東風汽車集團股份有限公司

DONGFENG MOTOR GROUP COMPANY LIMITED*

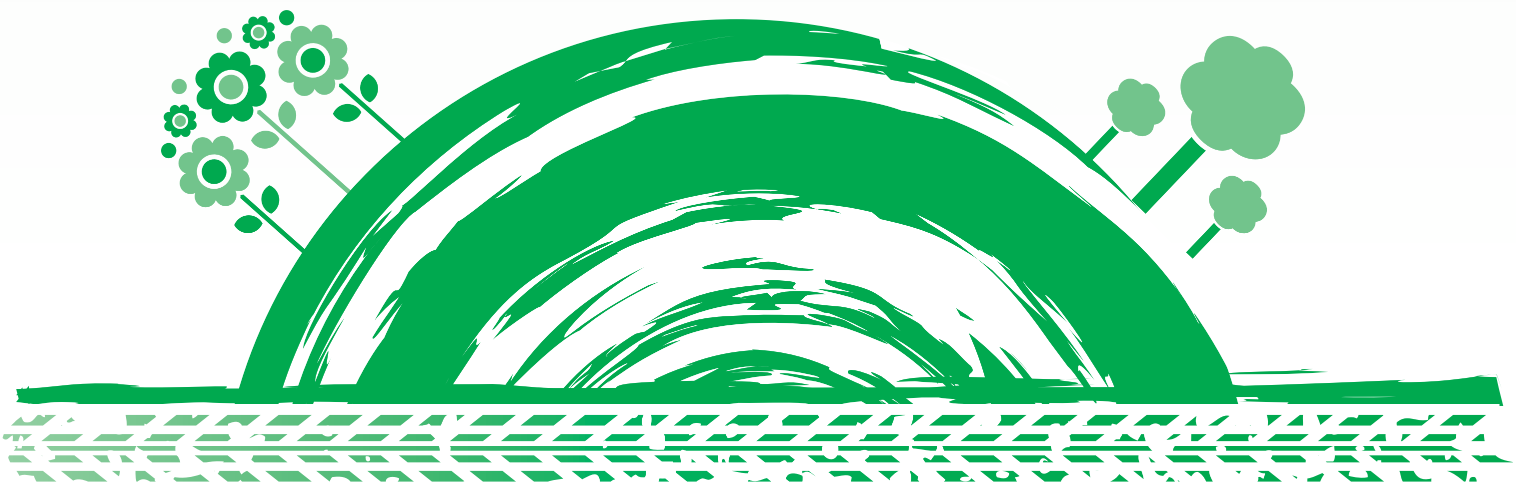
Stock Code: 489

2012
Interim Report

*For reference only

Contents

Dongfeng Motor Group Company Limited
2012 Interim Report



Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the interim report of the Company for 2012 for your review.

In the first half of 2012, the sluggish growth of auto industry in China widened the gap between growth rates of passenger vehicles, especially the traditional passenger vehicles, and commercial vehicles. In the first half of the year, approximately 9,598,100 vehicles were sold by domestic automobile manufacturers, representing an increase of approximately 2.9% over the corresponding period of last year. Sales volume of passenger vehicles was approximately 7,613,500 units, representing an increase of approximately 7.1% over the corresponding period of last year, in which sales volume of traditional passenger vehicles was approximately 6,418,100 units, representing an increase of approximately 8.7% over the corresponding period of last year. Sales volume of commercial vehicles was approximately 1,984,600 units, representing an increase of approximately -10.4% over the corresponding period of last year, in which sales volume of heavy duty trucks was approximately 371,600 units, representing an increase of approximately -31.6% over the corresponding period of last year. Moreover, the major automobile manufacturing groups in domestic auto industry continued to grow rapidly with dominant advantages. In the first half of the year, Dongfeng (based on the data of the parent group), SAIC Motor and FAW, all of which were major automobile manufacturers, recorded growth rates of approximately 8.6%, 11.7% and 6.8% respectively, which were much higher than the average level in the industry. The concentration ratio of top ten domestic automobile manufacturing groups was approximately 88.0%, representing an increase of 1.3 percentage points over the corresponding period of last year. Approximately 487,900 vehicles were exported by domestic automobile manufacturers in the first half of the year, representing an increase of approximately 28.0% over the corresponding period of last year. The auto market in the PRC is transforming into a mature market.

Dongfeng Motor Group implemented its annual development plan prudently and achieved major phased goals for the first half of the year. In the first half of the year, the aggregate number of vehicles sold by Dongfeng Motor Group was approximately 1,176,300, representing an increase of approximately 10.5% over the corresponding period of last year. The market share amounted to approximately 12.3%, representing an increase of approximately 0.9 percentage point as compared with the corresponding period of last year. Sales volume of passenger vehicles and commercial vehicles were approximately 939,500 units and 236,800 units, representing an increase of approximately 21.6% and -18.8%, respectively over the corresponding period of last year. In the first half of 2012, the Group's consolidated sales revenue was approximately RMB68,059 million, representing an increase of approximately 6.8% over the corresponding period of last year. The revenue from the sales of passenger vehicles and commercial vehicles were approximately RMB52,559 million and RMB14,933 million, representing an increase of approximately 18.6% and -20.5%, respectively over the corresponding period of last year. Profit attributable to shareholders was approximately RMB5,371 million, representing an increase of approximately -8.4% over the corresponding period of last year.

In the first half of 2012, all business units and segments of the Group continued to enhance their management and control, strengthen the cost control and budget management, and conduct strict performance evaluation. By renovating marketing and sales approaches, and expanding into new markets, its proprietary brand business achieved rapid growth. Major new products, including vehicle models owned by its joint ventures, were developed and launched to market as planned. The Group also achieved the targets of safety production, energy saving and environmental protection, and its overseas business maintained steady development. Besides, the Board of Directors and management members of the Company also identified and monitored the risks of excessive inventory (including inventories of the Company and its dealers) and decrease in gross profit margin of the Group.

Chairman’s Statement

In the medium to long term, the auto industry of China will maintain steady growth and develop into a mature market. We are confident of the globalization of domestic auto market with its continuous expansion in capacity and long-term sustainable growth. In view of opportunities and challenges, Dongfeng Motor Group will strengthen its cost and risk management and adopt strict inventory control and innovative business models. The Group will further expand its network by optimizing the sales network layout and push forward the strategic synergy to promote the coordinated development of joint-venture brands and self-owned brands and the growth of passenger vehicle business and commercial vehicle business. We aim to achieve the operating goals for 2012 to lay a solid foundation for the long-term and sustainable development of Dongfeng Motor Group.

Xu Ping
Chairman

Wuhan, the PRC
29 August 2012

Corporate Information

REGISTERED NAME

Dongfeng Motor Group Company Limited

REGISTERED ADDRESS

Special No. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone
Wuhan
Hubei 430056
PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Special No. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone
Wuhan, Hubei 430056, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F., Three Pacific Place
1 Queen's Road East
Hong Kong SAR

COMPANY WEBSITE

www.dfmg.com.cn

COMPANY SECRETARIES

Hu Xindong
Lo Yee Har Susan *(FCS, FCIS)*

AUDITORS

ERNST & YOUNG

HONG KONG H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong SAR

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

00489

Directors, Supervisors and Senior Management

During the disclosure period of 2012 interim report, the directors, supervisors and senior management of the Company included:

DIRECTORS

Xu Ping (徐平)	Executive Director and Chairman of the Board of Directors
Zhu Fushou (朱福壽)	Executive Director and President
Zhou Wenjie (周文杰)	Executive Director
Li Shaozhu (李紹燭)	Executive Director
Fan Zhong (范仲)	Executive Director
Tong Dongcheng (童東城)	Non-executive Director
Ouyang Jie (歐陽潔)	Non-executive Director
Liu Weidong (劉衛東)	Non-executive Director
Zhou Qiang (周強)	Non-executive Director
Sun Shuyi (孫樹義)	Independent Non-executive Director
Ng Lin-fung (吳連烽)	Independent Non-executive Director
Yang Xianzu (楊賢足)	Independent Non-executive Director

SENIOR MANAGEMENT

Cai Wei (蔡瑋)	Vice President and the Secretary to the Board of Directors

SUPERVISORS

Ma Liangjie (馬良杰)	Chairman of the Supervisory Committee
Ren Yong (任勇)	Supervisor
Li Chunrong (李春榮)	Supervisor
Chen Binbo (陳斌波)	Supervisor
Huang Gang (黃剛)	Supervisor
Kang Li (康理)	Supervisor
Wen Shiyang (溫世揚)	Independent Supervisor
Deng Mingran (鄧明然)	Independent Supervisor

Directors, Supervisors and Senior Management

HEADS OF DEPARTMENTS

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

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

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

The head of the Technical Development Department of the Company is Mr. Hou Yuming.

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

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

The head of the International Business Department of the Company is Mr. Pan Chengzheng.

The head of the Office of the Company is Mr. Zhao Shuliang.

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

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

The head of the Supervisory Department of the Company is Mr. Zhang Changdong.

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

The head of the Legal and Securities Affairs Department of the Company is Mr. Hu Xindong.

The head of the Capital Operation Department of the Company is Mr. Hu Xindong.

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

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

Management Discussion and Analysis

FINANCIAL RESULTS OVERVIEW

During the period, revenue of the Group amounted to approximately RMB68,059 million, representing an increase of approximately RMB4,353 million, or 6.8%, when compared with approximately RMB63,706 million for the corresponding period of last year. Profit attributable to shareholders of the Group amounted to approximately RMB5,371 million for the period, representing a decrease of approximately RMB490 million, or 8.4%, when compared with approximately RMB5,861 million for the corresponding period of last year. Earnings per share were approximately RMB62.34 cents, decreased by approximately RMB5.68 cents, or 8.4%, when compared with approximately RMB68.02 cents for the corresponding period of last year.

During the period, net decrease in cash and cash equivalent amounted to approximately RMB3,371 million. Net cash outflows from operating activities, net cash outflows from investing activities and net cash inflows from financing activities amounted to approximately RMB2,641 million, RMB1,516 million and RMB786 million respectively.

Revenue

For the first half of 2012, the growth of automobile industry in China declined significantly and some enterprises recorded a negative growth as a result of the unfavourable economic condition and the withdrawal of stimulus policies by the government. For the first half of the year, approximately 9,598,100 vehicles were sold by domestic automobile manufacturers, representing an increase of approximately 2.9% over the corresponding period of last year. Sales volume of passenger vehicles and commercial vehicles were approximately 7,613,500 units and 1,984,600 units respectively, representing an increase of approximately 7.1% and a decrease of approximately 10.4% over the corresponding period of last year.

In the face of the sluggish industrial growth, intensifying pressures of operation and complicated external environment, Dongfeng Motor Group strived for achieving a sound operation by pursuing its annual operating goals through paying close attention to the changes and development in the market, grasping all emerging opportunities and coping with challenges. As a result, the business development of the Group made new achievements. Its production and sales of automobile grew at a faster pace than that of the industry with satisfactory operating results.

For the first half of the year, the total vehicle sales of Dongfeng Motor Group amounted to approximately 1,176,300 units, representing an increase of approximately 10.5% over the corresponding period last year. Sales of passenger vehicles was approximately 939,500 units, representing an increase of approximately 21.6% over the corresponding period last year, while the sales of commercial vehicles amounted to approximately 236,800 units, representing a decrease of approximately 18.8% over the corresponding period last year. Dongfeng Motor Group had a domestic market share of approximately 12.3% in terms of sales volume, representing an increase of approximately 0.9 percentage point over the corresponding period last year. The market share of its passenger vehicles was approximately 12.3%, representing an increase of approximately 1.4 percentage points over the corresponding period last year, and the market share of its commercial vehicles was approximately 11.9%, representing a decrease of approximately 1.3 percentage points over the corresponding period last year.

During the period, the total revenue of the Group was approximately RMB68,059 million, representing an increase of approximately RMB4,353 million, or 6.8%, as compared with approximately RMB63,706 million for the corresponding period last year.

Management Discussion and Analysis

	Six months ended 30 June 2012 Sales revenue (RMB million)	Six months ended 30 June 2012 Units sold (units)	Six months ended 30 June 2011 Sales revenue (RMB million)	Six months ended 30 June 2011 Units sold (units)
Passenger vehicles	**52,559**	**939,532**	44,329	772,905
Commercial vehicles	**14,933**	**236,753**	18,791	291,697
Others	**567**	**N/A**	586	N/A
Total	**68,059**	**1,176,285**	63,706	1,064,602

Note: It should be noted that the revenue figures in the above table reflect the proportionate combined revenue of the Group. However, the corresponding figures of the units of vehicles sold in the above table represent the actual units sold by the Group, not adjusted on a proportionate combination basis, for the indicated periods.

As for passenger vehicles, coping with the slow growth of the industry, Dongfeng Motor Group stepped forward and launched new vehicle models and adjusted marketing strategies in a timely manner. As such, the growth of the Company was faster than the average level of the industry. The outstanding results were mainly attributable to the enrichment of product lines of the Group and the significant increase in strategic vehicle models after years of development. New Dongfeng Nissan Tiida, New Sunny, Livina, Teana, Qashqai and Dongfeng Honda CR-V were the most welcomed vehicle models with more than 10,000 units sold per month. Furthermore, the Group actively integrated its resources and strengthened the coordination among operation and management, technology development and research, the reformation of marketing system and channel building, and the synergetic effect was pursued. During the period, sales revenue from passenger vehicles of the Group increased by approximately RMB8,230 million, or 18.6%, from approximately RMB44,329 million for the corresponding period last year to approximately RMB52,559 million. The revenue from sales of whole passenger vehicles increased by approximately RMB7,153 million, or 18.4%, from approximately RMB38,859 million for the corresponding period last year to approximately RMB46,012 million for the year.

As for commercial vehicles, the demand for medium and heavy trucks dropped significantly as a result of the weak economic conditions. Facing challenging market conditions, Dongfeng Motor Group put effort in transforming its development with emphases on quality and efficiency. The Group achieved a sustainable development through building its brand and core edges. In the first half of the year, Dongfeng Motor Group maintained its leading position despite the significant decrease in the sales volume of heavy trucks. The sales of medium trucks remained its advantages. Over 100,000 units of Dongfeng Kingrun, a strategic vehicle model, were sold in four years since its launch. During the period, sales revenue from commercial vehicles decreased by approximately RMB3,858 million, or 20.5%, from approximately RMB18,791 million for the corresponding period last year to approximately RMB14,933 million. The revenue from sales of whole commercial vehicles decreased by approximately RMB4,064 million, or 24.9%, from approximately RMB16,325 million of the corresponding period last year to approximately RMB12,261 million for the year.

Cost of Sales and Gross Profit

The total costs of sales of the Group for the period was approximately RMB54,720 million, representing an increase of approximately RMB3,691 million, or 7.2%, when compared with approximately RMB51,029 million for the corresponding period last year. The total gross profit was approximately RMB13,339 million, representing an increase of approximately RMB662 million, or 5.2%, as compared with approximately RMB12,677 million for the corresponding period last year. The gross profit margin decreased by approximately 0.3 percentage point from approximately 19.9% for the corresponding period last year to approximately 19.6% for the period. The gross profit margin of passenger vehicles decreased by approximately 1.0 percentage point to approximately 20.9% for the period from approximately 21.9% for the corresponding period last year, and that of whole passenger vehicles decreased by approximately 1.6 percentage points to approximately 20.3% for the period from approximately 21.9% for the corresponding period last year. The gross profit margin of commercial vehicles decreased by approximately 0.2 percentage point to approximately 14.3% for the period from approximately 14.5% for the corresponding period last year, and that of whole commercial vehicles of the Group decreased by approximately 0.9 percentage point to approximately 13.6% for the period from approximately 14.5% for the corresponding period last year. The decrease in gross profit margin was mainly attributable to the decrease in the average selling prices of the whole passenger and commercial vehicles as compared with the corresponding period last year as a result of intensified competition in the industry in the first half of the year. On the other hand, the Group alleviated the pressure of decreasing gross profit margin through effective cost-cutting measures.

Other Income

During the period, the total other income of the Group amounted to approximately RMB1,566 million, representing a decrease of approximately RMB23 million when compared with approximately RMB1,589 million for the corresponding period last year. It was mainly attributable to: (1) an increase of approximately RMB174 million in subsidies received from the government for the purpose of supporting the development of automotive technologies and automobile projects; (2) the increase of approximately RMB242 million in bank deposit interest; (3) a decrease of approximately RMB127 million in the sales of materials; and (4) the income of approximately RMB292 million from the disposal of equity in subsidiaries in the corresponding period last year.

Selling and Distribution Costs

During the period, the selling and distribution costs of the Group amounted to approximately RMB3,063 million, representing an increase of approximately RMB472 million when compared with approximately RMB2,591 million for the corresponding period last year. The percentage of selling and distribution costs to sales revenue increased by approximately 0.4 percentage point to approximately 4.5% from approximately 4.1% for the corresponding period last year. It was mainly due to the increase of approximately RMB423 million in advertising expenses.

Administrative Expenses

During the period, the total administrative expenses of the Group amounted to approximately RMB1,831 million, representing an increase of approximately RMB293 million when compared with approximately RMB1,538 million for the corresponding period of last year. The percentage of administration expenses to sales revenue increased by approximately 0.3 percentage point to approximately 2.7% for the year from approximately 2.4% of the corresponding period last year.

Other Expenses, Net

During the period, net other expenses of the Group were approximately RMB2,449 million, representing an increase of approximately RMB222 million when compared with approximately RMB2,227 million for the corresponding period last year. Technology development expenses increased by approximately RMB277 million as compared with the corresponding period last year.

Staff Costs

During the period, the staff costs (including directors' and supervisors' emoluments) of the Group amounted to approximately RMB2,757 million, representing an increase of approximately RMB319 million when compared with approximately RMB2,438 million for the corresponding period last year. The increase was mainly due to the increase in basic salaries and benefits as a result of higher number of staff in line with the increase in production and sales of vehicles and the general upward adjustment of salary.

Depreciation Charges

During the period, the depreciation charges of the Group amounted to approximately RMB1,454 million, representing an increase of approximately RMB110 million when compared with approximately RMB1,344 million for the corresponding period last year.

Finance Costs

During the period, the finance costs of the Group amounted to approximately RMB158 million, representing an increase of approximately RMB22 million when compared with approximately RMB136 million for the corresponding period last year, which was mainly attributable to the increase in interest expenses on loans of the Group.

Income Tax

During the period, the income tax of the Group amounted to approximately RMB1,872 million, representing an increase of approximately RMB64 million when compared with approximately RMB1,808 million for the corresponding period last year. The effective tax rate for the period was approximately 24.5%, representing an increase of approximately 1.7 percentage points when compared with approximately 22.8% for the corresponding period last year.

Profit for the Period

Based on the above reasons, the Group's profit attributable to shareholders of the Company amounted to approximately RMB5,371 million for the period, representing a decrease of approximately RMB490 million, or 8.4%, when compared with approximately RMB5,861 million for the corresponding period last year. Earnings per share were approximately RMB62.34 cents, down by approximately RMB5.68 cents, or 8.4%, when compared with approximately RMB68.02 cents for the corresponding period last year. The net profit margin (a percentage of profit attributable to shareholders of the Company to total revenue) was approximately 7.9%, representing a decrease of approximately 1.3 percentage points when compared with approximately 9.2% for the corresponding period last year. The return on net assets (a percentage of profit attributable to shareholders of the Company to average net assets) was approximately 22.2%, representing a decrease of approximately 7.4 percentage points when compared with approximately 29.6% for the corresponding period last year.

Liquidity and Sources of Capital

	Six months ended 30 June 2012 (RMB million)	Six months ended 30 June 2011 (RMB million)
Net cash inflows from operating activities	**(2,641)**	101
Net cash inflows/(outflows) from investing activities	**(1,516)**	(2,926)
Net cash outflows from financing activities	**786**	1,751
Net increase in cash and cash equivalents	**(3,371)**	(1,074)

During the period, net cash outflows from operating activities of the Group amounted to approximately RMB2,641 million. This principally represents: (1) profit before tax less non-cash items of depreciation and impairment amounting to approximately RMB7,636 million; (2) an increase of approximately RMB8,702 million in trade receivables, bills receivable and prepayments, deposits and other receivables; (3) a decrease of approximately RMB343 million in inventory; and (4) an increase of approximately RMB788 million in trade, bills and other payables and accrued liabilities. The net cash flow from operating activities for the period decreased by approximately RMB2,742 million, as compared to the net cash inflow of approximately RMB101 million for the corresponding period last year.

During the period, net cash outflows from investing activities of the Group amounted to approximately RMB1,516 million. This principally represents: (1) the purchase of property, plant and equipment of approximately RMB2,923 million for the expansion of production capacity and development of new products; (2) the purchase of financial assets of approximately RMB516 million; and (3) the decrease of approximately RMB1,361 million in time deposits. The net cash used in investing activities for the period decreased by approximately 1,410 million, as compared to the net outflows of approximately RMB2,926 million for the corresponding period last year.

During the period, net cash inflows from financing activities of the Group amounted to approximately RMB786 million. This principally represents: (1) an increase in net bank loans of approximately RMB1,020 million; and (2) payment of dividends of approximately RMB185 million to the minority shareholders. The net cash inflows from financing activities for the period decreased by approximately RMB965 million, as compared to approximately RMB1,751 million of the net cash inflows for the corresponding period last year.

Based on above analysis:

As at 30 June 2012, the Group's cash and cash equivalents (excluding the time deposits with an original maturity of three months or more) amounted to approximately RMB28,010 million, representing a decrease of approximately RMB3,371 million when compared with approximately RMB31,381 million as at 31 December 2011. Cash and bank balances (including the time deposits with an original maturity of three months or more) amounted to approximately RMB40,015 million, representing a decrease of approximately RMB4,732 million when compared with approximately RMB44,747 million as at 31 December 2011. Net cash (cash and bank balances less borrowings) of the Group amounted to approximately RMB29,897 million as at 30 June 2012, representing a decrease of approximately RMB6,037 million when compared with approximately RMB35,934 million as at 31 December 2011.

As at 30 June 2012, the Group's equity ratio, as a percentage of total borrowings to total shareholders' equity, was approximately 20.1%, representing an increase of approximately 1.1 percentage points when compared with approximately 19.0% as at 31 December 2011.

As at 30 June 2012, the Group's liquidity ratio was approximately 1.31 times, representing an increase of approximately 0.01 time over approximately 1.30 times as at 31 December 2011. The Group's quick ratio was approximately 1.13 times, representing a slight improvement from approximately 1.10 times as at 31 December 2011.

Inventory turnover days of the Group for the period was approximately 40 days, representing a decrease of approximately 3 days over the turnover days of approximately 43 for the corresponding period last year.

The Group's turnover days of receivables (including bills receivable) increased by approximately 11 days to approximately 72 days from approximately 61 days for the corresponding period last year, and the turnover days of receivables (excluding bills receivable) was approximately 9 days, representing a decrease of approximately 2 days over the turnover days of approximately 11 days for the corresponding period last year. The turnover days of bills receivable were approximately 63 days, representing an increase of approximately 13 days over the turnover days of approximately 50 days for the corresponding period last year. The Group adopts stringent polices 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.

Business Overview

MAJOR BUSINESS

The Dongfeng Motor Group is mainly engaged in the manufacture and sales of commercial vehicles and passenger vehicles. Its principal products include commercial vehicles, which comprise heavy trucks, medium trucks, light trucks, buses and engines and auto parts of commercial vehicles, and passenger vehicles, which comprise sedans, MPVs, SUVs and engines and auto parts of passenger vehicles. In addition, the Dongfeng Motor Group is engaged in production and import and export of vehicle manufacturing equipment, auto finance business, insurance agency and trading of used vehicles.

The Dongfeng Motor Group's commercial vehicles as well as engines and auto parts of commercial vehicles businesses are principally operated by Dongfeng Motor Co., Ltd, a joint venture of the Company and Nissan Motor Co., Ltd through Nissan (China) Investment Co., Ltd. As at 30 June 2012, the Dongfeng Motor Group manufactured 40 basic series of commercial vehicles, including 33 series of trucks and 7 series of buses. Annual production capacities of commercial vehicles and their engines were 620,000 units and 290,000 units, respectively.

The Dongfeng Motor Group's passenger vehicle business is principally operated by the Company (through Dongfeng Passenger Vehicle Company) and the following joint ventures: Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd (a joint venture of the Company and PSA Peugeot Citroën Group), and Dongfeng Honda Automobile Co., Ltd (a joint venture of the Company and Honda Motor Co., Ltd, partly through Honda Motor (China) Investment Co., Ltd). The engines and auto parts of passenger vehicles businesses are mainly operated by Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd, Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd and Dongfeng Honda Automobile Co., Ltd. As at 30 June 2012, the Dongfeng Motor Group manufactured 38 series of traditional passenger vehicles, including 25 series of sedans, 7 series of MPVs and 6 series of SUVs. Annual production capacities of passenger vehicles and their engines were 1,860,000 units and 2,070,000 units, respectively.

Major Operating Information for the First Half of 2012

In the first half of 2012, 9,529,202 units and 9,598,050 units of vehicles were manufactured and sold by domestic automobile manufacturers of the PRC, respectively, representing increases of approximately 4.08% and approximately 2.93% over the corresponding period last year respectively. The production and sales volume of passenger vehicles were 7,599,349 units and 7,613,469 units, respectively, representing increases of approximately 7.87% and approximately 7.08% over the corresponding period last year, respectively. The sales volume of traditional passenger vehicles (excluding the cross type passenger vehicles) was 6,418,070 units, representing an increase of approximately 8.68% over the corresponding period last year. The production and sales volume of commercial vehicles were 1,929,853 units and 1,984,581 units, respectively, representing increases of approximately -8.59% and -10.4% over the corresponding period last year, respectively.

The accumulated vehicle production and sales volume of the Dongfeng Motor Group in the first half of 2012 were 1,165,541 units and 1,176,285 units, respectively, representing increases of approximately 12.61% and approximately 10.49% over the corresponding period last year, respectively. The production and sales volume of passenger vehicles were 935,493 units and 939,532 units, respectively, representing increases of approximately 23.39% and 21.56% over the corresponding period last year, respectively, and the production and sales volume of commercial vehicles were 230,048 units and 236,753 units, respectively, representing increases of approximately -16.91% and -18.84% over the corresponding period last year, respectively. The Dongfeng Motor Group had a market share of approximately 12.25% in terms of sales volume among the domestic automobile manufacturers, and the market share of its passenger vehicles and commercial vehicles accounted for approximately 12.34% and 11.93%, respectively.

Business Overview

Revenue of the Group for the six months ended 30 June 2012:

Business	Sales revenue (RMB millions)	Contribution to the Group's sales revenue (%)
Commercial vehicles	**14,933**	**21.94**
Passenger vehicles	**52,559**	**77.23**
Others	**567**	**0.83**
Total	**68,059**	**100.00**

Sales volume of commercial vehicles and passenger vehicles of the Dongfeng Motor Group and their market shares for the six months ended 30 June 2012:

	Sales volume (units)	Market share (%)
Commercial vehicles	**236,753**	**11.93**
Trucks	**205,108**	**13.99**
Buses	**21,489**	**9.05**
Passenger vehicles	**939,532**	**12.34**
Sedans	**668,159**	**12.77**
MPVs	**94,701**	**38.07**
SUVs	**176,672**	**18.80**
Total	**1,176,285**	**12.25**

New Products

In the first half of 2012, the Dongfeng Motor Group launched various new passenger vehicle models, including Venucia D50 (Dongfeng Nissan) (啟辰D50), Ciimo (Dongfeng Honda) (思銘), All-new CRV (Dongfeng Honda) (新CRV), the large MPV Elysion (Dongfeng Honda) (艾力紳) and Fengshen A60 (Dongfeng passenger vehicles) (風神A60).

Production Safety and Environment Protection

In the first half of 2012, the Dongfeng Motor Group insisted on production safety by strictly following the principle of "integrated management with safety first and precaution as priority" and complied with all national occupational safety laws and regulations. The Group eliminated potential hazards so as to enhance production safety by promoting education and training on production safety, strengthening occupational health protection and optimizing the systems of safety production responsibility and accountability. These initiatives laid a solid foundation for maintaining the healthy development of all businesses of the Dongfeng Motor Group.

Business Overview

In the first half of 2012, the Dongfeng Motor Group pushed forward reforms and improvements in strict compliance with the environmental protection regulations in the PRC to strengthen environmental risk control and enhance the effectiveness and sustainability of energy conservation and reduction of pollutant emissions. Compared with the corresponding period of 2009, energy consumption per ten-thousand RMB reduced by 31.4% while COD and SO2 emission also decreased by 34.8% and 31.6%, respectively, in the first half of 2012.

Sales and Service Networks

Members of the Dongfeng Motor Group have established their own independently managed sales and after-sales service networks under their brands. They distribute products and provide after-sales services through these networks.

As at 30 June 2012, the number of sales and service outlets of the Dongfeng Motor Group were as follows:

	Number of sales outlets (units)	Number of service outlets (units)	Number of provinces covered
Commercial vehicles	4,310	5,038	31
Passenger vehicles	4,136	3,330	31
Total	8,446	8,368	31

Business Outlook

In the second half of 2012, the economic growth of China may continue to slowdown. The automobile industry will grow at a slow rate, particularly for commercial vehicles. Nonetheless, the national economic growth in the second half of the year is expected to increase thanks to the more moderate macroeconomic policies and favourable government measures aiming at maintaining steady growth, which will facilitate the growth of the automobile industry.

In order to cope with market changes, the Dongfeng Motor Group will endeavor to control its operational risks and continue to improve its operation in the second half of 2012. The Group will also expedite the transformation of its operation and enhance its R&D capability to promote the development of proprietary brand. The development of new vehicle models to be launched by the Dongfeng Motor Group in the second half of the year is in good progress and the new models will be launched as scheduled.

The management is confident that all business lines of the Dongfeng Motor Group will grow steadily in the second half of the year and the annual target will be realized, which will further strengthen the sustainable development of the Group.

INTERIM RESULTS AND DIVIDENDS

The results for the six months ended 30 June 2012 of the Group and the financial states of the Group as at that date are set out in the unaudited condensed consolidated financial statements on page 19 to 42 of this interim report.

The Board of Directors resolved not to distribute any dividends for the earnings of the Company for the first half of 2012.

MATERIAL LEGAL PROCEEDINGS

As at 30 June 2012, the Dongfeng Motor Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Dongfeng Motor Group as far as the Company was aware.

SHARE CAPITAL

As at 30 June 2012, the total share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares of RMB1 each, of which 5,760,388,000 shares were Domestic Shares, representing 66.86% of the total number of shares in issue, and 2,855,732,000 shares were H Shares, representing 33.14% of the total number of shares in issue.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the interests and short positions of the persons (other than directors and supervisors of the Company) interested in 5% or more of the respective classes of issued share capital, as recorded in the register required to be kept pursuant to Section 336 of the SFO are set out below:

Long positions and lending pool

Name	Class of shares	Number of shares held	Percentage in the class of issued share capital (%)	Percentage of the total share capital (%)
Dongfeng Motor Corporation	Domestic shares	5,760,388,000	100	66.86
SCMB Overseas Limited	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Asia Limited	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Bank	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Holding Limited	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Holdings (International) B.V.	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered MB Holdings B.V.	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Private Equity Limited	H shares	242,282,000(L)	9.76(L)	2.81
JPMorgan Chase & Co.	H shares	228,798,716(L)	8.01(L)	2.66
		16,074,493(S)	0.56(S)	0.19
		165,728,701(P)	5.80(P)	1.92
BlackRock, Inc.	H shares	203,787,467(L)	7.13(L)	2.37
		12,994,309(S)	0.45(S)	0.15
Edinburgh Partners Limited	H shares	153,514,000(L)	5.38(L)	1.78

Note:

L — Long Position
S — Short Position
P — Lending Pool

DIRECTORS' AND SUPERVISORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2012, the Company had not been notified that the directors and supervisors of the Company were interested in any share capital of the Company, or were involved in any sale and purchase of the interests in the share capital of the Company during the six months ended 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

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

STOCK APPRECIATION RIGHTS

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

Initially, 55,665,782 SAR units were granted on 23 January 2006 at HK$2.01 each. There is a minimum vesting period of two years from the date of grant before the SARs can be exercised subject to the following restrictions:

(a) in the third year following the date of grant, a maximum of 30% of the SARs granted may be exercised;

(b) in the fourth year following the date of grant, a further 35% of the SARs granted may be exercised; and

(c) in the fifth year following the date of grant, the remaining 35% of the SARs granted may be exercised.

The first round of grant has been approved by the State-owned Assets Supervision and Administration Commission of the State Council, and was approved at the meeting of the Board of Directors held on 19 April 2006.

The Company further granted SARs in 2007. On 15 January 2007, 31,417,405 units of SAR were granted at HK$4.09 each. There is a minimum vesting period of two years from the date of grant before the SARs can be exercised subject to the following restrictions:

(a) in the third year following the date of grant, a maximum of 40% of the SARs granted may be exercised;

(b) in the fourth year following the date of grant, a further 30% of the SARs granted may be exercised; and

(c) in the fifth year following the date of grant, the remaining 30% of the SARs granted may be exercised.

The second round of grant has been approved by the State-owned Assets Supervision and Administration Commission of the State Council, and was approved at the meeting of the Board of Directors held on 18 April 2007.

As at 30 June 2012, in respect of the first round of SARs, an aggregate of 55,665,782 SAR units became effective, representing 100% of the total SAR units granted. As at 30 June 2012, an aggregate of 51,148,410 SAR units were exercised, representing 91.88 % of the total SAR units granted. As at 30 June 2012, an aggregate of 4,517,372 SAR units were expired, representing 8.12% of the total SAR units granted.

In respect of the second round of SARs, 31,417,405 units of SAR were exercisable as at 30 June 2012, representing 100% of the total SAR units granted. 2,633,543 units of SAR were exercised during the period, representing 8.38% of the total SAR units granted. As at 30 June 2012, 7,781,412 units of SAR were exercised, representing 24.77% of the total SAR granted. As at 30 June 2012, 3,435,356 units of SAR were expired, representing 10.93% of the total SAR granted. As at 30 June 2012, 20,200,637 units of SAR were waived by the grantees, representing 64.3% of the total SAR granted.

CORPORATE GOVERNANCE

1. Overview of Corporate Governance

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

2. Code on Corporate Governance Practice

The Corporate Governance Code (the "New Code"), issued by the Stock Exchange of Hong Kong Limited in October 2011, is the new edition of the Code on Corporate Governance Practices (the "Former Code"), and is applicable to financial reports covering an accounting period which ends after 1 April 2012.

The Company has fully complied with the code provisions of the Former Code and the New Code throughout the respective periods from (i) 1 January 2012 to 31 March 2012; and (ii) 1 April 2012 to 30 June 2012.

3. Securities Transaction of the Directors

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

4. Independent Non-executive Directors

The Board of Directors of the Company has been in compliance with the requirement of Rule 3.10(1) of the Listing Rules, which requires a company to maintain at least three independent non-executive directors in the Board of Directors, and with Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialized in accounting or relevant financial management.

5. Audit Committee

The Company has established an audit committee in accordance with the Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and offer recommendation and advice to the Board of Directors in this respect. The audit committee consists of three members who are all non-executive directors (including two independent non-executive directors) of the Company. The Chairman of the audit committee is Mr. Sun Shuyi, a qualified public accountant certified by the PRC Institute of Certified Public Accountants. The other members of the audit committee are Mr. Ng Lin Fung and Mr. Ouyang Jie.

The audit committee has reviewed the unaudited financial report for the six months ended 30 June 2012 of the Group.

6. Nomination Committee

The Company has established a nomination committee in compliance with Rule A.5.1 to Rule A.5.5 of the Code on Corporate Governance Practices. The primary duties of the nomination committee are to nominate director candidates and to research, review and offer recommendations in respect of the nominated director candidates and election criteria and procedures. The nomination committee consists of three members, and Mr. Xu Ping, the Chairman of the Company, is the Chairman of the committee. Other members are Mr. Sun Shuyi and Mr. Yang Xianzu.

Unaudited Interim Condensed Consolidated Financial Statements and Notes

For the six months ended 30 June 2012

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2012 RMB million (Unaudited)	2011 RMB million (Unaudited)
Revenue	2	**68,059**	63,706
Cost of sales		**(54,720)**	(51,029)
Gross profit		**13,339**	12,677
Other income	3	**1,566**	1,589
Selling and distribution costs		**(3,063)**	(2,591)
Administrative expenses		**(1,831)**	(1,538)
Other expenses, net		**(2,449)**	(2,227)
Finance costs	5	**(158)**	(136)
Share of profits and losses of associates		**232**	143
Profit before tax	4	**7,636**	7,917
Income tax expense	6	**(1,872)**	(1,808)
Profit for the period		**5,764**	6,109
Attributable to:			
Owners of the parent		**5,371**	5,861
Non-controlling interests		**393**	248
		5,764	6,109
Dividend	7	**—**	—
Earnings per share attributable to ordinary equity holders of the parent	8		
Basic for the period		**62.34 cents**	68.02 cents
Diluted for the period		**N/A**	N/A

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Profit for the period	**5,764**	6,109
OTHER COMPREHENSIVE INCOME		
Available-for-sale financial assets:		
Changes in fair value	**27**	(2)
Income tax effect	**(7)**	—
OTHER COMPRHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**20**	(2)
TOTAL COMPRHENSIVE INCOME FOR THE PERIOD	**5,784**	6,107
Total comprehensive income attributable to:		
Owners of the parent	**5,383**	5,859
Non-controlling interests	**401**	248
	5,784	6,107

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 RMB million (Unaudited)**	31 December 2011 RMB million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**22,938**	21,578
Lease prepayments		**2,290**	1,685
Intangible assets		**2,471**	2,361
Goodwill		**640**	640
Investments in associates		**1,650**	1,526
Available-for-sale financial assets		**334**	306
Other non-current assets		**3,044**	2,749
Deferred tax assets		**2,865**	2,672
Total non-current assets		**36,232**	33,517
Current assets			
Inventories		**12,105**	12,511
Trade receivables	10	**3,433**	2,623
Bills receivables		**23,432**	16,977
Prepayments, deposits and other receivables		**7,648**	5,706
Due from jointly-controlled entities		**1,414**	1,452
Available-for-sale financial assets		**500**	—
Financial assets at fair value through profit or loss		**53**	—
Pledged bank balances and time deposits	11	**2,339**	1,848
Cash and cash equivalents	11	**37,676**	42,899
		88,600	84,016
Assets classified as held for sale		**117**	—
Total current assets		**88,717**	84,016
TOTAL ASSETS		**124,949**	117,533
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital		**8,616**	8,616
Reserves		**11,393**	11,315
Retained profits		**30,221**	24,912
Proposed final dividend		**—**	1,551
		50,230	46,394

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**30 June 2012 RMB million (Unaudited)**	31 December 2011 RMB million (Audited)
Non-controlling interests		**3,454**	3,190
Total equity		**53,684**	49,584
Non-current liabilities			
Interest-bearing borrowings		**2,734**	2,820
Other non-current liabilities		**119**	57
Provisions		**23**	37
Government grants		**411**	271
Deferred tax liabilities		**60**	49
Total non-current liabilities		**3,347**	3,234
Current liabilities			
Trade payables	12	**25,594**	23,055
Bills payable		**9,621**	9,978
Other payables and accruals		**20,425**	20,112
Due to jointly-controlled entities		**1,453**	1,551
Interest-bearing borrowings		**7,384**	5,993
Income tax payables		**1,798**	2,610
Provisions		**1,627**	1,416
		67,902	64,715
Liabilities directly associated with the assets classified as held for sale		**16**	—
Total current liabilities		**67,918**	64,715
TOTAL LIABILITIES		**71,265**	67,949
TOTAL EQUITY AND LIABILITIES		**124,949**	117,533
NET CURRENT ASSETS		**20,799**	19,301
TOTAL ASSETS LESS CURRENT LIABILITIES		**57,031**	52,818

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital reserves	Statutory reserves	Retained profits	Proposed dividend	Total		
	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)
As at 1 January 2012	**8,616**	**1,505**	**9,810**	**24,912**	**1,551**	**46,394**	**3,190**	**49,584**
Final 2011 dividend declared	**—**	**—**	**—**	**—**	**(1,551)**	**(1,551)**	**—**	**(1,551)**
Total comprehensive income for the period	**—**	**12**	**—**	**5,371**	**—**	**5,383**	**401**	**5,784**
Transfer to a reserve	**—**	**—**	**62**	**(62)**	**—**	**—**	**—**	**—**
Gain of control in a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**37**	**37**
Capital contribution from non-controlling shareholders	**—**	**4**	**—**	**—**	**—**	**4**	**11**	**15**
Dividends paid to non-controlling shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**(185)**	**(185)**
As at 30 June 2012	**8,616**	**1,521**	**9,872**	**30,221**	**—**	**50,230**	**3,454**	**53,684**
As at 1 January 2011	8,616	1,535	7,133	18,659	1,551	37,494	3,842	41,336
Final 2010 dividend declared	—	—	—	—	(1,551)	(1,551)	—	(1,551)
Total comprehensive income for the period	—	(2)	—	5,861	—	5,859	248	6,107
Transfer to a reserve	—	—	387	(387)	—	—	—	—
Loss of control in a jointly-controlled entity's subsidiary	—	(1)	—	—	—	(1)	(114)	(115)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	18	18
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	(139)	(139)
As at 30 June 2011	8,616	1,532	7,520	24,133	—	41,801	3,855	45,656

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
		2012	2011
	Note	**RMB million**	RMB million
		(Unaudited)	(Unaudited)
Net cash flows generated from/(used in) operating activities		**(2,641)**	101
Net cash flows used in investing activities		**(1,516)**	(2,926)
Net cash flows generated from financing activities		**786**	1,751
Net decrease in cash and cash equivalents		**(3,371)**	(1,074)
Cash and cash equivalents at 1 January		**31,381**	25,889
Cash and cash equivalents at 30 June	11	**28,010**	24,815

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 CORPORATE INFORMATION

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

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

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.

1.2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

1.3 IMPACTS OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2011, except for the adoption of new and amended International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee Interpretations ("IFRICs"), as noted below. Adoption of these Standards and Interpretations has had no significant financial effect to the financial position or performance of the Group.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

1.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IFRICs, that have been issued but not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instrument*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[2]
IAS 27 Revised	*Separate Financial Statements*[2]
IAS 28 Revised	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]

Annual Improvements 2009–2011 Cycle:

IFRS 1	*First-time Adoption of IFRSs*[2]
IAS 1	*Presentation of Financial Statements*[2]
IAS 16	*Property, Plant and Equipment*[2]
IAS 32	*Financial Instruments: Presentation*[2]
IAS 34	*Interim Financial Reporting*[2]

1. Effective for annual periods beginning on or after 1 July 2012
2. Effective for annual periods beginning on or after 1 January 2013
3. Effective for annual periods beginning on or after 1 January 2014
4. Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not yet in a position to state whether these new and revised IFRSs and IFRICs would have a significant impact on the Group's result of operations and financial position.

2. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION

Revenue on sale of goods

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.

Segment information

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

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

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

— The corporate and others segment 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 operating 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 substantially located inside the PRC, no geographical information is presented.

2. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION (continued)

Segment information (continued)

During the six months ended 30 June 2011 and 2012, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

For the six months ended 30 June 2012

	Commercial vehicles RMB million (unaudited)	Passenger vehicles RMB million (unaudited)	Corporate and others RMB million (unaudited)	Total RMB million (unaudited)
Revenue				
Sales to external customers	14,933	52,559	346	67,838
Interest income from financing services	—	—	221	221
	14,933	52,559	567	68,059
Results				
Segment results	947	6,271	(295)	6,923
Interest income	31	349	259	639
Finance costs				(158)
Share of profit and losses of associates	79	47	106	232
Profit before tax				7,636
Income tax expense				(1,872)
Profit for the period				5,764

2. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION (continued)

Segment information (continued)

For the six months ended 30 June 2011

	Commercial vehicles RMB million (unaudited)	Passenger vehicles RMB million (unaudited)	Corporate and others RMB million (unaudited)	Total RMB million (unaudited)
Revenue				
Sales to external customers	18,791	44,329	414	63,534
Interest income from financing services	—	—	172	172
	18,791	44,329	586	63,706
Results				
Segment results	1,355	6,470	(312)	7,513
Interest income	35	264	98	397
Finance costs				(136)
Share of profit and losses of associates	61	38	44	143
Profit before tax				7,917
Income tax expense				(1,808)
Profit for the period				6,109

3. OTHER INCOME

	Six months ended 30 June 2012 RMB million (Unaudited)	2011 RMB million (Unaudited)
Government grants and subsidies	**392**	218
Net income from disposal of other materials	**300**	427
Interest income	**639**	397
Rendering of services	**19**	40
Gain on loss of control in a jointly-controlled entity's subsidiary	**—**	292
Gain on gain of control in a subsidiary	**19**	—
Others	**197**	215
	1,566	1,589

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	**54,701**	51,009
Interest expense for financing services (included in cost of sales)	**19**	20
Provision against inventories	**80**	80
Amortisation of intangible assets	**205**	199
Depreciation	**1,454**	1,344
Gain on disposal of items of property, plant and equipment, net	**(8)**	(10)
Gain on disposal of available-for-sale financial assets	**—**	(78)
Impairment of property, plant and equipment, net	**—**	87
Impairment of trade and other receivables	**9**	24
Reversal of provision for sales rebates	**(149)**	(333)

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings wholly repayable:		
Within 5 years	**63**	36
Beyond 5 years	**9**	13
Interest on discounted bills	**13**	7
Interest on medium term notes	**92**	92
	177	148
Less: Amount capitalised in construction in progress	**(19)**	(12)
Total interest expense	**158**	136

6. INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Current income tax	**2,060**	1,950
Deferred income tax	**(188)**	(142)
Income tax charge for the period	**1,872**	1,808

Under the PRC Corporate Income Tax Law and the respective regulations, the corporate income tax for the Company, its subsidiaries and jointly-controlled entities is calculated at the rates ranging from 12.5% to 25%, on their estimated assessable profits for the period based on the existing legislation, interpretations and practices in respect thereof. As certain of the Company's subsidiaries and jointly-controlled entities are foreign investment enterprises, after obtaining authorisation from the respective tax authorities, these subsidiaries and jointly-controlled entities are subject to a full corporate income tax exemption for the first two years and a 50% reduction in the succeeding three years, commencing from the first profitable year. After the implementation of the New Enterprise Income Tax Law from 1 January 2008, these subsidiaries and jointly-controlled entities will continue to enjoy the preferential income tax rate up to the end of the transition period, after which, the 25% standard rate applies.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2011 and 2012.

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

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

7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

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

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2012	2011
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	**5,371**	5,861

	million	million
Shares:		
Weighted average number of ordinary shares in issue during the period	**8,616**	8,616

No diluted earnings per share has been disclosed as no diluting events existed during the period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB2,849 million (six months ended 30 June 2011: RMB2,355 million) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB51 million (six months ended 30 June 2011: RMB17 million), resulting in a net gain on disposal of approximately RMB8 million (six months ended 30 June 2011: RMB10 million). Property, plant and equipment impairment of approximately RMB0 million (six months ended 30 June 2011: RMB87 million) was made during the period.

10. TRADE RECEIVABLES

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

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

	30 June 2012 RMB million (Unaudited)	31 December 2011 RMB million (Audited)
Within three months	**2,457**	1,974
More than three months but within one year	**897**	611
More than one year	**79**	38
	3,433	2,623

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

	30 June 2012 RMB million (Unaudited)	31 December 2011 RMB million (Audited)
Cash and bank balances	**25,452**	24,460
Time deposits	**14,563**	20,287
	40,015	44,747
Less: Pledged bank balances and time deposits for securing general banking facilities	**(2,339)**	(1,848)
Cash and cash equivalents in the interim condensed consolidated statement of financial position	**37,676**	42,899
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(9,666)**	(11,518)
Cash and cash equivalents in the interim condensed consolidated cash flow statement	**28,010**	31,381

12. TRADE PAYABLES

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

	30 June 2012 RMB million (Unaudited)	31 December 2011 RMB million (Audited)
Within three months	22,956	21,503
More than three months but within one year	2,164	1,132
More than one year	474	420
	25,594	23,055

13. GAIN OF CONTROL IN A SUBSIDIARY

In December 2010, the Company entered into an agreement with non-controlling shareholders of Dongfeng Electric Vehicle Co., Ltd. ("Dongfeng EV") for the acquisition of 17.31% equity interests in Dongfeng EV, a then 48.08%-owned associate of the Company at a total consideration of RMB13.5 million.

Upon the completion of the aforesaid acquisition in June 2012, the Company owns 65.39% equity interest in Dongfeng EV which is thereafter accounted for as a subsidiary of the Company.

13. GAIN OF CONTROL IN A SUBSIDIARY (continued)

The Group's share of identifiable assets and liabilities of Dongfeng EV acquired of as at 31 May 2012 are as follows:

	RMB million (Unaudited)
Property, plant and equipment	16
Intangible assets	3
Assets classified as held for sale	117
Deferred tax assets	1
Investment in associates	7
Other non-current assets	24
Inventories	17
Trade and bills receivables	61
Prepayment, deposits and other receivables	2
Cash and cash equivalents	34
Trade and bills payables	(53)
Other payables and accrued liabilities	(56)
Income tax payable	2
LiabilitIes directly associated with the assets classified as held for sale	(16)
Other non-current liabilities	(48)
Provisions	(1)
Government grant	(2)
Non-controlling interests	(37)
	71
Gain on gain of control in a subsidiary	(19)
	52
Represented by:	
Fair value of the consideration — cash	14
Interest in an associate	38
	52
An analysis of the cash flows in respect of the gain of control of a subsidiary is as follows:	
Cash consideration	(14)
Cash and cash equivalents acquired	34
Net inflow of cash and cash equivalents included in cash flows from investing activities	20

13. GAIN OF CONTROL IN A SUBSIDIARY (continued)

Since the acquisition, Dongfeng EV contributed RMB4 million to the Group's turnover and loss of RMB2 million for the six months ended 30 June 2012.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the six months ended 30 June 2012 would have been RMB68,076 million and RMB5,370 million.

14. COMMITMENTS

(a) Operating lease commitments as lessee

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

	30 June 2012 RMB million (Unaudited)	31 December 2011 RMB million (Audited)
Within one year	**154**	149
After one year but not more than five years	**517**	326
More than five years	**1,543**	1,834
	2,214	2,309

(b) Commitments

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

	30 June 2012 RMB million (Unaudited)	31 December 2011 RMB million (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**4,351**	3,821
Authorised, but not contracted for:		
Property, plant and equipment	**3,475**	1,509

15. CONTINGENT LIABILITIES

At the end of the reporting period, the Group's contingent liabilities not provided for in the financial statements were as follows:

	30 June 2012 RMB million (Unaudited)	31 December 2011 RMB million (Audited)
Bank acceptance bills discounted with recourse	479	4,522
Bank acceptance bills endorsed with recourse	4,754	6,157
Guarantees given to banks in connection with facilities granted to the following parties at nil consideration:		
— Jointly-controlled entities	433	471
— Associates	30	15
	5,696	11,165

No financial liabilities were recorded for the above guarantees given to banks as, in the opinion of the directors, the fair values of the financial guarantee contracts were not material as at 30 June 2012 and 31 December 2011.

As at 30 June 2012, the banking facilities guaranteed by the Group to the jointly-controlled entities and associates were utilised to the extent of approximately RMB463 million (31 December 2011: RMB486 million).

16. RELATED PARTY TRANSACTIONS

(a) Transactions with DMC, fellow subsidiaries, the Group's jointly-controlled entities, associates, joint venture partners and their holding companies, and non-controlling shareholders of jointly-controlled entities' subsidiaries.

During the period, the Group had the following significant transactions with their related parties:

	Notes	Six months ended 30 June **2012** **RMB million** **(Unaudited)**	 2011 RMB million (Unaudited)
Purchases of automotive parts/raw materials from:	(i)		
DMC, its subsidiaries and associates		**1,306**	1,332
Joint venture partners and their holding companies, fellow subsidiaries, subsidiaries, jointly-controlled entities and associates		**24,949**	21,847
Associates		**1,704**	1,115
Jointly-controlled entities		**4,641**	2,991
Non-controlling shareholder of a jointly-controlled entity's subsidiaries		**20**	4
		32,620	27,289
Purchases of automobiles from:	(i)		
DMC's associates and jointly-controlled entities		**154**	—
Joint venture partners		**87**	32
Jointly-controlled entities		**141**	255
Associates		**125**	241
		507	528
Purchases of water, steam and electricity from DMC	(ii)	**450**	518

16. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Notes	Six months ended 30 June **2012** **RMB million** **(Unaudited)**	2011 RMB million (Unaudited)
Rental expenses to DMC and its subsidiaries	(i)	**84**	84
Rental income from:	(i)		
Joint venture partners and their holding companies		**—**	20
Jointly-controlled entities		**2**	4
		2	24
Purchases of services from:	(i)		
DMC and its subsidiaries		**351**	315
Joint venture partners and their fellow subsidiaries		**23**	—
A jointly-controlled entity		**2**	5
Associates		**531**	317
		907	637
Purchases of property, plant and equipment from:	(i)		
DMC and its subsidiaries		**48**	—
Joint venture partners, their holding companies, and fellow subsidiaries		**256**	193
Jointly-controlled entities		**15**	31
Associates		**3**	4
A non-controlling shareholder of a jointly-controlled entity's subsidiary		**—**	4
		322	232
Payment of royalty fee and other expenses to joint venture partners and their holding companies and fellow subsidiaries	(i)	**2,343**	2,052

16. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Notes	Six months ended 30 June 2012 RMB million (Unaudited)	2011 RMB million (Unaudited)
Sales of automotive parts/raw materials to:	(i)		
DMC, its subsidiaries and associates		**165**	97
Joint venture partners and their holding companies, subsidiaries, and jointly-controlled entities		**7,969**	7,137
Associates		**89**	24
Jointly-controlled entities		**1,051**	773
		9,274	8,031
Sales of automobiles to:	(i)		
DMC's subsidiaries and associates		**1,358**	1,012
Joint venture partners		**8**	11
Jointly-controlled entities		**12**	—
		1,378	1,023
Provision of services to:	(i)		
DMC's jointly-controlled entity		**5**	—
Joint venture partners and their holding companies		**34**	4
Jointly-controlled entities		**33**	70
A non-controlling shareholder of a jointly-controlled entity's subsidiary		**—**	4
Associates		**3**	—
		75	78
Sales of assets to DMC's subsidiary		**50**	—

Notes:

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

(ii) These transactions were conducted according to prices and conditions regulated by the PRC government.

16. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	30 June 2012 RMB million (Unaudited)	31 December 2011 RMB million (Audited)
Receivables from related parties included in trade receivables:		
— DMC and its subsidiaries, jointly-controlled entities and associates	**128**	89
— Joint venture partners and their holding companies, fellow subsidiaries, subsidiaries, and jointly-controlled entities	**345**	327
— Associates	**39**	32
Receivables from related parties included in prepayments, deposits and other receivables:		
— DMC's subsidiaries, jointly-controlled entities and associates	**309**	210
— Joint venture partners and their holding companies, fellow subsidiaries, subsidiaries and jointly-controlled entities	**405**	156
— Associates	**38**	33
Payables to related parties included in trade payables:		
— DMC and its subsidiaries, jointly-controlled entities and associates	**353**	351
— Joint venture partners and their holding companies, fellow subsidiaries, subsidiaries, and jointly-controlled entities	**3,697**	3,187
— Associates	**447**	672
— A non-controlling shareholder of a jointly-controlled entity's subsidiary	**8**	9

16. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties (continued)

	30 June 2012 RMB million (Unaudited)	31 December 2011 RMB million (Audited)
Payables to related parties included in other payables and accruals:		
— DMC and its subsidiaries, jointly-controlled entities and associates	**293**	349
— Joint venture partners and their holding companies, fellow subsidiaries and subsidiaries	**2,836**	2,727
— A non-controlling shareholder of a jointly-controlled entity's subsidiary	**3**	2
— Associates	**29**	58

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

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Short term employment benefits	**8,178**	11,661
Post-employment benefits	**400**	329
Total compensation paid to key management personnel	**8,578**	11,990

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2012.

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 Motor Corporation" or "DMC"	東風汽車公司 (Dongfeng Motor Corporation), a state-owned enterprise incorporated under the laws of the PRC and the parent of the Company
"Group" or "Dongfeng Motor Group"	the Company, its subsidiaries and Jointly-controlled Entities and their respective subsidiaries and Jointly-controlled Entities.
"Joint Venture Company"	a joint venture company is a company set up by contractual agreement, whereby joint venture parties undertake an economic activity. A joint venture company operates as a separate entity in which each party has an interest. The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with terms of the joint venture agreement. A joint venture company is treated by a joint venture party as: (a) a subsidiary, if the joint venture party has unilateral control, directly or indirectly, over the joint venture company; (b) a jointly-controlled entity, if the joint venture party does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company; (c) an associate, if the joint venture party does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or (d) an investment, if the joint venture party holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company

Definitions

"Jointly-controlled Entity" or "JCE"	a jointly-controlled entity is a Joint Venture Company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. A joint venture party's investments in its Jointly-controlled Entities can be accounted for by proportionate consolidation, which involve recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements of the joint venture party on a line-by-line basis. When the profit sharing ratio is different to the joint venture party's equity interests in the Jointly-controlled Entities, the joint venture party's share of their assets, liabilities, income and expenses is determined based on the agreed profit sharing ratio. The results of Jointly-controlled Entities are included in the joint venture party's income statement to the extent of dividends received and receivable. The joint venture party's investments in Jointly-controlled Entities are treated as long term assets and are stated at cost less impairment losses
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"PRC" or "China"	the People's Republic of China. Except where the context requires, geographical references in this interim report to the PRC or China exclude Hong Kong, Macau or Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

In this interim report, unless otherwise specified, all references to revenues, profits and other financial information of the Group include those of the relevant Jointly-controlled Entities to the extent that such information has been proportionately consolidated or otherwise reflected in the financial information set out in this interim report. Subject to the above and unless otherwise specified, all information in this interim report relating to the Dongfeng Motor Group includes information of the Group and all companies (including Jointly-controlled Entities) in which the members of the Group have direct or indirect equity interests, without regard to the ownership level of, or the proportion of interest held by, the members of the Group in such companies.