-controlling interests	2	11

17. INVESTMENTS IN JOINT VENTURES

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

	2017 RMB million	2016 RMB million
Joint ventures, at carrying value	39,858	40,549

The movements in investments in joint ventures are as follows:

	2017 RMB million	2016 RMB million
At 1 January	40,549	39,166
Additional investments	50	1,518
Share of profits	13,598	11,602
Other comprehensive income	26	(8)
Other changes in equity	(33)	92
Disposals	(46)	–
Dividends received	(14,283)	(11,823)
Translation reserve	(3)	2
At 31 December	39,858	40,549

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Particulars of the principal joint ventures of the Group as at 31 December 2017 were as follows:

Name	Place of establishment and business	Paid-up Registered capital	Percentage of equity interest attributable to the Company	Principal activities
Dongfeng Motor Co., Ltd. ("DFL")	PRC	RMB16,700,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Automobile Co., Ltd. ("DPCA")	PRC	RMB7,000,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Automobile Co., Ltd. ("DHAC")	PRC	USD560,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Engine Co., Ltd.	PRC	USD121,583,517	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Auto Parts Co., Ltd.	PRC	USD62,500,000	44.00	Manufacture and sale of automotive parts and components
Dongfeng Renault Automotive Co., Ltd.	PRC	RMB4,706,303,466	50.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Auto Finance Co., Ltd.	PRC	RMB1,000,000,000	50.00	Provision of auto financial services

The financial information of material joint ventures

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

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures (Continued)

(i) Statement of financial position of material joint ventures

	DFL		DPCA		DHAC	
	2017	2016	**2017**	2016	**2017**	2016
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Cash and cash equivalents	**29,982**	21,066	**12,986**	8,941	**24,682**	17,438
Other current assets (excluding cash)	**67,418**	63,075	**5,048**	6,212	**17,899**	18,316
Total current assets	**97,400**	84,141	**18,034**	15,153	**42,581**	35,754
Total non-current assets	**44,009**	42,404	**21,911**	23,728	**9,375**	8,923
Total assets	**141,409**	126,545	**39,945**	38,881	**51,956**	44,677
Current financial liabilities (excluding account payable)	**(621)**	(481)	**(3,930)**	–	**–**	–
Other current liabilities (including account payable)	**(84,161)**	(69,708)	**(21,273)**	(22,668)	**(37,044)**	(31,713)
Total current liabilities	**(84,782)**	(70,189)	**(25,203)**	(22,668)	**(37,044)**	(31,713)
Non-current financial liabilities (excluding account payable)	**(25)**	(58)	**–**	(360)	**–**	–
Other non-current liabilities (including account payable)	**(6,805)**	(4,565)	**(2,243)**	(1,743)	**(2,098)**	(1,667)
Total non-current liabilities	**(6,830)**	(4,623)	**(2,243)**	(2,103)	**(2,098)**	(1,667)
Total liabilities	**(91,612)**	(74,812)	**(27,446)**	(24,771)	**(39,142)**	(33,380)
Non-controlling interests	**(8,541)**	(8,226)	**–**	–	**–**	–
Net assets	**41,256**	43,507	**12,499**	14,110	**12,814**	11,297

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures (Continued)

(ii) Statement of comprehensive income of material joint ventures

	DFL		DPCA		DHAC	
	2017	2016	**2017**	2016	**2017**	2016
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**169,144**	160,118	**34,326**	47,397	**94,447**	79,622
Depreciation and amortization	**(4,751)**	(4,207)	**(2,375)**	(2,130)	**(969)**	(1,065)
Interest income	**1,077**	638	**287**	496	**445**	228
Interest expenses	**(20)**	(44)	**(24)**	(38)	**–**	–
Profit before income tax	**20,872**	18,880	**(246)**	2,276	**13,869**	9,830
Income tax expenses	**(5,134)**	(4,762)	**106**	(449)	**(3,512)**	(2,600)
Profit/(loss) after tax	**15,738**	14,118	**(140)**	1,827	**10,357**	7,230
Non-controlling interests	**(1,878)**	(1,557)	**–**	–	**–**	–
Other comprehensive income	**34**	–	**–**	–	**–**	–
Total comprehensive income	**13,894**	12,561	**(140)**	1,827	**10,357**	7,230
Dividend received	**8,039**	5,593	**735**	847	**4,420**	4,586

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information

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

	DFL		DPCA		DHAC	
	2017	2016	**2017**	2016	**2017**	2016
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Opening net assets at 1 January	**43,507**	42,132	**14,110**	13,977	**11,297**	10,542
Profit after tax	**15,737**	14,118	**(140)**	1,826	**10,357**	7,230
Other comprehensive income	**34**	–	**–**	–	**–**	–
Dividend	**(16,078)**	(11,186)	**(1,471)**	(1,693)	**(8,840)**	(9,172)
Non-controlling interests	**(1,877)**	(1,557)	**–**	–	**–**	–
Other equity movement	**(67)**	–	**–**	–	**–**	–
Capital contribution from non-controlling shareholders	**–**	–	**–**	–	**–**	2,697
Closing net assets at 31 December	**41,256**	43,507	**12,499**	14,110	**12,814**	11,297
Interest in joint ventures (50%)	**20,628**	21,754	**6,250**	7,055	**6,407**	5,649
Goodwill	**–**	–	**277**	277	**–**	–
Carrying amount of investments in material joint ventures	**20,628**	21,754	**6,527**	7,332	**6,407**	5,649

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information (Continued)

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

	2017	2016
	RMB million	*RMB million*
Share of joint ventures' results		
Profit after tax	**1,560**	793
Other comprehensive income	**5**	(6)
Total comprehensive income	**1,565**	787
Aggregate carrying amount of the Group's investments in the joint ventures	**6,296**	5,814

18. INVESTMENTS IN ASSOCIATES

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

	2017	2016
	RMB million	*RMB million*
Associates, at carrying value	**14,614**	12,598

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates as at 31 December 2017 were as follows:

Name	Place of establishment and business	Percentage of ownership interest attributable to the Group	Principal activities
Dongfeng Nissan Auto Finance Co., Ltd.#	PRC	35.00	Provision of finance services
Wuhan Lear-DFM Auto Electric Co. Ltd.#	PRC	25.00	Manufacture and sale of automotive parts and components
PSA Peugeot Citroën Group ("PSA")	France	12.23	Manufacture and sale of automotive parts and components

Sino-foreign equity joint venture

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

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

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2017	2016
	RMB million	*RMB million*
Associates-Share of profits	**2,207**	1,897

The movements in investments in associates are as follows:

	2017	2016
	RMB million	*RMB million*
1 January	**12,598**	10,525
Increase in investment	**4**	–
Share of profits	**2,207**	1,897
Other comprehensive income	**(348)**	32
Other changes in equity	**(64)**	10
Disposal	**(6)**	(54)
Dividend received	**(445)**	(60)
Translation reserve	**668**	248
31 December	**14, 614**	12,598

19. OTHER NON-CURRENT ASSETS

		2017	2016
	Notes	***RMB million***	*RMB million*
Loans and receivables from financing services	23(b)	**13,016**	9,050
Mandatory reserve deposits with the People's Bank of China (the "PBOC")	(a)	**3,029**	2,135
Fixed term deposits	(b)	**2,000**	3,000
Others		**212**	192
		18,257	14,377

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

(b) Fixed term deposits included RMB2,000 million (2016: RMB2,000 million) placed by the Company in an associate which is involved in the provision of financing services and RMB0 million (2016: RMB1,000 million) placed by the Company in a joint venture which is involved in the provision of financing services.

20. INVENTORIES

	2017	2016
	RMB million	*RMB million*
		(Restated)
Raw materials	**1,780**	1,272
Work in progress	**612**	446
Finished goods – at cost	**7,815**	7,017
	10,207	8,735

21. TRADE RECEIVABLES

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

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

	2017	2016
	RMB million	*RMB million*
		(Restated)
Within three months	**3,929**	2,071
More than three months but within one year	**1,536**	1,844
More than one year	**535**	223
	6,000	4,138

21. TRADE RECEIVABLES (CONTINUED)

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

	2017	2016
	RMB million	*RMB million*
		(Restated)
At 1 January	**583**	229
Net impairment loss recognized	**37**	360
Amount written off as uncollectible	**(7)**	(6)
At 31 December	**613**	583

As at 31 December 2017, the Group held collateral and other credit enhancements, which mainly included property, plant and equipment, lease prepayments and inventories, amounted to RMB608 million (2016: RMB660 million) over trade receivables amounted to RMB513 million (2016: RMB535 million).

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

	2017	2016
	RMB million	*RMB million*
		(Restated)
Neither past due nor impaired	**3,929**	2,071
Less than three months past due	**512**	615
	4,441	2,686

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

21. TRADE RECEIVABLES (CONTINUED)

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

	2017 *RMB million*	2016 *RMB million* (Restated)
DMC, its subsidiaries, associates and joint ventures	171	299
Non-controlling shareholders of a subsidiary and their subsidiaries	76	74
Associates	12	14
	259	387

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

22. BILLS RECEIVABLE

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

	2017 *RMB million*	2016 *RMB million* (Restated)
Within one year	14,605	15,416

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2017 *RMB million*	2016 *RMB million* (Restated)
Prepayments		1,872	2,155
Deposits and other receivables	(a)	2,291	1,322
Restricted fixed term deposits within one year	(c)	1,000	–
Loans and receivables from financing services	(b)	21,448	16,728
		26,611	20,205

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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

	2017 RMB million	2016 RMB million (Restated)
At 1 January	87	63
Net impairment loss recognized	(5)	24
Amount written off as uncollectible	(1)	–
At 31 December	81	87

(b) Loans and receivables from financing services represented loans granted by DFF, which is involved in the provision of financing services, to individuals and entities when they purchased commercial and passenger vehicles from dealers at an interest rate of 2.28%-15.00% per annum. These loans and receivables from financing services were secured by the vehicle licenses together with guarantees provided by these dealers.

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

	Note	2017 RMB million	2016 RMB million (Restated)
Gross loans and receivables from financing services		34,577	26,085
Less: impairment allowances		(113)	(307)
		34,464	25,778
Less: current portion		(21,448)	(16,728)
Non-current portion	19	13,016	9,050

Movements of impairment allowances are as follows:

	2017 RMB million	2016 RMB million (Restated)
At 1 January	307	260
Impairment allowances charged	133	149
Amount written off as uncollectible	(327)	(102)
At 31 December	113	307

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

(b) (Continued)

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

	2017	2016
	RMB million	*RMB million*
		(Restated)
DMC, its subsidiaries, associates and joint ventures	**627**	805
Non-controlling shareholders of a subsidiary and their subsidiaries	**7**	10
Associates	**19**	24
	653	839

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

(c) The balance of restricted fixed term deposits within one year is RMB1,000 million (2016: RMB0 million) placed by the Company in a joint venture which is involved in the provision of financing services.

24. BALANCE WITH JOINT VENTURES

		2017	2016
	Notes	***RMB million***	*RMB million*
			(Restated)
Due from joint ventures, amount			
Interest-bearing loans to joint ventures		**1,152**	111
Dividends receivable from joint ventures		**7,968**	3,875
Others	(a)	**4,453**	4,686
		13,573	8,672
Less: Current portion		**(13,573)**	(8,672)
Non-current portion		**–**	–
Due to joint ventures			
Cash deposits in DFF	(b)	**8,631**	2,783
Arising from acquisition of CV businesses		**–**	–
Others	(a)	**4,989**	5,746
		13,620	8,529
Less: Current portion		**(13,620)**	(8,529)
Non-current portion		**–**	–

24. BALANCES WITH JOINT VENTURES (CONTINUED)

Notes:

(a) Others due from/to joint ventures are unsecured, interest-free and have no fixed terms of repayment.

(b) Cash deposits placed by joint ventures in DFF, a subsidiary of the Company involved in the provision of financing services, bear interest at the prevailing savings interest rate published by the PBOC.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB million	*RMB million*
		(Restated)
Unlisted investments at cost less impairment:		
Non-current	**174**	174

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

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

	Notes	2017 RMB million	2016 RMB million (Restated)
Cash and bank balances		**18,070**	17,998
Time deposits		**25,791**	19,498
Restricted fixed term deposits within one year	23(c)	**1,000**	–
Restricted fixed term deposits over one year	19(b)	**2,000**	3,000
		46,861	40,496
Less: Pledged bank balances and time deposits for securing general banking facilities		**(10,511)**	(6,645)
Less: Restricted fixed term deposits within one year	23(c)	**(1,000)**	–
Less: Restricted fixed term deposits over one year	19(b)	**(2,000)**	(3,000)
Cash and cash equivalents as stated in the consolidated statement of financial position		**33,350**	30,851
Less: Non-pledged time deposits with original maturity of three months or more when acquired		**(1,800)**	(1,127)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**31,550**	29,724

Time deposits included RMB200 million (2016: RMB200 million) placed by the Company in an associate which is involved in the provision of financing services and RMB1,600 million (2016: RMB500 million) placed by the Company in a joint venture which is involved in the provision of financing services.

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

27. SHARE CAPITAL

	2017 RMB million	2016 RMB million (Restated)
Registered, issued and fully paid:		
– 5,760,388,000 (2016: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
– 2,855,732,000 (2016: 2,855,732,000) H shares of RMB1.00 each	**2,856**	2,856
	8,616	8,616

28. INTEREST-BEARING BORROWINGS

	2017			2016		
	Effective interest rate (%)	**Maturity**	***RMB million***	Effective interest rate (%)	Maturity	*RMB million* (Restated)
Current						
Bank loans – unsecured	**2.00–4.35**	**2018**	**2,394**	2.20–4.35	2017	1,089
Guaranteed notes	**1.60**	**2018**	**3,897**			–
Other loans – unsecured			**8,207**			6,221
			14,498			7,310
Non-Current						
Bank loans – secured	**1.82**	**2022**	**2,273**	1.76	2022	2,850
Bank loans – unsecured	**1.82–5.00**	**2018–2022**	**125**	1.66–4.75	2018–2019	593
Guaranteed notes			**–**	1.60	2018	3,644
			2,398			7,087
			16,896			14,397

28. INTEREST-BEARING BORROWINGS (CONTINUED)

Other loans represented cash deposits placed by DMC, its subsidiaries, associates and joint ventures amounting to RMB4,350 million (2016: RMB3,620 million) and other unrelated third parties in DFF, a subsidiary of the Group which is involved in the provision of financing services. These loans bear interest at the prevailing savings interest rate published by the PBOC.

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

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

	2017 ***RMB million***	2016 *RMB million* (Restated)
Time deposits and bank balances	**4,309**	2,957

28. INTEREST-BEARING BORROWINGS (CONTINUED)

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

	2017 RMB million	2016 RMB million (Restated)
Bank loans repayable:		
Within one year or on demand	2,394	1,089
One year to two years	136	387
Two years to three years	–	206
Three years to five years	2,262	–
More than five years	–	2,850
	4,792	4,532
Notes repayable:		
Within one year	3,897	–
One year to two years	–	3,644
	3,897	3,644
Other loans repayable:		
Within one year or on demand	8,207	6,221
	16,896	14,397

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

28. INTEREST-BEARING BORROWINGS (CONTINUED)

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

	2017	2016
	RMB million	*RMB million*
		(Restated)
RMB	**10,683**	7,766
EUR	**6,213**	6,631
	16,896	14,397

29. PROVISIONS

	2017	2016
	RMB million	*RMB million*
		(Restated)
Non-current	**652**	674
Current	**1,285**	1,085
	1,937	1,759

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

	Environmental restoration costs	**Warranty provisions**	**Total**
	RMB million	*RMB million*	*RMB million*
At 1 January 2016	113	1,413	1,526
Provisions during the year	–	1,471	1,471
Utilized	(4)	(1,234)	(1,238)
At 31 December 2016	109	1,650	1,759
Provisions during the year	**–**	**1,381**	**1,381**
Utilized	**(20)**	**(1,183)**	**(1,203)**
At 31 December 2017	**89**	**1,848**	**1,937**

29. PROVISIONS (CONTINUED)

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

(a) Environmental restoration costs

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

(b) Warranty provisions

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

30. GOVERNMENT GRANTS

The movements of the government grants related to assets are analyzed as follows:

	RMB million
At 1 January 2016	554
Received during the year	408
Recognised as other income during the year	(90)
At 31 December 2016 and 1 January 2017	872
Received during the year	**20**
Recognised as other income during the year	**(121)**
At 31 December 2017	**771**

31. TRADE PAYABLES

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

	2017	2016
	RMB million	*RMB million*
		(Restated)
Within three months	**19,203**	19,856
More than three months but within one year	**1,696**	1,219
More than one year	**613**	426
	21,512	21,501

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

	2017	2016
	RMB million	*RMB million*
		(Restated)
DMC, its subsidiaries, associates and joint ventures	**335**	307
Non-controlling shareholders of a subsidiary and their subsidiaries	**57**	8
Associates	**31**	49
	423	364

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

32. BILLS PAYABLE

The maturity profile of the bills payable is as follows:

	2017	2016
	RMB million	*RMB million*
Within one year	**21,526**	14,867

33. OTHER PAYABLES AND ACCRUALS

	2017 RMB million	2016 RMB million (Restated)
Advances from customers	**2,980**	3,964
Accrued salaries, wages and benefits	**1,879**	1,694
Other payables	**12,555**	10,548
	17,414	16,206

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

	2017 RMB million	2016 RMB million (Restated)
DMC, its subsidiaries, associates and joint ventures	**176**	142
Non-controlling shareholders of a subsidiary and their subsidiaries	**135**	234
	311	376

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

Non-controlling shareholders of a subsidiary and their subsidiaries included payable related to acquisition of intangible assets amounting to RMB43 million, which is expected to be settled within one year since the balance sheet date. The payable amounting to RMB198 million expected to be settled over one year since the balance sheet date are classified as other long term liabilities.

34. NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	**2017** *RMB million*	2016 *RMB Million*
Cash and cash equivalents	**33,350**	30,851
Borrowings – repayable within one year (including overdraft)	**(14,498)**	(7,310)
Borrowings – repayable after one year	**(2,398)**	(7,087)
Net debt	**16,454**	16,454

	Cash *RMB million*	**Borrow. due within 1 year** *RMB million*	**Borrow. due after 1 year** *RMB million*	**Total** *RMB million*
Net debt as at 1 January 2016	31,912	(6,951)	(7,565)	17,396
Cash flows	(1,061)	(264)	535	(790)
Foreign exchange adjustments	–	(38)	(114)	(152)
Other non-cash movements	–	(57)	57	–
Net debt as at 31 December 2016	30,851	(7,310)	(7,087)	16,454
Cash flows	**2,499**	**(3,094)**	**1,046**	**451**
Foreign exchange adjustments	**–**	**(43)**	**(408)**	**(451)**
Other non-cash movements	**–**	**(4,051)**	**4,051**	**–**
Net debt as at 31 December 2017	**33,350**	**(14,498)**	**(2,398)**	**16,454**

(i) Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

35. COMMITMENTS

(a) Operating lease commitments as lessee

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

	2017	2016
	RMB million	*RMB million*
		(Restated)
Within one year	**191**	165
After one year but not more than five years	**684**	672
More than five years	**5,068**	5,294
	5,943	6,131

(b) Capital commitments

In addition to the operating lease commitments detailed in Note 35(a) above, the Group had the following capital commitments at the end of the reporting period:

	2017	2016
	RMB million	*RMB million*
Contracted, but not provided for:		
– Property, plant and equipment	**1,755**	1,929

36. RELATED PARTY TRANSACTIONS

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

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

	Note	2017 RMB million	2016 RMB million (Restated)
Purchases of automotive parts/raw materials from and payment of royalty fee to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		860	658
– Joint ventures		16,611	13,197
– Associates		160	178
– Subsidiaries' joint ventures		3,728	2,389
– Non-controlling shareholders of a subsidiary and their subsidiaries		182	14
		21,541	16,436
Purchases of automobiles from joint ventures	(i)	34,654	41,997
Purchases of water, steam and electricity from DMC	(i)	574	519
Purchases of items of property, plant and equipment and intangible assets from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		18	42
– Joint ventures		157	213
– Non-controlling shareholders of a subsidiary and their subsidiaries		53	380
		228	635
Rental expenses to DMC		129	121

36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2017 RMB million	2016 RMB million (Restated)
Purchases of services from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**386**	356
– Joint ventures		**280**	272
– Subsidiaries' joint ventures		**1**	–
– Non-controlling shareholders of a subsidiary and their subsidiaries		**226**	171
		893	799
Sales of automotive parts/raw materials to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**384**	346
– Joint ventures		**4,159**	2,737
– Associates		**2**	–
– Subsidiaries' joint ventures		**88**	92
– Non-controlling shareholders of a subsidiary and their subsidiaries		**1**	14
		4,634	3,189
Sales of automobiles to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**4,676**	3,682
– Joint ventures		**783**	1,027
– Subsidiaries' joint ventures		**50**	48
– Non-controlling shareholders of a subsidiary and their subsidiaries		**1,321**	574
		6,830	5,331

36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2017 RMB million	2016 RMB million (Restated)
Provisions of services to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		5	–
– Joint ventures		63	172
– Subsidiaries' joint ventures		8	3
		76	175
Interest expense paid to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		42	54
– Joint ventures		139	30
		181	84
Interest incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		79	9
– Joint ventures		14	12
– Associates		2	–
		95	21
Fee and commission incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		–	3
– Joint ventures		9	9
		9	12
Dispatch Fee from:			
– Joint ventures		253	283

36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Note:

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

(b) Outstanding balances with related parties:

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

(ii) Details of the Group's balances with joint ventures as at the end of the reporting period are disclosed in note 24 to the financial statements.

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

	2017	2016
	RMB'000	*RMB'000*
Short term employee benefits	**4,237**	5,118
Post-employment benefits	**310**	382
Total compensation paid to key management personnel	**4,547**	5,500

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

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

2017

Financial assets

	Loans and receivables *RMB million*	Available-for-sale financial assets *RMB million*	Total *RMB million*
Available-for-sale financial assets	–	174	174
Other non-current assets	18,045	–	18,045
Trade receivables	6,000	–	6,000
Bills receivable	14,605	–	14,605
Financial assets included in prepayments, deposits and other receivables	23,739	–	23,739
Due from joint ventures	11,472	–	11,472
Pledged bank balances and time deposits	10,511	–	10,511
Cash and cash equivalents	33,350	–	33,350
	117,722	174	117,896

Financial liabilities

	Financial liabilities at amortized cost *RMB million*
Trade payables	21,512
Bills payable	21,526
Financial liabilities included in other payables and accruals	11,753
Due to joint ventures	13,327
Interest-bearing borrowings	16,896
Other long term liabilities	714
	85,728

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

2016

Financial assets

	Loans and receivables *RMB million* (Restated)	Available-for-sale financial assets *RMB million* (Restated)	Total *RMB million* (Restated)
Available-for-sale financial assets	–	174	174
Other non-current assets	14,185	–	14,185
Trade receivables	4,138	–	4,138
Bills receivable	15,416	–	15,416
Financial assets included in prepayments, deposits and other receivables	17,545	–	17,545
Due from joint ventures	7,182	–	7,182
Pledged bank balances and time deposits	6,645	–	6,645
Cash and cash equivalents	30,851	–	30,851
	95,962	174	96,136

Financial liabilities

	Financial liabilities at amortised cost *RMB million* (Restated)
Trade payables	21,501
Bills payable	14,867
Financial liabilities included in other payables and accruals	9,134
Due to joint ventures	8,529
Interest-bearing borrowings	14,397
Other long term liabilities	580
	69,008

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Interest rate risk

1. The Group's interest rate risk mainly arises from long-term interest-bearing borrowings including long-term borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk.

2. The Group's policy is to manage its interest cost using a mix of fixed and variable rate borrowings. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

3. As at 31 December 2017, all the Group's long-term interest-bearing borrowings is mainly euro-denominated contract, the amount is RMB2,398 million (as at 31 December 2016: RMB7,078 million).

(b) Foreign currency risk

The businesses of the Group are principally located in the PRC. While most of the sales of the Group are conducted in RMB, certain of the Group's borrowings were denominated in other currency such as euro dollars (EUR).

As at 31 December 2017 and 31 December 2016, the carrying amounts in RMB equivalent of the Group's liabilities denominated in foreign currencies are summarised below:

	2017	2016
	RMB million	*RMB million*
		(Restated)
Interest-bearing borrowings	**6,213**	6,631

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the euro dollars (EUR), exchange rates, with all other variables held constant, of the Group's post tax profit (due to changes in the fair values of monetary liabilities).

	Increase/(decrease) in post tax profit	
	2017	2016
	RMB million	*RMB million*
		(Restated)
If RMB strengthens against EUR by 5%	**233**	272
If RMB weakens against EUR by 5%	**(233)**	(272)

(c) Credit risk

The cash and bank balances and time deposits of the Group are mainly deposited with state-owned banks in the PRC, such as Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not have a significant exposure to any individual customer.

The Group's financing services are primarily focused on supporting the sale of the commercial and passenger vehicles of the Group. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as vehicle licences. Scoring systems are applied for the assessment of the default risk of individual customers. All loans and receivables from financing services are reviewed for objective evidence of impairment and classified based on a ten-tier classification system. Customers' loans that are classified as substandard, doubtful or loss are assessed individually for impairment.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

The carrying amount of each financial asset included in these financial statements represents the maximum exposure of the Group to credit risk in relation to its financial assets. In addition, the guarantees given by the Group to banks in favour of banking facilities granted to the Group's joint ventures represent the Group's other exposure to credit risk. The Group has no other financial assets carrying significant exposure to credit risk and has no significant concentration of credit risk.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, and other available sources of financing.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2017				
	Within one year or on demand *RMB million*	In the second year *RMB million*	In the third to fifth years *RMB million*	Beyond five years *RMB million*	Total *RMB million*
Interest-bearing borrowings	14,497	136	2,263	–	16,896
Trade payables	21,512	–	–	–	21,512
Bills payable	21,526	–	–	–	21,526
Other payables	10,810	591	200	84	11,685
Due to joint ventures	13,327	–	–	–	13,327
	81,672	727	2,463	84	84,946

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

	2016				
	Within one year or on demand *RMB million* (Restated)	In the second year *RMB million* (Restated)	In the third to fifth years *RMB million* (Restated)	Beyond five years *RMB million* (Restated)	Total *RMB million* (Restated)
Interest-bearing borrowings	7,317	4,031	199	2,850	14,397
Trade payables	21,501	–	–	–	21,501
Bills payable	14,867	–	–	–	14,867
Other payables	9,283	695	177	42	10,197
Due to joint ventures	8,529	–	–	–	8,529
	61,497	4,726	376	2,892	69,491

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management (Continued)

The Group monitors capital using a net debt to equity ratio, which is net debt divided by equity. Net debt includes interest-bearing borrowings, less cash and cash equivalents. Equity represents equity attributable to equity holders of the Company. The net debt to equity ratio as at the end of the reporting period was as follows:

	2017 *RMB million*	2016 *RMB million* (Restated)
Interest-bearing borrowings	16,896	14,397
Less: Cash and cash equivalents	(33,350)	(30,851)
Net debt	(16,454)	(16,454)
Equity attributable to equity holders of the Company	108,201	96,726
Net debt to equity ratio	-15.21%	-17.01%

39. EVENTS AFTER THE REPORTING PERIOD

A final dividend in respect of the year ended 31 December 2017 of RMB0.25 per share, amounting to a total dividend of RMB2,154 million, was proposed by the Board of Directors at a meeting held on 27 March 2018, subject to the final approval by the shareholders of the Company at the Annual General Meeting. These financial statements do not reflect this dividend payable.

On 27 March 2018, the Company entered into the Equity Transfer Agreement with Dongfeng Motor Corporation, the controlling shareholder of the Company. Pursuant to the Equity Transfer Agreement, Dongfeng Motor Corporation has agreed to dispose of and the Company has agreed to acquire the 100% equity interests in Dongfeng Motor Trading Co., Ltd. subject to the terms and conditions therein.

40. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2017	2016
	RMB million	*RMB million*
		(Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	**3,369**	3,346
Lease prepayments	**288**	295
Intangible assets	**862**	884
Investments in subsidiaries	**12,619**	12,337
Investments in joint ventures	**16,268**	16,268
Investments in associates	**595**	595
Available-for-sale financial assets	**68**	68
Other non-current assets	**2,000**	3,000
Total non-current assets	**36,069**	36,793
Current assets		
Inventories	**1,345**	1,446
Trade receivables	**2,147**	1,021
Bills receivable	**759**	869
Prepayments, deposits and other receivables	**3,455**	1,479
Due from joint ventures	**8,103**	4,464
Pledged bank balances	**4,295**	2,497
Cash and cash equivalents	**25,416**	25,885
Total current assets	**45,520**	37,661
TOTAL ASSETS	**81,589**	74,454
EQUITY AND LIABILITIES		
Equity		
Issued capital	**8,616**	8,616
Reserves	**10,665**	9,517
Retained profits	**53,676**	45,728
TOTAL EQUITY	**72,957**	63,861

40. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

	As at 31 December	
	2017	2016
	RMB million	*RMB million*
		(Restated)
Non-current liabilities		
Interest-bearing borrowings	**–**	250
Other non-current liabilities	**56**	57
Provisions	**276**	262
Government grants	**81**	86
Total non-current liabilities	**413**	655
Current liabilities		
Trade payables	**3,807**	5,034
Bills payable	**666**	1,069
Other payables and accruals	**2,409**	2,467
Due to joint ventures	**732**	663
Interest-bearing borrowings	**250**	370
Income tax payable	**211**	211
Provisions	**144**	124
Total current liabilities	**8,219**	9,938
TOTAL LIABILITIES	**8,632**	10,593
TOTAL EQUITY AND LIABILITIES	**81,589**	74,454

The balance sheet of the Company was approved by the Board of Directors on March 27, 2018 and was signed on its behalf.

Li Shaozhu
Director

Liu Weidong
Director

40. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Capital reserve	Statutory reserves	Retained profits	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
1 January 2016	1,363	6,976	37,309	45,648
Total comprehensive income for the year	–	–	11,320	11,320
Transfer to reserve	1,178	–	(1,178)	–
Final 2015 dividend declared and paid	–	–	(1,723)	(1,723)
At 31 December 2016 1 January 2017	**2,541**	**6,976**	**45,728**	**55,245**
Total comprehensive income for the year	**–**	**–**	**11,939**	**11,939**
Transfer to reserve	**1,148**	**–**	**(1,148)**	**–**
Final 2016 and interim 2017 dividend declared and paid	**–**	**–**	**(2,843)**	**(2,843)**
At 31 December 2017	**3,689**	**6,976**	**53,676**	**64,341**

(a) Statutory reserves

In accordance with the PRC Company Law, the Company, its subsidiaries and associates established in the PRC are required to allocate 10% of their profits after tax (determined under the PRC Generally Accepted Accounting Principles (PRC GAAP)) to their respective statutory surplus reserves (the "SSR"). No allocation to the SSR is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the respective companies.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises and the memorandum and articles of association of the relevant companies, the Group's Sino-foreign joint ventures are also required to make appropriations of certain of their profits after tax thereof to their enterprise expansion funds and reserve funds, which are restricted as to use.

40. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company (Continued)

(b) Distributable reserves

As set out in note 11, for dividend distribution purposes, the Company's distributable profit is based on the lower of the net profit after tax as determined under PRC GAAP and IFRSs following its restructuring into a joint stock limited liability company on 12 October 2004. The amounts that the Company's subsidiaries and joint ventures can legally distribute by way of dividend are determined by reference to their profits as reflected in their financial statements prepared in accordance with PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

In accordance with the PRC Company Law, the net profits after transfers to the SSR can be distributed as dividends by the companies comprising the Group as set out above.

Under the relevant laws and regulatory requirements, the net profits of the Group's Sino-foreign joint ventures after transfers to the enterprise expansion fund and the reserve funds can be distributed as dividends by the Group's Sino-foreign joint ventures.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2018.

Five Year Financial Summary

For the year ended 31 December 2017

A summary of published results and the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
		(Restated)			
RESULTS					
Revenue	**125,016**	122,535	126,566	83,114	37,263
Cost of sales	**(108,904)**	(105,020)	(109,637)	(72,297)	(32,582)
Gross profit	**16,112**	17,515	16,929	10,817	4,681
Other income	**2,775**	2,201	1,897	1,565	1,281
Selling and distribution expenses	**(7,270)**	(7,634)	(7,144)	(4,168)	(2,268)
Administrative expenses	**(4,608)**	(3,767)	(3,691)	(3,359)	(2,179)
Other expenses	**(6,423)**	(5,701)	(5,834)	(3,490)	(2,062)
Finance (costs)/income – net	**(592)**	(445)	189	503	(170)
Share of profits and losses of:					
Joint ventures	**13,574**	11,665	10,422	10,664	11,176
Associates	**2,207**	1,897	1,297	2,089	253
PROFIT BEFORE TAX	**15,775**	15,731	14,065	14,621	10,712
Income tax expense	**(1,141)**	(1,276)	(1,353)	(1,364)	(109)
PROFIT FOR THE YEAR	**14,634**	14,455	12,712	13,257	10,603
Profit attributable to:					
Equity holders of the parent	**14,063**	13,345	11,550	12,797	10,528
Non-controlling interest	**571**	1,110	1,162	460	75
	14,634	14,455	12,712	13,257	10,603

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
		(Restated)			
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**212,492**	185,079	160,786	146,977	115,998
Total liabilities	**(97,496)**	(81,441)	(69,302)	(71,541)	(51,964)
Non-controlling interests	**(6,795)**	(6,912)	(6,834)	(1,621)	(899)
	108,201	96,726	84,650	73,815	63,135

Note: In 2017, the Group acquired certain business from DMC and its subsidiaries. For the business combination under common control, the comparative figures for year 2016 have been restated. In addition, the financial figures for year 2016 have been restated. In addition, the financial figures for year 2014 and 2015 were extracted from the accountant's report of the Company which have been announced to the public on 29 March 2016. The financial figures for year 2013 were extracted from the accountant's report of the Company which have been announced to the public on 28 March 2014. No retrospective adjustments for the business combination under common control were made on the financial figures for these three years.

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2017

NOTICE IS HEREBY GIVEN that an Annual General Meeting (hereinafter referred to as the "AGM") of Dongfeng Motor Group Company Limited (hereinafter referred to as the "Company") for the year 2017 will be held at 9:00 a.m. on Friday, 15 June 2018 at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China (hereinafter referred to as the "PRC") for the purposes of considering and, if thought appropriate, passing with or without amendments, the following resolutions:

I. AS ORDINARY RESOLUTIONS:

1. To consider and approve the report of the board of directors of the Company for the year ended 31 December 2017.

2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2017.

3. To consider and approve the independent auditors' report and audited financial statements of the Company for the year ended 31 December 2017.

4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2017, and authorize the Board to deal with all issues in relation to the Company's distribution of final dividend for the year 2017.

5. To consider and approve the authorization to the Board to deal with all issues in relation to the Company's distribution of interim dividend for the year 2018 at its absolute discretion (including, but not limited to determining whether to distribute interim dividend for the year 2018).

6. To consider and approve the re-appointments of PricewaterhouseCoopers as the international auditors of the Company, and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditors of the Company for the year 2018 to hold office until the conclusion of annual general meeting for the year 2018, and to authorize the Board to determine their remunerations.

7. To consider and approve the remuneration of the directors and the supervisors of the Company determined by the Board for the year 2018.

II. AS SPECIAL RESOLUTIONS:

8. To consider and approve the amendments to the Articles of Association of the Company. Details of the amendments to the Articles of Association are set out in the table below:

No.	Existing Articles	Amended Articles	Existing Contents/ Explanation	Amended contents of the Articles	Reasons for amendments
1	Paragraph 4 of Article 1 in Chapter 1	Paragraph 4 of Article 1 in Chapter 1	The promoter of the Company is Dongfeng Motor Corporation (東風汽車公司) (the "Promoter")	The promoter of the Company is Dongfeng Motor Corporation (東風汽車集團有限公司) (the "Promoter")	Change of Chinese name of controlling shareholder
2	NIL	Article 12 in Chapter 1	Newly-added Article after Article 11 in Chapter 1	In accordance with the relevant requirements of the Constitution of the Communist Party of China and the Company Law, an organization of the Communist Party of China shall be established within the Company. Such organization of the Party acts as the leadership core and political core to provide the direction, manage the overall situation, and ensure the implementation. The Company shall establish the working institution of the Party, equipped with adequate number of personnel to handle Party affairs and provided with sufficient funds to operate the Party organization.	In order to implement the spirit of Sixth Plenary Session of 18th Central Committee of Communist Party of China, and to integrate the reinforcement of leadership of the Party with the improvement of corporate governance of the Company, and to explicitly implement the statutory status of the Party organization in the corporate governance of the Company..
3	NIL	Article 13 in Chapter 1	Newly-added Paragraph after the proposed newly-added Article 12 in Chapter 1	According to the requirements of laws and regulations, the Company shall establish the Communist Youth League and labour union to commence Communist Youth League and labour union activities. The Company shall provide necessary conditions for the commencement of Communist Youth League and labour union activities.	
4	NIL	Paragraph 4 of Article 96 in Chapter 10	Newly-added Paragraph after Paragraph 3 of the existing Article 94 (renumbered to Article 96 pursuant to the Proposed Amendments) in Chapter 10	Before making relevant resolutions, the Board shall first listen to the opinion of the Party organization of the Company.	
5	NIL	Chapter 22	Newly-added Chapter after Chapter 21	Chapter 22 Party Committee	

No.	Existing Articles	Amended Articles	Existing Contents/ Explanation	Amended contents of the Articles	Reasons for amendments
6	NIL	Article 185 in Chapter 22	Newly-added Article under the proposed newly-added Chapter 22	The Company shall establish the committee of Dongfeng Motor Group Company Limited under the Communist Party of China. The Party Committee has one secretary and several members. The chairman of the Board and the secretary to the Party Committee, shall, principally, be the same person. A special deputy secretary shall be designated for mainly dealing with Party development of the Company. Members of the Party Committee who satisfy the criteria may be appointed as members of the Board, the Supervisory Committee or senior management through legal procedures. The members of the Board, the Supervisory Committee and senior management who are members of the Communist Party of China and satisfy the criteria may be appointed as members of the Party Committee in accordance with relevant requirements and procedures. Meanwhile, a disciplinary committee shall be established in accordance with requirements.	
7	NIL	Article 186 in Chapter 22	Newly-added after the proposed newly-added Article 185 in Chapter 22	The Party Committee of the Company shall perform the following duties in accordance with the Constitution of the Communist Party of China and other internal regulations of the Party: (1) Ensure and supervise the implementation of the Party's and the State's policies in the Company, to carry out the major strategic decisions of the CPC Central Committee, the State Council, to fulfill the relevant important work deployment of the SASAC Party Committee and higher Party organizations; (2) Adhere to the principle of managing officials by the Party combined with the Board of Directors selecting the management according to law and the management exercising their lawful authority of employment of personnel. The Party Committee shall consider and comment on the candidates nominated by the Board of Directors or the general manager, or recommend candidates to the Board of Directors or the general manager; examining the proposed candidates with the Board of Directors, and shall make collective investigation and provide opinions and suggestions; (3) Study and discuss the Company's reform and development stability, significant operational and management matters, and important issues involving vital interests of the employees, and provide opinions and suggestions; (4) Take responsibility to strictly administer the Party comprehensively with strict discipline, to lead the Company's ideological and political work, united front work, building of spiritual civilization, building of corporate culture and mass organization work such as Labor Union and the Communist Youth League, and to lead the construction of the Party's honest administration and support the disciplinary committee for discipline inspection to earnestly perform its supervision duties.	

Following the above amendments to the Articles of Association, corresponding Chapters and Articles therein shall be reordered.

9. For the purpose of increasing the flexibility and efficiency of operation, to grant a general mandate to the Board to issue, allot and deal with additional Domestic Shares not exceeding 20 percent of total number of Domestic Shares in issue and additional H Shares not exceeding 20 percent of total number of H Shares in issue, and authorize the Board to make corresponding amendments to the Articles of Association of the Company as it thinks appropriate so as to reflect the new capital structure upon the allotment or issuance of shares.

"**THAT**

(A) (a) subject to paragraph (c) and in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of the Company and the applicable laws and regulations of the PRC, the exercise by the Board during the Relevant Period of all the powers of the Company to allot, issue and deal with, either separately or concurrently, additional Domestic Shares and H shares and to make or grant offers, agreements, options and powers of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorize the Board during the Relevant Period to make or grant offers, agreements, options and powers of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

(c) each of the aggregate nominal amounts of Domestic Shares and H shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board pursuant to the approval granted in paragraph (a) shall not exceed 20 percent of each of the total number of Domestic Shares and H shares in issue as at the date of passing this resolution, otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; and

(d) for the purposes of this resolution:

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

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

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

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

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

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

By order of the Board
Zhu Yanfeng
Chairman

Wuhan, the PRC, 27 April 2018

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

Notes:

1. (1) Eligibility for attending the general meeting and closure of Register of members for H shares

   In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from Wednesday, 16 May 2018 to Friday, 15 June 2018, both days inclusive. In order to be qualified to attend and vote at the AGM, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Tuesday, 15 May 2018, being the last share registration date.

   (2) Eligibility for receiving final dividend and closure of register of members for H Shares

   The proposed final dividend for the year is subject to the approval of the Company's shareholders at the annual general meeting. The register of members of the Company will be closed from Thursday, 28 June 2018 to Friday, 6 July 2018 (both days inclusive). In order to be entitled to the final dividend, H shares shareholders who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Wednesday 27 June 2018, being the last share registration date.

2. PROXY

   (1) A shareholder entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on his behalf. A proxy needs not be a shareholder of the Company. Where a shareholder appoints more than one proxy, his proxies may only exercise the voting rights via voting.

   (2) The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand(s) of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.

   (3) In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the Secretariat of the Board at the Company's principal place of business in the PRC for holders of the Domestic Shares and at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for holders of the H Shares not less than 24 hours before the time appointed for the AGM (i.e. no later than 9:00 a.m. on Thursday, 14 June 2018).

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

3. REGISTRATION PROCEDURE FOR ATTENDING THE AGM

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

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

(3) For information purpose only, shareholders who intend to attend the AGM in person or by proxy shall return the reply slip to the Secretariat of the Board at the Company's principal place of business in the PRC for the holders of the Domestic Shares or to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for the holders of the H Shares on or before Friday, 25 May 2018 by hand, by post or by fax.

4. MISCELLANEOUS

(1) The AGM is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the AGM are responsible for their own transportation and accommodation expenses.

(2) The address and contact details of the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:

Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2529 6087

(3) The address and contact details of the Company's principle place of business in the PRC are as follows:

Address: Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China
Tel: (8627) 8428 5274
Fax: (8627) 8428 5057

(4) References to time and dates in this notice are to Hong Kong time and dates.

THE 36TH MEETING OF THE FOURTH SESSION OF THE BOARD OF DIRECTORS OF DONGFENG MOTOR GROUP COMPANY LIMITED

RESOLUTIONS IN RELATION TO THE ANNUAL REPORT

To: Annual General Meeting

According to the resolutions in relation to the annual report passed at the 36th meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the following resolutions to the Annual General Meeting of the Company:

1. To consider and approve the 2017 financial report audited by PricewaterhouseCoopers Zhong Tian LLP and the 2017 auditors' report audited by PricewaterhouseCoopers.

2. To consider and approve the report of the Board of Directors of the Company of 2017.

3. To consider and approve the results announcement of the Company of 2017.

4. To approve the distribution of dividend payments of RMB2,154 million by the Company for the year 2017 to the shareholders, amounting to RMB0.25 per ordinary share.

5. To authorize the Board of Directors to deal with any matters in relation to the distribution of the interim dividends for 2018 as they think appropriate, including but not limited to the determination of distribution of interim dividends for 2018.

6. To approve the reappointments of PricewaterhouseCoopers as the international auditors of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditors of the Company for 2018 to hold office until the conclusion of Annual General Meeting for 2018, and to authorize the Board of Directors to determine their remunerations.

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

The Board of Directors
Dongfeng Motor Group Company Limited

27 March 2018

THE 36TH MEETING OF THE FOURTH SESSION OF THE BOARD OF DIRECTORS OF DONGFENG MOTOR GROUP COMPANY LIMITED

RESOLUTIONS ON THE ISSUANCE AND ALLOTMENT OF SHARES

To: Annual General Meeting:

According to the resolutions on the issuance and allotment of Shares passed by the 36th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the following resolutions to the Annual General Meeting of the Company:

1. To approve and authorize the Board of Directors to issue, allot and deal with, either separately or concurrently, additional domestic shares not exceeding 20 per cent of the total number of domestic shares in issue and/or additional H shares not exceeding 20 per cent of total number of H shares in issue.

2. To approve and authorize the Board of Directors to make corresponding amendments to the Articles of Association of the Company to reflect the new capital structure upon the allotment, issue and dealing of the additional domestic shares and/or additional H shares and the increase of registered capital of the Company.

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

The Board of Directors
Dongfeng Motor Group Company Limited

27 March 2018

THE 36TH MEETING OF THE FOURTH SESSION OF THE BOARD OF DIRECTORS OF DONGFENG MOTOR GROUP COMPANY LIMITED

RESOLUTIONS ON THE REMUNERATION OF DIRECTORS AND SUPERVISORS

To: Annual General Meeting

According to the resolution on the remuneration of Directors and Supervisors of the Company for 2018 passed at the 36th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the resolution on the remuneration of Directors and Supervisors for 2018 to the Annual General Meeting of the Company:

I. To consider and approve the proposed remuneration of Directors and Supervisors for 2018 as follows:

1. Annual Remuneration

Positions		**Cash**	**Medium to Long Term Incentives**
Executive Directors		Nil	Shares appreciation rights granted under the Share Appreciation Scheme of Dongfeng Motor Group Company Limited
Non-executive Directors		Nil	
Independent Non-executive Directors	Held by head of state-owned enterprise who quit his/her position	Allowance of RMB60,000, before tax	Nil
	Held by head of state-owned enterprise who did not quit his/her position	Allowance of RMB120,000, net of tax	Nil
Supervisors		Nil	Nil
Independent Supervisors		Allowance of RMB40,000, net of tax	Nil

Notes:

- The Executive Directors and Non-executive Directors do not receive remuneration in their capacities of directors, while Executive Directors receive salaries in their capacities of employees of the Company and Non-executive Directors receive their relevant remuneration in the Company
- Executive Directors and the Non-executive Directors participate in the Stock Appreciation Scheme in their capacities of directors
- Independent Directors and Independent Supervisors are not entitled to participate in the Stock Appreciation Scheme according to the applicable regulations of the SASAC
- Internal Supervisors receive salaries in their capacities of employees of the Company rather than supervisors
- Internal Supervisors participate in the Stock Appreciation Scheme in their capacities of employees of the Company rather than supervisors

2. *Allowance of Meetings*

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

II. To agree and submit the above remuneration of the directors and supervisors of the Company for the year 2018 determined by the Board to the Annual General Meeting for approval.

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

The Board of Directors
Dongfeng Motor Group Company Limited

27 March 2018

THE 36TH MEETING OF THE FOURTH SESSION OF THE BOARD OF DIRECTORS OF DONGFENG MOTOR GROUP COMPANY LIMITED

RESOLUTIONS ON THE CONSIDERATION AND APPROVAL OF AMENDMENTS TO THE ARTICLES OF ASSOCIATION

To: Annual General Meeting

According to the resolution on amendment of the Articles of Association passed at the 36th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the amendment of the Articles of Association proposed by the Board of Directors on Annual General Meeting of the Company for approval are as follows:

No.	Original Articles	Amended Articles	Original Contents/Explanation	Amended contents	Reasons for amendments
1	Paragraph 4 of Article 1 in Chapter 1	Paragraph 4 of Article 1 in Chapter 1	The promoter of the Company is Dongfeng Motor Corporation (the "promoter") (東風汽車公司)	The promoter of the Company: Dongfeng Motor Corporation (the "promoter") (東風汽車集團有限公司)	Change of Chinese name of controlling shareholder
2	NIL	Article 12 in Chapter 1	Newly-added Article after Article 11 in Chapter 1	According to relevant requirements of the Constitution of the Communist Party of China and the Company Law, the Company has established an organization of the Communist Party of China. The Party organization leverages the core leadership and core politics to control, manage the situation, and ensure implementation. The Company establishes the work institution of the Party, equipped with adequate number of personnel for Party affairs and safeguard the funds of the Party organization.	In order to implement the spirit of Sixth Plenary Session of 18th Central Committee of Communist Party of China so as to integrate the reinforcement of leadership of the Party with the improvement of corporate governance, and explicitly implement the statutory status of the Party organization in the corporate governance of the Company.
3	NIL	Article 13 in Chapter 1	Newly-added Article after newly-added Article 12 in Chapter 1	According to the requirements of laws and regulations, the Company has established the organizations of Communist Youth League of China and Labor union to commence Communist Youth League and Labor union activities. The Company has provided necessary conditions for the commencement of Communist Youth League and Labor union activities.	

No.	Original Articles	Amended Articles	Original Contents/Explanation	Amended contents	Reasons for amendments
4	NIL	Paragraph 4 of Article 96 in Chapter 10	Newly-added Paragraph after Paragraph 3 of Article 94 in the original Chapter 10	Before making relevant resolutions, the Board shall listen to the comments of the Party Committee of the Company in advance.	
5	NIL	Chapter 22	Newly-added Chapter after original Chapter 21	Chapter 22 Party Committee	
6	NIL	Article 185 in Chapter 22	Newly-added Article after Article 182 in original Chapter 21	The Company has established the Communist Party Committee of China of Dongfeng Motor Corporation. The Party committee has one secretary and several members. The chairman of the board and the secretary of the Party committee is principally held by the same person. A special deputy secretary has been designated for mainly dealing with Party development of the enterprise. Members of the Party committee who satisfy the criteria may become members of the board of directors, Supervisory Committee and senior management through statutory procedures. The members of the board of directors, the Supervisory Committee and senior management who satisfy the criteria may become the members of the Party Committee in accordance with relevant requirements and procedures. Meanwhile, Discipline Inspection Commission is established in accordance with requirements.	

No.	Original Articles	Amended Articles	Original Contents/Explanation	Amended contents	Reasons for amendments
7	NIL	Article 186 in Chapter 22	Newly-added Article after Article 185 in the newly-added Chapter 22	The Party Committee of the Company shall perform the following duties in accordance with the Constitution of the Communist Party of China and other internal laws and regulations of the Party: (1) Ensure and supervise the implementation of the Party's and the State's policies in the Company, to carry out the major strategic decisions of the CPC Central Committee, the State Council, to fulfill the relevant important work deployment of the SASAC Party Committee and higher Party organizations; (2) Adhere to the principle of managing officials by the Party combined with the board of directors choosing the manager according to law and the managers exercising their right of making use of personnel legally. The Party Committee is responsible for considering the nominated personnel by the board of directors or the general manager and putting forward opinions and suggestions, or nominating candidates to the board of directors and the general manager; examining the proposed candidates with the board of directors, making collective research and putting forward opinions and suggestions; (3) Study and discuss the Company's reform and development stability, significant operating and management matters, and important issues that involving the vital interests of the staff, and put forward opinions and suggestions; (4) Take full responsibility to being strict in Party discipline. Lead the Company's ideological and political work, united front work, building of spiritual civilization, building of enterprise culture and mass organization work such as Labor Union and the Communist Youth League. Lead the construction of the Party's honest administration and support the Discipline Inspection Commission to earnestly perform its supervision duties.	

Following the above amendments to the Articles of Association, corresponding Chapters and Articles therein shall be reordered.

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

The Board of Directors
Dongfeng Motor Group Company Limited

27 March 2018

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"	Jointly-controlled Entities in which the Company, its subsidiaries or Jointly-controlled Entities (including their respective subsidiaries and Jointly-controlled Entities) have equity interests as at 31 December 2017
"Dongfeng Motor Corporation" or "DMC"	The controlling shareholder of the Company, formerly know as Dongfeng Motor Corporation, state-owned enterprise incorporated under the laws of the PRC. Its Chinese name changed to Dongfeng Motor Corporation (東風汽車集團有限公司) (Dongfeng Motor Corporation) in November, 2017
"Dongfeng Motor Group" or "Group"	the Company and its subsidiaries, the Dongfeng joint venture companies and their respective subsidiaries and associates
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Joint Venture Company"	A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"PRC" or "China"	the People's Republic of China. Except where the context requires, geographical references in this annual report to the PRC or China exclude Hong Kong, Macau or Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Parent Group"	Dongfeng Motor Corporation and its subsidiaries (excluding the Group)