東風汽車集團股份有限公司
DONGFENG MOTOR GROUP COMPANY LIMITED*
Stock Code: 489

# Interim Report 2013

*For reference only

# Contents



# Chairman's Statement

## Dear Shareholders,

On behalf of the Board of Directors, I hereby present the interim report of the Company for 2013 for your review.

In the first half of 2013, auto industry in China grew faster than expected. In the first half of the year, approximately 10,782,300 vehicles were sold by domestic automobile manufacturers, representing an increase of approximately 12.3% over the corresponding period of last year. Sales volume of passenger vehicles was approximately 8,665,100 units, representing an increase of approximately 13.8% over the corresponding period of last year, in which sales volume of traditional passenger vehicles was approximately 7,738,600 units, representing an increase of approximately 20% over the corresponding period of last year. Sales volume of commercial vehicles was approximately 2,117,100 units, representing an increase of approximately 6.7% over the corresponding period of last year, in which sales volume of heavy duty trucks was approximately 402,700 units, representing an increase of approximately 8.4% over the corresponding period of last year. Moreover, the performance of different market segments varied significantly. The SUV market grew rapidly at a rate of 41.6%, surpassing the rate of the corresponding period of last year. The rapid growth in the auto industry in China was mainly attributable to the following reasons. Firstly, the market base became relatively low after the market adjustment in 2011 and 2012 with slow growth. Secondly, a part of consumer demands was delayed due to the impact of the Diaoyu Islands incident occurred in September 2012. Thirdly, as the general economic situation has bottomed out and stabilized, the commercial vehicles market maintained steady growth, and customers purchased commercial vehicles in advance of the implementation of the State IV Emission Standards. Fourthly, the rapid growth of various market segments, including the SUV and MPV markets, further boosted the growth of the whole industry, and these market segments will continue to be the major momentum of growth.

Aggregate number of vehicles sold by Dongfeng Motor Group in the first half of the year was approximately 1,210,500 units, representing an increase of approximately 2.9% over the corresponding period of last year, and the market share was approximately 11.2%, representing a decrease of 1.1 percentage points over the corresponding period of last year. The numbers of passenger vehicles and commercial vehicles sold were approximately 971,300 units and 239,200 units, representing an increase of approximately 3.4% and 1%, respectively, over the corresponding period of last year. The number of heavy duty trucks sold was approximately 83,900 units, representing an increase of 8.3% over the corresponding period of last year. The sales growth of Dongfeng Motor Group was obviously below average in the industry, which was mainly due to the impact on Japanese-brand auto market brought by the Diaoyu Islands incident, impact on sales of the current period due to the launch of new and upgraded models of major vehicles including Teana and Livina, and the adjustment of shipment schedule in response to the stock clearance of distributors. Nevertheless, despite the slow growth in the first half of the year, all business lines of the Group have achieved or surpassed the production and sales targets for the period.

As the amendment to the International Financial Reporting Standards in relation to joint venture arrangement has taken effect since 2013, the Group adopts equity method for joint ventures instead of proportionate consolidation method to consolidate the joint ventures when preparing the consolidated financial statement for the year beginning on or after 1 January 2013. In accordance with the revised accounting standard, the sales revenue of the Group for the first half of the year was approximately RMB9,750 million, representing an increase of 257.3% as compared with the restated figures of the corresponding period of last year. Based on the proportionate consolidation method, the sales revenue of the Group for the first half of the year would be approximately RMB71,520 million, representing an increase of 5.1% as compared with the corresponding period of last year, and the sales revenues of passenger vehicles and commercial vehicles were approximately RMB51,960 million and RMB18,761 million, representing decrease of approximately 1.14% and an increase of approximately 25.64% as compared with the corresponding period of last year, respectively. In the first half of the year, profit attributable to shareholders was approximately RMB5,538 million, which was approximately 3.1% higher than that of the corresponding period of last year.

# Chairman's Statement

In the first half of 2013, in spite of the increasing challenges and uncertainties, Dongfeng Motor Group maintained steady growth and further consolidated its production and business development. All operating goals were achieved on schedule. The production and sales of the Group grew steadily and the accumulated sales increased every month. The quality and efficiency of operations improved significantly. The rapid growth of proprietary brand passenger vehicles has further enhanced the Group's position in the industry. Various strategic business restructuring and joint venture projects achieved satisfactory progress. Management standards and business coordination were strengthened with the implementation of safety production, energy conservation and emission reduction measures.

On the other hand, the Board also realized that the production and operation of Dongfeng Motor Group was still under pressure. In particular, the growth of its production and sales was below average in the industry and its market share decreased. Due to the lingering impact of the Diaoyu Islands incident, the recovery progress of Japanese-brand market was far below expectation. Certain business lines, including commercial vehicles, were under the adjustment period and the market recovery progress was slow. The proprietary brand passenger vehicle business was still under huge profit and financial pressure.

In order to cope with the pressure and challenges, all employees of Dongfeng Motor Group will establish comprehensive risk and crisis consciousness. Also, we will strive to reform and develop new business models and marketing methods as well as strengthen the risk management and cost control, and implement strict control on inventory to maintain satisfactory production and sales progress and sound development of businesses according to our schedule. We aim to achieve the operating goals for 2013 to create a new era for the long-term and sustainable development of Dongfeng Motor Group.

**Xu Ping**
*Chairman*

Wuhan, the PRC
27 August 2013

# Corporate Information

## REGISTERED NAME

Dongfeng Motor Group Company Limited

## REGISTERED ADDRESS

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

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## COMPANY WEBSITE

www.dfmg.com.cn

## COMPANY SECRETARIES

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 2013 interim report, the directors, supervisors and senior management of the Company include:

## DIRECTORS

| | |
|---|---|
| Xu Ping (徐平) | Executive Director and Chairman of the Board of Directors |
| Zhu Fushou (朱福壽) | Executive Director and President |
| 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 (周强) | 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 |
| Ma Zhigeng (馬之庚) | Independent Non-executive Director |

## SENIOR MANAGEMENT

| | |
|---|---|
| Cai Wei (蔡瑋) | Vice President and the Secretary of 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 representing employees |
| 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. Li Jiangang

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 President's 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. Lu Feng.

The head of the Capital Operation Department of the Company is Mr. Lu Feng

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

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

International Accounting Standards Committee issued IFRS 11 — Joint Arrangement in May 2011, which changed the regulation on the measurement of investors' equity in joint ventures by removing the option of proportionate consolidation when accounting for joint ventures and requiring the use of equity method. This standard is effective for annual periods beginning on or after 1 January 2013. As such, the Group will not adopt proportionate consolidation to consolidate the joint ventures when preparing the consolidated financial statement for the year beginning on or after 1 January 2013 and will adopt equity method instead.

From this interim report, financial data of the Group (including the data of the same period) contained herein for the purpose of discussion and comparison is prepared by using equity method. However, in order to facilitate investors and other readers of this report to understand the financial position of the Group, certain contents in this report will also contain data based on proportionate consolidation.

## FINANCIAL RESULTS OVERVIEW

During the period, revenue of the Group amounted to approximately RMB9,750 million, representing an increase of approximately RMB7,021 million, or 257.3%, as compared with approximately RMB2,729 million for the corresponding period of last year. Profit attributable to shareholders of the Group amounted to approximately RMB5,538 million for the period, representing an increase of approximately RMB167 million, or 3.1%, as compared with approximately RMB5,371 million for the corresponding period of last year. Earnings per share were approximately RMB64.28 cents, increased by approximately RMB1.94 cents, or 3.1%, as compared with approximately RMB62.34 cents for the corresponding period of last year.

During the period, net increase in cash and cash equivalent amounted to approximately RMB9,152 million. Net cash outflows from operating activities, net cash inflows from investing activities and net cash inflows from financing activities amounted to approximately RMB9,430 million, RMB16,928 million and RMB1,654 million respectively.

### Revenue

For the first half of 2013, approximately 10,782,300 vehicles were sold by domestic automobile manufacturers, representing an increase of approximately 12.3% over the corresponding period of last year. Sales volume of passenger vehicles and commercial vehicles were approximately 8,665,100 units and 2,117,100 units, representing an increase of approximately 13.8% and 6.7% over the corresponding period of last year respectively.

In the face of both opportunities and challenges, Dongfeng Motor Group adhered to its annual operation objective and prudently carried out businesses based on the changing market trend and market characteristics. Both automobile production and sales recorded steady growth. For the first half of the year, the total vehicle sales of Dongfeng Motor Group amounted to approximately 1,210,500 units, representing an increase of approximately 2.9% over the corresponding period last year. Sales of passenger vehicles was approximately 971,300 units, representing an increase of approximately 3.4% over the corresponding period last year, while the sales of commercial vehicles amounted to approximately 239,200 units, representing an increase of approximately 1.0% over the corresponding period last year.

Dongfeng Motor Group had a domestic market share of approximately 11.2% in terms of sales volume, representing a decrease of approximately 1.1 percentage points over the corresponding period last year. The market share of its passenger vehicles was approximately 11.2%, representing a decrease of approximately 1.1 percentage points over the corresponding period last year, and the market share of its commercial vehicles was approximately 11.3%, representing a decrease of approximately 0.6 percentage point over the corresponding period last year.

During the period, the total revenue of the Group was approximately RMB9,750 million, representing an increase of approximately RMB7,021 million, or 257.3%, as compared with approximately RMB2,729 million for the corresponding period last year.

# Management Discussion and Analysis

| | Six months ended 30 June 2013 Sales revenue RMB million | Six months ended 30 June 2012 Sales revenue RMB million |
|---|---|---|
| Passenger vehicles | **4,490** | 1,644 |
| Commercial vehicles | **4,989** | 1,067 |
| Others | **271** | 18 |
| Total | **9,750** | 2,729 |

Based on proportionate consolidation, during the period, the total revenue of the Group was approximately RMB71,520 million, representing an increase of approximately RMB3,461 million, or 5.1%, as compared with approximately RMB68,059 million for the corresponding period last year.

| | **Six months ended 30 June 2013** | | Six months ended 30 June 2012 | |
|---|---|---|---|---|
| | **Sales revenue RMB million** | **Units sold (units)** | Sales revenue RMB million | Units sold (units) |
| Passenger vehicles | **51,960** | **971,271** | 52,559 | 939,532 |
| Commercial vehicles | **18,761** | **239,182** | 14,933 | 236,753 |
| Others | **799** | **N/A** | 567 | N/A |
| Total | **71,520** | **1,210,453** | 68,059 | 1,176,285 |

*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 proportional combination basis, for the indicated periods.

## Passenger vehicles

During the period, sales revenue from passenger vehicles of the Group increased by approximately RMB2,846 million, or 173.1%, from approximately RMB1,644 million for the corresponding period last year to approximately RMB4,490 million. Coping with the complicated situation of the industry, Dongfeng Motor Group stepped forward, actively integrated its resources and strengthened the internal operation and management, technology development and research, the reformation of marketing system and channel building, and the synergetic effect was pursued. Through restructuring and integrating the business, the revenue from passenger vehicle business of the Group was increased.

## Commercial vehicles

Dongfeng Motor Group maintained its leading position with a slight increase in the sales volume of medium and heavy trucks. Through restructuring and integrating business, the revenue from commercial vehicle business of the Group was increased. During the period, the sales revenue from commercial vehicles of the Group increased by approximately RMB3,922 million, or 367.6%, from approximately RMB1,067 million for the corresponding period last year to approximately RMB4,989 million.

## Cost of Sales and Gross Profit

The total costs of sales of the Group for the period was approximately RMB8,523 million, representing an increase of approximately RMB5,987 million, or 236.1%, as compared with approximately RMB2,536 million for the corresponding period last year. Through effective cost-cutting measures and restructuring and integrating business, the total gross profit increased by approximately RMB1,034 million, or 535.8%, to approximately RMB1,227 million from approximately RMB193 million for the corresponding period last year. The gross profit margin increased by approximately 5.5 percentage points from approximately 7.1% for the corresponding period last year to approximately 12.6% for the period. The gross profit margin of passenger vehicles increased by approximately 0.8 percentage point to approximately 6.1% for the period from approximately 5.3% for the corresponding period last year, and that of whole passenger vehicles increased by approximately 0.2 percentage point to approximately 5.5% for the period from approximately 5.3% for the corresponding period last year. The gross profit margin of commercial vehicles increased by approximately 5.6 percentage points to approximately 14.3% for the period from approximately 8.7% for the corresponding period last year, and that of whole commercial vehicles of the Group increased by approximately 5.9 percentage points to approximately 14.1% for the period from approximately 8.2% for the corresponding period last year.

The proportionate combined total cost of sales of the Group for the period was approximately RMB57,813 million, representing an increase of approximately RMB3,093 million, or 5.7%, as compared with approximately RMB54,720 million for the corresponding period last year. The total gross profit was approximately RMB13,707 million, representing an increase of approximately RMB368 million, or 2.8%, as compared with approximately RMB13,339 million for the corresponding period last year. The gross profit margin decreased by approximately 0.4 percentage point from approximately 19.6% for the corresponding period last year to approximately 19.2% for the period.

## Other Income

During the period, the total other income of the Group amounted to approximately RMB536 million, representing an increase of approximately RMB52 million as compared with approximately RMB484 million for the corresponding period last year. It was mainly attributable to: (1) an increase of approximately RMB23 million in delegation cost; (2) an increase of approximately RMB21 million in other investment income; and (3) an increase of approximately RMB8 million in other items.

## Selling and Distribution Costs

During the period, as a result of the business restructuring and integration of the Group, the selling and distribution costs of the Group increased by approximately RMB351 million to approximately RMB696 million from approximately RMB345 million for the corresponding period last year. As a result of increase in combined revenue, the percentage of selling and distribution costs to sales revenue decreased by approximately 5.5 percentage points to approximately 7.1% from approximately 12.6% for the corresponding period last year.

## Administrative Expenses

During the period, the total administrative expenses of the Group increased by approximately RMB255 million to approximately RMB566 million from approximately RMB311 million for the corresponding period last year, the increase was due to the business restructuring and integration of the Group. As a result of the increase in combined revenue, the percentage of administration expenses to sales revenue decreased by approximately 5.6 percentage points to approximately 5.8% for the year from approximately 11.4% of the corresponding period last year.

# Management Discussion and Analysis

## Other Expenses, Net

During the period, as a result of the restructuring and integration of the Group, net other expenses of the Group amounted to approximately RMB523 million, representing an increase of approximately RMB266 million as compared with approximately RMB257 million for the corresponding period last year. It was mainly attributable to an increase of approximately RMB178 million in technology development expenses 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 RMB825 million, representing an increase of approximately RMB523 million as compared with approximately RMB302 million for the corresponding period last year. The increase was mainly due to a significant increase in combined staff costs resulting from the business restructuring and integration of the Group during the period.

## Depreciation Charges

During the period, the depreciation charges of the Group amounted to approximately RMB188 million, representing an increase of approximately RMB92 million as compared with approximately RMB96 million for the corresponding period last year as a result of the business restructuring and integration of the Group.

## Finance Costs

During the period, the finance costs of the Group amounted to approximately RMB82 million, representing a decrease of approximately RMB33 million as compared with approximately RMB115 million for the corresponding period last year, which was mainly attributable to a decrease of RMB49 million in interest expenses of medium term notes and an increase of RMB22 million in interest of discounted notes.

## Income Tax

During the period, the income tax expense amounted to approximately RMB74 million, representing an increase of approximately RMB57 million as compared with approximately RMB17 million for the corresponding period last year as a result of the business restructuring and integration of the Group. The effective tax rate for the period was approximately 13%, representing an increase of approximately 3.6 percentage points as compared with approximately 9.4% for the corresponding period last year.

## Profit for the Period

Based on the above reasons, the Group's profit attributable to shareholders amounted to approximately RMB5,538 million for the period, representing an increase of approximately RMB167 million, or 3.1%, as compared with approximately RMB5,371 million for the corresponding period last year. Earnings per share was approximately RMB64.28 cents, increased by approximately RMB1.94 cents, or 3.1%, as compared with approximately RMB62.34 cents for the corresponding period last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 56.8%, representing a decrease of approximately 139.9 percentage points as compared with approximately 196.7% for the corresponding period last year. The return on net assets (a percentage of profit attributable to shareholders to average net assets) was approximately 19.8%, representing a decrease of approximately 2.4 percentage points as compared with approximately 22.2% for the corresponding period last year.



## Liquidity and Sources of Capital

| | **Six months ended 30 June 2013 (RMB million)** | Six months ended 30 June 2012 (RMB million) |
|---|---|---|
| Net cash outflows from operating activities | **(9,430)** | (674) |
| Net cash inflows from investing activities | **16,928** | 2,990 |
| Net cash inflows/(outflows) from financing activities | **1,654** | (107) |
| Net increase in cash and cash equivalents | **9,152** | 2,209 |

During the period, net cash outflows from operating activities of the Group amounted to approximately RMB9,430 million. This was attributable to: (1) a decrease of approximately RMB5,085 million in trade receivables, bills receivable and prepayments, deposits and other receivables; (2) a decrease of approximately RMB414 million in inventory; and (3) a decrease of approximately RMB14,716 million in trade, bills and other payables and accrued liabilities. The net cash flow from operating activities for the period decreased by approximately RMB8,756 million, as compared to the net cash outflow of approximately RMB674 million for the corresponding period last year.

During the period, net cash inflows from investing activities of the Group amounted to approximately RMB16,928 million. This was attributable to: (1) an increase of RMB9,776 million in cash due to acquisition of subsidiaries including Dongfeng Liuzhou, Dongfeng Finance and commercial vehicle business; (2) an increase of RMB55 million in cash inflows due to the proceeds from disposal of financial assets; (3) an increase of approximately RMB2,824 million due to the decrease in time deposits; and (4) an increase of approximately RMB5,313 million due to the increase in dividends from joint ventures and associates. The net cash inflow from investing activities for the period increased by approximately 13,938 million, as compared to the net inflows of approximately RMB2,990 million for the corresponding period last year.

During the period, net cash inflows from financing activities of the Group amounted to approximately RMB1,654 million. This was attributable to: (1) an increase of approximately RMB2,118 million in net amount of bank borrowings; (2) a decrease of approximately RMB467 million in net repayment of bank borrowings. The net cash inflows from financing activities for the period increased by approximately RMB1,761 million, as compared to approximately RMB107 million of the net cash outflows for the corresponding period last year.

Based on above analysis:

As at 30 June 2013, the Group's cash and cash equivalents (excluding the time deposits with an original maturity of three months or more) amounted to approximately RMB19,440 million, representing an increase of approximately RMB9,152 million as compared with approximately RMB10,288 million as at 31 December 2012. Cash and bank balances (including the time deposits with an original maturity of three months or more) amounted to approximately RMB25,567 million, representing an increase of approximately RMB7,519 million as compared with approximately RMB18,048 million as at 31 December 2012. Net cash (cash and bank balances less borrowings) of the Group amounted to approximately RMB19,845 million as at 30 June 2013, representing an increase of approximately RMB4,109 million as compared with approximately RMB15,736 million as at 31 December 2012.

As at 30 June 2013, the Group's equity ratio, as a percentage of total borrowings to total shareholders' equity, was approximately 9.8%, representing an increase of approximately 5.5 percentage points as compared with approximately 4.3% as at 31 December 2012.

As at 30 June 2013, the Group's liquidity ratio was approximately 1.15 times, representing a decrease of approximately 2.11 times over approximately 3.26 times as at 31 December 2012. The Group's quick ratio was approximately 1.07 times, representing a significant decrease from approximately 3.11 times as at 31 December 2012.

Inventory turnover days of the Group for the period was approximately 83 days, representing an increase of approximately 43 days over the turnover days of approximately 40 days for the corresponding period last year.

The Group's turnover days of receivables (including bills receivable) increased by approximately 165 days to approximately 264 days from approximately 99 days for the corresponding period last year, and the turnover days of receivables (excluding bills receivable) was approximately 48 days, representing an increase of approximately 4 days over the turnover days of approximately 44 days for the corresponding period last year. The turnover days of bills receivable was approximately 216 days, representing an increase of approximately 162 days over the turnover days of approximately 54 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 BUSINESSES

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, mini 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 also engaged in production and import and export of vehicle manufacturing equipment, auto finance business, insurance agency business and trading of used vehicles etc.

The Dongfeng Motor Group's commercial vehicles as well as engines and auto parts of commercial vehicles businesses are principally operated by Dongfeng Commercial Vehicles Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Motor Co., Ltd. (a joint venture of the Company and Nissan Motor Co., Ltd.). The business of engines of commercial vehicles is principally operated by Dongfeng Commercial Vehicles Co., Ltd. and Dongfeng Motor Co., Ltd.. The auto parts and equipments business is principally operated by Dongfeng Motor Co., Ltd.. As at 30 June 2013, the Dongfeng Motor Group manufactured 41 basic series of commercial vehicles, including 34 series of trucks and 7 series of buses. Annual production capacities of commercial vehicles and their engines were 810,000 units and 370,000 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 the Company (through Dongfeng Commercial Vehicles Company), Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd, Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd and Dongfeng Honda Automobile Co., Ltd. As at 30 June 2013, the Dongfeng Motor Group manufactured 39 series of passenger vehicles, including 26 series of sedans, 6 series of MPVs and 7 series of SUVs. Annual production capacities of passenger vehicles and their engines were 2,200,000 units and 2,460,000 units, respectively.

### Major Operating Information for the First Half of 2013

In the first half of 2013, 10,751,683 units and 10,782,270 units of vehicles were manufactured and sold by domestic automobile manufacturers of the PRC, respectively, representing increases of approximately 12.8% and approximately 12.3% over the corresponding period last year, respectively. The production and sales volume of passenger vehicles were 8,664,502 units and 8,665,128 units, respectively, representing increases of approximately 14.02% and approximately 13.8% over the corresponding period last year, respectively. The production and sales volume of commercial vehicles were 2,087,181 units and 2,117,142 units, respectively, representing increases of approximately 8.2% and 6.7% over the corresponding period last year, respectively.

The accumulated vehicle production and sales volume of the Dongfeng Motor Group in the first half of 2013 were 1,192,310 units and 1,210,453 units, respectively, representing increases of approximately 2.3% and approximately 2.9% over the corresponding period last year, respectively. The production and sales volume of passenger vehicles were 966,075 units and 971,271 units, respectively, representing increases of approximately 3.3% and 3.4% over the corresponding period last year, respectively, and the production and sales volume of commercial vehicles were 226,235 units and 239,182 units, respectively, representing increases of approximately -1.7% and 1.0% over the corresponding period last year, respectively. The Dongfeng Motor Group had a market share of approximately 11.2% in terms of sales volume among the domestic automobile manufacturers, and the market share of its passenger vehicles and commercial vehicles accounted for approximately 11.2% and 11.3%, respectively.

# Business Overview

Revenue of the Group for the six months ended 30 June 2013:

| Business | Sales revenue (RMB millions) | Contribution to the Group's sales revenue (%) |
|---|---|---|
| Passenger vehicles | 4,490 | 46 |
| Commercial vehicles | 4,989 | 51.2 |
| Others | 271 | 2.8 |
| Total | 9,750 | 100 |

Based on the proportionate consolidation method, the revenue of the Group for the six months ended 30 June 2013 is as follows:

| Business | Sales revenue (RMB millions) | Contribution to the Group's sales revenue (%) |
|---|---|---|
| Passenger vehicles | 51,960 | 72.7 |
| Commercial vehicles | 18,761 | 26.2 |
| Others | 799 | 1.1 |
| Total | 71,520 | 100 |

Sales volume of commercial vehicles and passenger vehicles of the Dongfeng Motor Group and their market shares for the six months ended 30 June 2013 *(not adjusted on a proportional combination basis)*:

| | Sales volume (units) | Market share (%) |
|---|---|---|
| **Commercial vehicles** | 239,182 | 11.3 |
| Trucks | 217,529 | 11.8 |
| Buses | 21,590 | 8.1 |
| **Passenger vehicles** | 971,271 | 11.2 |
| Sedans | 677,825 | 11.6 |
| MPVs | 119,821 | 21.1 |
| SUVs | 171,325 | 17.7 |
| **Total** | 1,210,453 | 11.2 |



## New Products

In the first half of 2013, the Dongfeng Motor Group launched a new model and two upgraded models of passenger vehicles, including the first SUV model 3008 of Dongfeng Peugeot Citroen Automobile Company Ltd., two upgraded commercial vehicle models of Livina and Teana of Dongfeng Motor Co., Ltd. as well as a new commercial vehicle model D760.

## Production Safety and Environment Protection

The Dongfeng Motor Group has been pursuing the safety management goal of "zero accident, zero injury and zero loss". In the first half of the year, the Dongfeng Motor Group has established a comprehensive management model for system security. Safety management departments at all levels prioritized the establishment of production safety system, enhancement of application of technology and engineering as well as improvement in education and training, which further minimized the rate of incidence.

In the first half of 2013, adhering to the strategic development target and the principle of energy-saving and emission reduction, the Dongfeng Motor Group aimed to manufacture environmentally-friendly vehicles in an environmentally-friendly manner and strived to achieve the goals of energy saving and emission reduction according to the applicable laws and regulations on energy saving and environmental protection in China. As a result, the Company achieved satisfactory performance in energy-saving and emission reduction, with its total energy consumption per ten-thousand RMB of added value (comparable price) reducing by 6.08% and COD and $SO_2$ emission decreasing by approximately 14% and 20.4%, respectively as compared with the corresponding period 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 for customers through these networks.

As at 30 June 2013, the number of sales and service outlets of the Dongfeng Motor Group was as follows:

| | Number of sales outlets (units) | Number of service outlets (units) | Number of provinces covered |
|---|---|---|---|
| Commercial vehicles | 2,892 | 5,257 | 31 |
| Passenger vehicles | 4,859 | 3,965 | 31 |
| Total | 7,751 | 9,222 | 31 |

## Business Outlook

In the second half of 2013, the Dongfeng Motor Group will face a more complicated business environment. Benefiting from the steady growth of domestic economy and the policy to expand domestic demand and raise incomes, consumption and investment will continue to grow rapidly. The procurement of business vehicles will boost the demand of commercial vehicles of proprietary brands, and vehicle consumption will be driven by the urbanization development. Therefore, the overall industry will maintain steady growth. However, due to the unfavourable international economic outlook, the general economic recovery progress remains uncertain and the domestic economy of China is under the pressure of transformation. As the vehicle markets in certain cities have been saturated, the risks for local governments to adopt restrictions on vehicle purchase and traffic control measures increase. In addition, the market of commercial vehicles is still under adjustment and lacks recovery motivation. The adverse impact of the Diaoyu Islands incident on the industry as well as the Company lingers and is subject to uncertainty.

In light of the above factors, the Dongfeng Motor Group is cautiously optimistic towards the general development of the industry in the second half of the year, which is expected to keep improving from the same period of last year with various challenges and risks. The Group will strive to expand its business scale while maintaining the balanced development of all business lines by grasping the opportunities and coping with the challenges. The Group will accelerate the recovery of production and sales of Dongfeng Nissan Passenger Vehicle and Dongfeng Honda and maintain the stability of commercial vehicle market so as to ensure the sound development of different businesses and achievement of the annual targets.

Moreover, the Company will enhance the implementation of various major projects including the joint venture with AB Volvo on heavy and medium duty truck business as well as the joint venture projects of Dongfeng GETRAG and Dongfeng Smith.

# INTERIM RESULTS AND DIVIDENDS

The results for the six months ended 30 June 2013 of the Group and the financial states of affairs of the Group as at that date are set out in the unaudited interim condensed consolidated financial statements on page 21 to 44 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 2013.

## MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The Company has entered into the Framework Agreement on 26 January 2013 with Nissan Motor Co., Ltd., Nissan (China) Investment Co., Ltd. and Dongfeng Motor Co. Ltd.. Under the Framework Agreement, the Company, Dongfeng Commercial Vehicles Co., Ltd and China Dongfeng Motor Industry Imp. & Exp. Co., Ltd have entered into various agreements with Dongfeng Motor Co., Ltd., pursuant to which the Company, Dongfeng Commercial Vehicles Co., Ltd and China Dongfeng Motor Industry Imp. & Exp. Co., Ltd will acquire part of the commercial vehicle business, including the relevant assets and equity, owned by Dongfeng Motor Co., Ltd. for a total consideration of approximately RMB11,712,837,000 (equivalent to approximately HK$14,602,393,888). (For further details, please see the announcement of the Company dated 27 January 2013.)

As at 30 June 2013, the Company, Dongfeng Commercial Vehicles Co., Ltd, China Dongfeng Motor Industry Imp. & Exp. Co., Ltd and Dongfeng Motor Co., Ltd have completed the relevant transfer of assets and equity.

On 26 January 2013, the Company entered into the Cooperation Master Agreement with Volvo (AB Volvo) for the establishment of a capital joint venture with Volvo. Pursuant to the Equity Transfer Agreement under the Cooperation Master Agreement, the Company will sell 45% of its equity interest in the Dongfeng Commercial Vehicles Co., Ltd to Volvo for a consideration of approximately RMB5,608,000,000 (equivalent to approximately HK$6,991,493,600). (For further details, please see the announcement of the Company dated 27 January 2013.)

As at 30 June 2013, the transaction of the 45% equity interests in Dongfeng Commercial Vehicles Co., Ltd between the Company and Volvo (AB Volvo) was still under government approval process.

## MATERIAL LEGAL PROCEEDINGS

As at 30 June 2013, the Dongfeng Motor Group was not involved in any material litigation or arbitration and, as far as the Company was aware, no material litigation or claim was pending or threatened or made against the Dongfeng Motor Group.

## SHARE CAPITAL

As at 30 June 2013, the total share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares of RMB1 each, of which 5,760,388,000 shares were Domestic Shares, representing approximately 66.86% of the total number of shares in issue, and 2,855,732,000 shares were H Shares, representing approximately 33.14% of the total number of shares in issue.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the interests and short positions of the persons (other than directors and supervisors of the Company) interested in number of shares representing 5% or more of the respective classes of issued share capital, as recorded in the register of interests 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 | 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 |
| JPMorgan Chase & Co. | H shares | 455,917,759(L) | 15.97(L) | 5.29 |
| | | 3,673,611(S) | 0.13(S) | 0.04 |
| | | 327,585,880(P) | 11.47(P) | 3.79 |
| 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 |
| Matthews International Capital Management, LLC | H shares | 200,226,000(L) | 7.01(L) | 2.32 |
| BlackRock, Inc. | H shares | 172,326,317(L) | 6.03(L) | 2.00 |
| 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 2013, 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 2013.

## 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.

## SHARE APPRECIATION RIGHTS

The shareholders of the Company have adopted a plan of share appreciation rights for the core management and technical staffs. The plan is designed to link the financial interests of the senior management with the future results of operations and the performance of H shares of the Dongfeng Motor Group. No shares are to be issued under the share appreciation rights plan. Consequently, the shareholdings of the Company's shareholders will not be diluted as a result of the granting of share appreciation rights.

The first and second rounds of share appreciation rights were fully expired, including those being exercised, waived and lapsed. (Further details were set out in the 2012 Interim Report.)

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

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

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

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

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

## 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 Corporate Governance Code of the Stock Exchange of Hong Kong. The Company supervises and regulates its daily operation in strict compliance with the Articles of Association of Dongfeng Motor Group Company Limited and various governing systems of the Company, and 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 corporate governance to ensure that the Company is developing properly on the right path, and the interests of shareholders in the Company will continue to grow and be well protected.

## 2. Corporate Governance Code

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

## 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 had 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 one third of them are 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 reports of the Group for the six months ended 30 June 2013.

## 6. Nomination Committee

The Company has established a nomination committee in compliance with Rule A.5.1 to Rule A.5.6 of the Corporate Governance Code. 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. The other members are Mr. Sun Shuyi and Mr. Yang Xianzu.

# Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | Six months ended 30 June<br>**2013**<br>**RMB million**<br>**(Unaudited)** | <br>2012<br>RMB million<br>(Unaudited and restated) |
|---|---|---|---|
| Revenue | 2 | **9,750** | 2,729 |
| Cost of sales | | **(8,523)** | (2,536) |
| Gross profit | | **1,227** | 193 |
| Other income | 3 | **536** | 484 |
| Selling and distribution costs | | **(696)** | (345) |
| Administrative expenses | | **(566)** | (311) |
| Other expenses, net | | **(523)** | (257) |
| Finance costs | 5 | **(82)** | (115) |
| Share of profits and losses of: | | | |
| Joint ventures | | **5,620** | 5,630 |
| Associates | | **113** | 112 |
| Profit before tax | 4 | **5,629** | 5,391 |
| Income tax expense | 6 | **(74)** | (17) |
| Profit for the period | | **5,555** | 5,374 |
| Attributable to: | | | |
| Owners of the parent | | **5,538** | 5,371 |
| Non-controlling interests | | **17** | 3 |
| | | **5,555** | 5,374 |
| Dividend | 7 | **—** | — |
| Earnings per share attributable to ordinary equity holders of the parent | 8 | | |
| Basic for the period | | **64.28 cents** | 62.34 cents |
| Diluted for the period | | **N/A** | N/A |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Unaudited and restated) |
| Profit for the period | **5,555** | 5,374 |
| OTHER COMPREHENSIVE INCOME | | |
| Available-for-sale financial assets: | | |
| Changes in fair value | **37** | 16 |
| Income tax effect | **(9)** | (4) |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | **28** | 12 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | **5,583** | 5,386 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | **5,566** | 5,383 |
| Non-controlling interests | **17** | 3 |
| | **5,583** | 5,386 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 30 June 2013 RMB million (Unaudited) | 31 December 2012 RMB million (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 9,464 | 2,430 |
| Lease prepayments | | 1,100 | 329 |
| Intangible assets | | 669 | 202 |
| Goodwill | | 2,923 | 212 |
| Investments in joint ventures | | 34,235 | 31,136 |
| Investments in associates | | 1,244 | 983 |
| Available-for-sale financial assets | | 288 | 128 |
| Due from joint ventures | | 237 | — |
| Other non-current assets | | 5,312 | 32 |
| Deferred tax assets | | 143 | 14 |
| Total non-current assets | | 55,615 | 35,466 |
| **Current assets** | | | |
| Inventories | | 3,885 | 1,198 |
| Trade receivables | 10 | 2,563 | 397 |
| Bills receivables | | 11,516 | 2,802 |
| Prepayments, deposits and other receivables | | 9,367 | 4,140 |
| Due from joint ventures | | 788 | 198 |
| Pledged bank balances and time deposits | 11 | 1,299 | 108 |
| Cash and cash equivalents | 11 | 24,268 | 17,940 |
| | | 53,686 | 26,783 |
| Assets classified as held for sale | | 117 | 117 |
| Total current assets | | 53,803 | 26,900 |
| **TOTAL ASSETS** | | 109,418 | 62,366 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | | 8,616 | 8,616 |
| Reserves | | 6,898 | 6,870 |
| Retained profits | | 42,678 | 37,140 |
| Proposed final dividend | | — | 1,292 |
| | | 58,192 | 53,918 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| | Notes | 30 June 2013 RMB million (Unaudited) | 31 December 2012 RMB million (Restated) |
|---|---|---|---|
| Non-controlling interests | | 860 | 85 |
| **Total equity** | | 59,052 | 54,003 |
| **Non-current liabilities** | | | |
| Other non-current liabilities | | 131 | 104 |
| Government grants | | 105 | 2 |
| Due to joint ventures | | 3,311 | — |
| Deferred tax liabilities | | 195 | — |
| Total non-current liabilities | | 3,742 | 106 |
| **Current liabilities** | | | |
| Trade payables | 12 | 11,650 | 1,964 |
| Bills payable | | 8,874 | 395 |
| Other payables and accruals | | 10,754 | 1,584 |
| Due to joint ventures | | 8,087 | 1,680 |
| Interest-bearing borrowings | | 5,722 | 2,302 |
| Income tax payables | | 292 | 219 |
| Provisions | | 1,229 | 97 |
| | | 46,608 | 8,241 |
| Liabilities directly associated with the assets classified as held for sale | | 16 | 16 |
| Total current liabilities | | 46,624 | 8,257 |
| **TOTAL LIABILITIES** | | 50,366 | 8,363 |
| **TOTAL EQUITY AND LIABILITIES** | | 109,418 | 62,366 |
| **NET CURRENT ASSETS** | | 7,179 | 18,643 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 62,794 | 54,109 |

## 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 and restated) | RMB million (unaudited and restated) | RMB million (unaudited and restated) | RMB million (unaudited and restated) | RMB million (unaudited and restated) | RMB million (unaudited and restated) | RMB million (unaudited and restated) | RMB million (unaudited and restated) |
| As at 1 January 2013 | 8,616 | 1,512 | 5,358 | 37,140 | 1,292 | 53,918 | 85 | 54,003 |
| Final 2012 dividend declared | — | — | — | — | (1,292) | (1,292) | — | (1,292) |
| Total comprehensive income for the period | — | 28 | — | 5,538 | — | 5,566 | 17 | 5,583 |
| Gain of control in subsidiaries | — | — | — | — | — | — | 702 | 702 |
| Capital contribution from non-controlling shareholders | — | — | — | — | — | — | 73 | 73 |
| Dividends paid to non-controlling shareholders | — | — | — | — | — | — | (17) | (17) |
| As at 30 June 2013 | 8,616 | 1,540 | 5,358 | 42,678 | — | 58,192 | 860 | 59,052 |
| As at 1 January 2012 | 8,616 | 1,505 | 4,463 | 30,259 | 1,551 | 46,394 | 33 | 46,427 |
| Final 2011 dividend declared | — | — | — | — | (1,551) | (1,551) | — | (1,551) |
| Total comprehensive income for the period | — | 12 | — | 5,371 | — | 5,383 | 3 | 5,386 |
| Gain of control in a subsidiary | — | — | — | — | — | — | 37 | 37 |
| Capital contribution from non-controlling shareholders | — | 4 | — | — | — | 4 | — | 4 |
| As at 30 June 2012 | 8,616 | 1,521 | 4,463 | 35,630 | — | 50,230 | 73 | 50,303 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Six months ended 30 June 2013 RMB million (Unaudited) | 2012 RMB million (Unaudited and restated) |
|---|---|---|---|
| Net cash flows used in operating activities | | **(9,430)** | (674) |
| Net cash flows from investing activities | | **16,928** | 2,990 |
| Net cash flows from/(used in) financing activities | | **1,654** | (107) |
| Net increase in cash and cash equivalents | | **9,152** | 2,209 |
| Cash and cash equivalents at 1 January | | **10,288** | 13,051 |
| Cash and cash equivalents at 30 June | 11 | **19,440** | 15,260 |

# 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 and its subsidiaries (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 2012.

## 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 2012, except for the adoption of new and amended International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee Interpretations ("IFRICs"), as noted below.

| | |
|---|---|
| IFRS 1 Amendments | Amendments to IFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans* |
| IFRS 7 Amendments | Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* |
| IFRS 10 | *Consolidated Financial Statements* |
| IFRS 11 | *Joint Arrangements* |
| IFRS 12 | *Disclosures of Interests in Other Entities* |
| IFRS 10, IFRS 11 and IFRS 12 Amendments | Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance* |
| IFRS 13 | *Fair Value Measurement* |
| IAS 1 Amendments | Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* |
| IAS 19 Amendments | *Employee Benefits* |
| IAS 27 (Revised) | *Separate Financial Statements* |
| IAS 28 (Revised) | *Investments in Associates and Joint Ventures* |
| IFRIC 20 | *Stripping Costs in the Production Phase of a Surface Mine* |
| *Annual Improvements 2009–2011 Cycle* | Amendments to a number of IFRSs issued in May 2012 |

Other than as further explained below regarding the impact of IFRS 11, the adoption of these Standards and Interpretations has had no significant financial effect to the financial position or performance of the Group.

The IFRS 11 replaces IAS31 *Interests in Joint Ventures* and SIC 31 *Jointly-controlled Entities — Non-monetory Contributions by Venturers*. IFRS 31 removes the option to account for jointly-controlled entities ("JCEs") using proportionate consolidation. Instead, JCE meet the definition of a joint venture under IFRS 11 must be accounted for using equity method. Upon the adoption of IFRS 11, the Group has changed the accounting for investments in JCEs from proportionate consolidation to the equity accounting method from the date of acquisition, incorporation or registration of JCEs. The comparative amount has been restated with the investments in JCEs being equity accounted for since the date of acquisition, incorporation or registration of JCEs.

## 1.3 IMPACTS OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The operating results previously reported by the Group for the six months ended 30 June 2012 have been restated to equity accounted for the Group's JCEs as set out below:

| | The Group (as previously reported) RMB million | JCEs RMB million | The Group RMB million (Restated) |
|---|---|---|---|
| Revenue | 68,059 | (65,330) | 2,729 |
| Cost of sales | (54,720) | 52,184 | (2,536) |
| Other income | 1,566 | (1,082) | 484 |
| Selling and distribution costs | (3,063) | 2,718 | (345) |
| Administrative expenses | (1,831) | 1,520 | (311) |
| Other expenses, net | (2,449) | 2,192 | (257) |
| Finance costs | (158) | 43 | (115) |
| Share of profits and losses of: | | | |
| Joint ventures | — | 5,630 | 5,630 |
| Associates | 232 | (120) | 112 |
| Income tax | (1,872) | 1,855 | (17) |
| Profit for the period | 5,764 | (390) | 5,374 |
| Attributable to: | | | |
| Owners of the parent | 5,371 | — | 5,371 |
| Non-controlling interests | 393 | (390) | 3 |
| | 5,764 | (390) | 5,374 |

## 1.3 IMPACTS OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The financial position previously reported by the Group as at 31 December 2012 have been restated to equity accounted for the Group's JCEs as set out below:

| | The Group (as previously reported) RMB million | JCEs RMB million | The Group RMB million (Restated) |
|---|---|---|---|
| Assets: | | | |
| Property, plant and equipment | 25,823 | (23,393) | 2,430 |
| Goodwill | 875 | (663) | 212 |
| Investments in joint ventures | — | 31,136 | 31,136 |
| Other non-current assets | 13,721 | (12,033) | 1,688 |
| Inventories | 11,386 | (10,188) | 1,198 |
| Trade and bills receivables | 20,554 | (17,355) | 3,199 |
| Cash and cash equivalents | 32,101 | (14,161) | 17,940 |
| Other current assets | 10,233 | (5,787) | 4,446 |
| Assets classified as held for sale | 117 | — | 117 |
| Total assets | 114,810 | (52,444) | 62,366 |
| Liabilities: | | | |
| Non-current liabilities | 2,113 | (2,007) | 106 |
| Trade and bills payable | 28,303 | (25,944) | 2,359 |
| Other current liabilities | 26,745 | (20,863) | 5,882 |
| Liabilities directly associated with the assets classified as held for sale | 16 | — | 16 |
| Total liabilities | 57,177 | (48,814) | 8,363 |
| Net assets | 57,633 | (3,630) | 54,003 |
| Equity attributable to owners of the parent | 53,918 | — | 53,918 |
| Non-controlling interests | 3,715 | (3,630) | 85 |
| | 57,633 | (3,630) | 54,003 |

## 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 2012 and 2013, 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 2013**

| | 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 | 4,989 | 4,490 | 23 | 9,502 |
| Interest income from financing services | — | — | 248 | 248 |
| | 4,989 | 4,490 | 271 | 9,750 |
| **Results** | | | | |
| Segment results | 214 | (430) | (83) | (299) |
| Interest income | 76 | 40 | 161 | 277 |
| Finance costs | | | | (82) |
| Share of profit and losses of: | | | | |
| Associates | — | 17 | 96 | 113 |
| Joint ventures | 2,096 | 3,918 | (394) | 5,620 |
| Profit before tax | | | | 5,629 |
| Income tax expense | | | | (74) |
| Profit for the period | | | | 5,555 |

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

### Segment information (continued)

**For the six months ended 30 June 2012**

| | Commercial vehicles RMB million (unaudited and restated) | Passenger vehicles RMB million (unaudited and restated) | Corporate and others RMB million (unaudited and restated) | Total RMB million (unaudited and restated) |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales to external customers | 1,067 | 1,644 | 18 | 2,729 |
| Interest income from financing services | — | — | — | — |
| | 1,067 | 1,644 | 18 | 2,729 |
| **Results** | | | | |
| Segment results | 54 | (324) | (261) | (531) |
| Interest income | 2 | 17 | 276 | 295 |
| Finance costs | | | | (115) |
| Share of profit and losses of: | | | | |
| Associates | 13 | 27 | 72 | 112 |
| Joint ventures | 230 | 5,497 | (97) | 5,630 |
| Profit before tax | | | | 5,391 |
| Income tax expense | | | | (17) |
| Profit for the period | | | | 5,374 |

## 3. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Unaudited and restated) |
| Government grants and subsidies | **4** | 20 |
| Interest income | **277** | 295 |
| Rendering of services | **63** | 69 |
| Gain on remeasurement of previously held interests in the acquirees | **40** | 19 |
| Management dispatch fees received from joint ventures | **96** | 73 |
| Others | **56** | 8 |
| | **536** | 484 |

## 4. PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Unaudited and restated) |
| Cost of inventories recognised as expense | **8,501** | 2,536 |
| Interest expense for financing services (included in cost of sales) | **22** | — |
| Reversal of provision against inventories | **(22)** | — |
| Amortisation of intangible assets | **6** | 4 |
| Depreciation | **182** | 92 |
| Reversal of impairment of trade and other receivables | **(3)** | — |

## 5. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Unaudited and restated) |
| Interest on bank loans and other borrowings wholly repayable: | | |
| Within 5 years | **11** | 17 |
| Interest on discounted bills | **22** | — |
| Interest on medium term notes | **49** | 98 |
| Total interest expense | **82** | 115 |

## 6. INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Unaudited and restated) |
| Current income tax | **93** | 17 |
| Deferred income tax | **(19)** | — |
| Income tax charge for the period | **74** | 17 |

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2012 and 2013.

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 2013 (six months ended 30 June 2012: 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 | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Unaudited) |
| Earnings: | | |
| Profit for the period attributable to ordinary equity holders of the parent | **5,538** | 5,371 |
| | **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 2013, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB187 million (six months ended 30 June 2012: RMB138 million (restated)) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB0 million (six months ended 30 June 2012: RMB2 million (restated)), resulting in a net gain on disposal of approximately RMB0 million (six months ended 30 June 2012: nil (restated)). No impairment of property, plant and equipment impairment was made (six months ended 30 June 2012: nil (restated)) 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.

## 10. TRADE RECEIVABLES (continued)

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 2013 RMB million (Unaudited)** | 31 December 2012 RMB million (Restated) |
|---|---|---|
| Within three months | **2,063** | 273 |
| More than three months but within one year | **181** | 113 |
| More than one year | **319** | 11 |
| | **2,563** | 397 |

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

| | **30 June 2013 RMB million (Unaudited)** | 31 December 2012 RMB million (Restated) |
|---|---|---|
| Cash and bank balances | **19,741** | 10,372 |
| Time deposits | **5,826** | 7,676 |
| | **25,567** | 18,048 |
| Less: Pledged bank balances and time deposits for securing general banking facilities | **(1,299)** | (108) |
| Cash and cash equivalents in the interim condensed consolidated statement of financial position | **24,268** | 17,940 |
| Less: Non-pledged time deposits with original maturity of three months or more when acquired | **(4,828)** | (7,652) |
| Cash and cash equivalents in the interim condensed consolidated cash flow statement | **19,440** | 10,288 |

## 12. TRADE PAYABLES

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

| | 30 June 2013 RMB million (Unaudited) | 31 December 2012 RMB million (Restated) |
|---|---|---|
| Within three months | 10,159 | 1,495 |
| More than three months but within one year | 1,246 | 386 |
| More than one year | 245 | 83 |
| | 11,650 | 1,964 |

## 13. GAIN OF CONTROL IN SUBSIDIARIES

During the six months ended 30 June 2013, the Group had the following significant changes in the holdings of subsidiaries:

### Commercial vehicle and other businesses ("CV Businesses")

In January 2013, the Group entered into a framework agreement with Nissan Motor Co., Ltd., Nissan (China) Investment Co., Ltd. and Dongfeng Motor Co., Ltd. ("DFL"), a 50%-owned joint venture of the Group, for the acquisition of the CV Businesses from DFL at a total consideration of RMB11,713 million, on condition that DFL shall allocate RMB250 million as the Head Office Expenses to the CV Businesses (the "Allocated Head Office Expense"). If the Allocated Head Office exceeds RMB250 million but is less than RMB275 million, no adjustment to the acquisition price shall be required. In addition, the acquisition price shall not be adjusted if the net asset value of the CV Businesses' Head Quarter transfered from DFL does not exceed RMB138 million as at the completion date. The Group acquired the CV Businesses was aimed at setting-up joint venture with Aktiebolaget Volvo (Publ.) for the development of medium and heavy duty commercial vehicles.

The finalized purchase consideration for the acquisition was RMB11,833 million and was paid in the form of cash, with RMB7,811 million paid on acquisition date and RMB4,022 million payable on three annual instalment within 3 years from the acquisition date.

Upon the completion of the aforesaid acquisition, the Company owns 100% equity interest in CV Businesses which is thereafter accounted for as subsidiaries of the Company.

Since the acquisition, CV Businesses contributed RMB5,535 million to the Group's turnover and profit of RMB273 million for the six months ended 30 June 2013.

## 13. GAIN OF CONTROL IN SUBSIDIARIES (continued)

The Group's share of identifiable assets and liabilities acquired of as at the date of acquisitions were as follows:

| | RMB million<br>(Unaudited) |
|---|---|
| Property, plant and equipment | 7,029 |
| Intangible assets | 560 |
| Lease prepayment | 472 |
| Deferred tax assets | 97 |
| Available-for-sale financial assets | 187 |
| Investments in joint ventures | 917 |
| Other non-current assets | 4,314 |
| Inventories | 3,157 |
| Trade and bills receivables | 15,051 |
| Prepayment, deposits and other receivables | 8,323 |
| Cash and cash equivalents | 17,587 |
| Pledged bank balances and time deposits | 34 |
| Interest-bearing borrowings | (1,154) |
| Trade and bills payables | (21,531) |
| Other payables and accrued liabilities | (23,603) |
| Income tax payable | (54) |
| Other non-current liabilities | (30) |
| Provisions | (853) |
| Government grant | (93) |
| Deferred tax liabilities | (200) |
| Non-controlling interests | (702) |
| | 9,508 |
| Goodwill on acquisition | 2,711 |
| Gain on remeasurement of previously held interests in the acquirees | (40) |
| | 12,179 |
| Represented by: | |
| Fair value of the consideration — cash | 7,811 |
| Fair value of balance due to a joint venture | 4,022 |
| Interest in a joint venture | 346 |
| | 12,179 |
| An analysis of the cash flows in respect of the gain of control in subsidiaries is as follows: | |
| Cash consideration | (7,811) |
| Cash and cash equivalents acquired | 17,587 |
| Net inflow of cash and cash equivalents included in cash flows from investing activities | 9,776 |

## 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 2013 RMB million (Unaudited) | 31 December 2012 RMB million (Restated) |
|---|---|---|
| Within one year | 114 | 26 |
| After one year but not more than five years | 448 | 105 |
| More than five years | 1,017 | 921 |
| | 1,579 | 1,052 |

### (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 2013 RMB million (Unaudited) | 31 December 2012 RMB million (Restated) |
|---|---|---|
| Contracted, but not provided for: | | |
| Property, plant and equipment | 843 | 107 |

## 14. COMMITMENTS (continued)

### (b) Commitments (continued)

In addition, the Gorup's share of the joint ventures' own capital commitments, which are not included in the above, are as follows:

| | 30 June 2013 RMB million (Unaudited) | 31 December 2012 RMB million (Restated) |
|---|---|---|
| Contracted, but not provided for: | | |
| Property, plant and equipment | 3,708 | 4,414 |
| Authorised, but not contracted for: | | |
| Property, plant and equipment | 3,146 | 3,462 |
| | 6,854 | 7,876 |

## 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 2013 RMB million (Unaudited) | 31 December 2012 RMB million (Restated) |
|---|---|---|
| Bank acceptance bills discounted with recourse | 924 | — |
| Bank acceptance bills endorsed with recourse | 4,691 | 177 |
| Guarantees given to banks in connection with facilities granted to the following parties at nil consideration: | | |
| — Joint ventures | 825 | 784 |
| — Associates | — | 30 |
| | 6,440 | 991 |

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 2013 and 31 December 2012.

As at 30 June 2013, the banking facilities guaranteed by the Group to the joint ventures and associates were utilised to the extent of approximately RMB825 million (31 December 2012: RMB784 million (restated)).

## 16. RELATED PARTY TRANSACTIONS

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

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

| | Notes | Six months ended 30 June<br>2013<br>RMB million<br>(Unaudited) | <br>2012<br>RMB million<br>(Unaudited and restated) |
|---|---|---|---|
| Purchases of automotive parts/raw materials from: | (i) | | |
| DMC, its subsidiaries and associates | | 96 | 54 |
| Joint ventures | | 957 | 265 |
| | | 1,053 | 319 |
| Purchases of automobiles from: | (i) | | |
| A jointly-controlled entity of DMC | | — | 2 |
| Joint ventures | | 426 | 141 |
| Associates | | — | 125 |
| | | 426 | 268 |
| Purchases of water, steam and electricity from DMC | (ii) | 43 | 11 |
| Rental expenses to DMC | (i) | 14 | 13 |
| Rental income from subsidiaries of DMC | (i) | 6 | 6 |
| Purchases of services from: | (i) | | |
| Subsidiaries of DMC | | 52 | 31 |
| A joint ventures | | 3 | 2 |
| | | 55 | 33 |

## 16. RELATED PARTY TRANSACTIONS (continued)

**(a)** (continued)

| | Notes | Six months ended 30 June 2013 RMB million (Unaudited) | 2012 RMB million (Unaudited and restated) |
|---|---|---|---|
| Purchases of property, plant and equipment from a subsidiary of DMC | (i) | **5** | — |
| Interest expense paid to: | (i) | | |
| DMC and its subsidiaries | | **4** | — |
| Joint ventures | | **18** | — |
| | | **22** | — |
| Sales of automotive parts/raw materials to: | (i) | | |
| DMC and its subsidiaries | | **10** | 12 |
| Associates | | **—** | 6 |
| Joint ventures | | **433** | 227 |
| | | **443** | 245 |
| Sales of automobiles to: | (i) | | |
| A subsidiary of DMC | | **16** | — |
| Joint ventures | | **187** | 12 |
| | | **203** | 12 |
| Provision of services to joint ventures | (i) | **27** | 39 |
| Interest income from joint ventures | (i) | **18** | — |
| Fee and commission income from joint ventures | (i) | **8** | — |

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 2013 RMB million (Unaudited) | 31 December 2012 RMB million (Restated) |
|---|---|---|
| Receivables from related parties included in trade receivables: | | |
| — DMC, its subsidiaries and joint ventures | 279 | 6 |
| Receivables from related parties included in prepayments, deposits and other receivables: | | |
| — DMC, its subsidiaries and associates | 275 | 232 |
| — A non-controlling shareholder of a subsidiary | 4 | — |
| — Associates | 40 | 15 |
| Payables to related parties included in trade payables: | | |
| — DMC, its subsidiaries and associates | 270 | 94 |
| — Associates | 63 | 50 |
| Payables to related parties included in other payables and accruals: | | |
| — DMC, its subsidiaries and associates | 498 | 92 |
| — A non-controlling shareholder of a subsidiary | 5 | — |

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 2013 RMB'000 (Unaudited) | 2012 RMB'000 (Unaudited) |
|---|---|---|
| Short term employment benefits | 7,463 | 8,178 |
| Post-employment benefits | 473 | 400 |
| Total compensation paid to key management personnel | 7,936 | 8,578 |

## 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 27 August 2013.

# 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 and its subsidiaries. Please refer to page 27 of this interim report for further information regarding the references made in this interim report in relation to the Dongfeng Motor Group or the Group |
| "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<br><br>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<br><br>A joint venture company is treated by a joint venture party as:<br><br>(a) a subsidiary, if the joint venture party has unilateral control, directly or indirectly, over the joint venture company;<br><br>(b) a joint venture, if the joint venture party does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;<br><br>(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<br><br>(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

| | |
|---|---|
| "Joint Venture" | a joint venture 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 Joint Venture. A joint venture party's investments in its Joint Venture are stated in the consolidated statement of financial position at the share of net assets under the equity method |
| "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 report, unless otherwise specified, all statements and discussion related to business, including manufacture, research and development, outputs and sales volume, market share, investment, sales network, employee, motivation, social responsibility, corporate governance include all information relating to the Dongfeng Motor Group, subsidiaries, joint ventures and associates (including companies in which the subsidiaries, joint ventures and associates have indirect equity interests).**