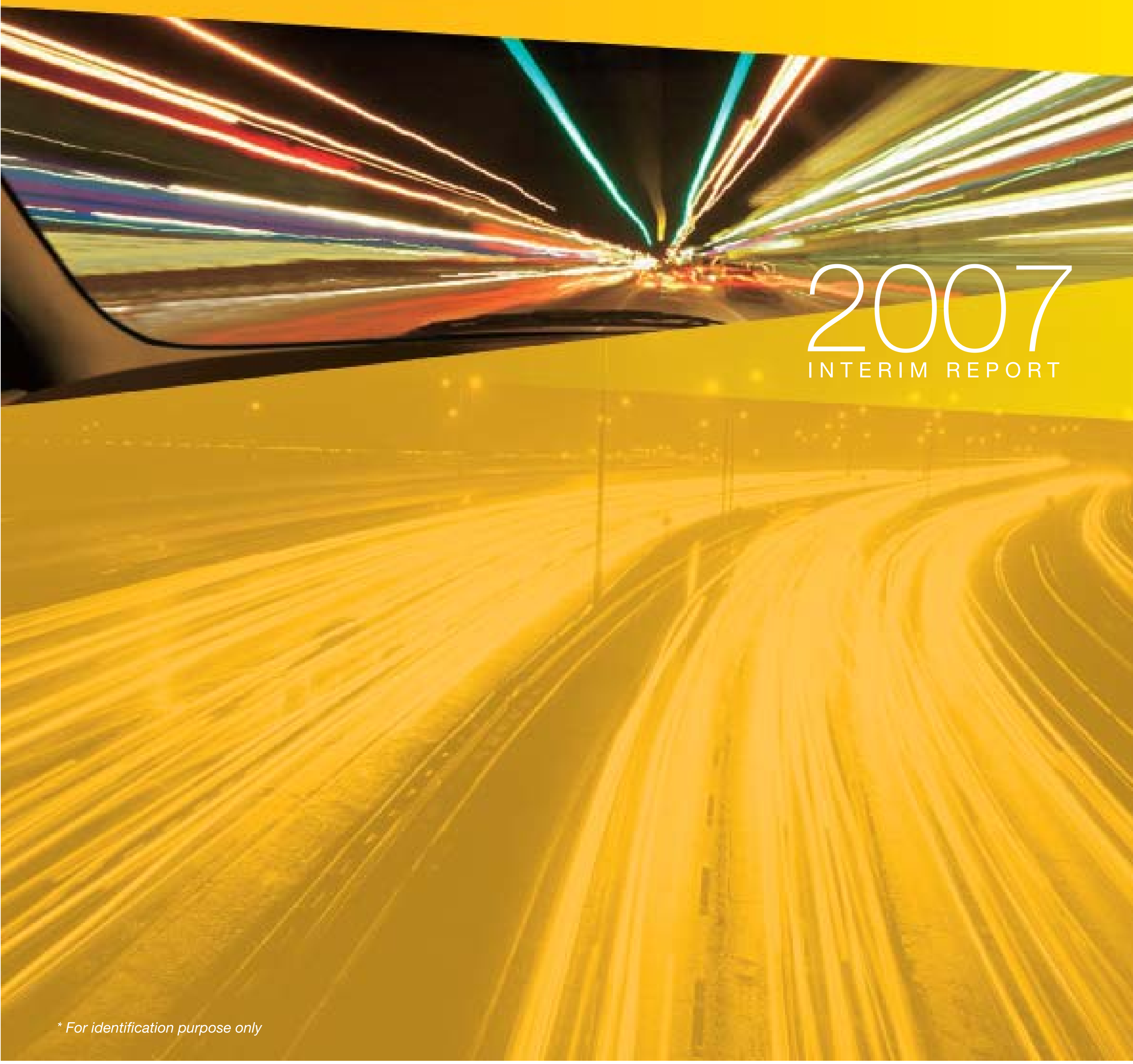
東風汽車集團股份有限公司
DONGFENG MOTOR GROUP CO.,LTD*

Stock Code: 489



2007
INTERIM REPORT

* For identification purpose only

Contents

Chairman's Statement

Dear Shareholders,

By the order of the Board of Directors, I hereby present the interim report of the Company for the Period for your review.

For the first half of 2007, the overall production and sales of the automotive industry of the PRC recorded an increase of over 20%. Both commercial and passenger vehicles achieved a relatively high percentage in growth. The industry witnessed a rapid growth in both revenue and profit. With the favourable economic conditions, each respective business unit of the Dongfeng Motor Group sought to capture every business opportunity when it arouse and was committed to achieving our overall operation targets successfully.

For the first half of 2007, the sales volume of vehicles of the Dongfeng Motor Group was 459,864 units, representing an increase of 28.4% over the corresponding period of last year. A sales volume of 160,679 units of commercial vehicles was realized, representing an increase of approximately 28.6% over the corresponding period of last year, and the sales volume of passenger vehicles was 299,185 units, representing an increase of approximately 28.4% over the corresponding period of last year. During the Period, the Group's revenue from sales and profit attributable to shareholders were approximately RMB28.809 billion and RMB1.945 billion respectively, representing a respective increase of approximately 23.7% and 74.6% over the corresponding period of last year. During the Period, should the one-time write-back of deferred tax for previous years of approximately RMB367 million arising from the unification of income tax for domestic and foreign enterprises policy of the PRC be excluded, the adjusted profit attributable to shareholders would amount to approximately RMB1.578 billion, representing an increase of approximately 41.7% over the same period of last year. The profitability, scales of operation and its industry position of the Dongfeng Motor Group was further enhanced and improved.

For the first half of 2007, Dongfeng successfully streamlined its operation with remarkable improvement on such areas as production and sales. New models of commercial vehicles had gradually entered the stage of growth after their debut. The sales of both medium and heavy trucks achieved an increase of over 30% over the corresponding period of last year, an apparent contrast to the negative growth in last year. The launch of new models of passenger vehicles also gained remarkable success. For the first half of 2007, Dongfeng together with its joint venture partners introduced new models of Livina, new CR-V and new Picasso to the market, which considerably boosted the sales of passenger vehicles.

During the Period, the Dongfeng Motor Group made steady progress in its major projects which laid a foundation for the sustainable growth of the Group. The Group had a proven track record of safety production and environment protection. While the production and sales recorded a remarkable increase over the corresponding period of last year, the total number of accidents recorded an approximately 29% decrease compared to that of last year. Over 99% of main pollutants met the discharge standard.

While we have achieved encouraging results, we recognize that there are still challenges ahead we have to overcome. The growth rate of heavy trucks still falls behind that of the industry, revealing that we still have much to do on structural adjustment on commercial vehicles. Moreover, some of our business units achieve partial stable growth of revenue and will require further enhancement.

Looking into the second half of 2007, there are uncertainties in both the industry and the operation of the Dongfeng Motor Group. Despite of this, the management will continue to actively drive the growth of the business and improve the operation efficiency of the Group to strive for the achievement of the annual targets in order to present brilliant results to our shareholders.

Xu Ping
Chairman

Wuhan, PRC, 29 August 2007

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 28, 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)*

Qualified accountant

Chan Yuk Tong
(FCPA of HKICPA and CPA of CPA Australia)

Auditor

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 Period ,the directors, supervisors and senior management of the Company include:

Directors

Xu Ping（徐平）	Executive Director and Chairman of the Board of Directors
Liu Zhangmin（劉章民）	Executive Director and President
Zhou Wenjie（周文杰）	Executive Director and Executive Vice 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
Zhu Fushou（朱福壽）	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 of the Board of Directors

Supervisors

Ye Huicheng（葉惠成）	Chairman of the Supervisory Committee
Wen Shiyang（溫世揚）	Independent Supervisor
Deng Mingran（鄧明然）	Independent Supervisor
Zhou Qiang（周強）	Supervisor
Ren Yong（任勇）	Supervisor
Liu Yuhe（劉裕和）	Supervisor
Li Chunrong（李春榮）	Supervisor
Kang Li（康理）	Supervisor

Heads of Departments

Head of the Audit Department is Wang Shuou.

Head of the Personnel Department is Wang Xiangdong.

Head of the Financial Accounting Department is Guo Miao.

Head of the Technical Development Department is Huang Song.

Head of the Operation Management Department is Yang Shaojie.

Head of the President's Office is Zhou Qiang.

Head of the Planning and Investment Department is Liao Zhenbo.

Head of the Corporate Culture Department is Chen Yun.

Head of the Supervisory Department is Zhang Changdong.

Head of the Staff Relation Department is Zhou Shirong.

Head of the Investors Relation Department is Hu Xindong.

Representative at Beijing Office is Xu Yaosheng.

Secretary for the Communist Youth League is Qin Jie.

FINANCIAL RESULTS OVERVIEW

During the period, revenue of the Group amounted to approximately RMB28,809 million, representing an increase of approximately RMB5,527 million, or 23.7%, when compared with approximately RMB23,282 million for the same period of last year. Profit attributable to shareholders of the Group amounted to approximately RMB1,945 million for the period, representing an increase of approximately RMB831 million, or 74.6%, when compared with approximately RMB1,114 million for the same period of last year . Earnings per share were approximately RMB22.57 cents, up by approximately RMB9.64 cents, or 74.6%, when compared with approximately RMB12.93 cents for the same period of last year.

During the period, after excluding the one-time write-back of deferred tax for previous years of approximately RMB367 million arising from the unification of income tax for domestic and foreign enterprises policy of the PRC (the "Tax Unification Policy"), the adjusted profit attributable to shareholders of the Group amounted to approximately RMB1,578 million, representing an increase of approximately RMB464 million, or 41.7%, when compared with that of last year. The adjusted earnings per share for the period were RMB18.31 cents, representing an increase of 41.7% when compared with that of last year.

During the period, net cash inflow from operating activities of the Group was strong. It amounted to approximately RMB3,922 million, representing an increase of approximately RMB2,318 million, or 144.5%, when compared with approximately RMB1,604 million for the same period of last year.

REVENUE

During the period, total revenue of the Group reached approximately RMB28,809 million, an increase of approximately RMB5,527 million, or 23.7%, from approximately RMB23,282 million in the same period of last year.

	Six months ended 30 June 2007		Six months ended 30 June 2006	
Categories	**Revenue from sales RMB million**	**Units sold**	Revenue from sales RMB million	Units sold
Passenger vehicles	**20,727**	**299,185**	16,339	233,057
Commercial vehicles	**7,637**	**160,679**	6,534	124,986
Others	**445**	**N/A**	409	N/A
Total	**28,809**	**459,864**	23,282	358,043

Note: It should be noted that the revenue figures in the above table reflect the proportionate consolidated 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 Dongfeng Motor Group, not adjusted on a proportionate consolidation basis, for the indicated periods.

During the period, revenue of the Group from sales of passenger vehicles increased by approximately RMB4,388 million, or 26.9%, from approximately RMB16,339 million in the same period of last year to approximately RMB20,727 million. Of which, revenue from sales of whole passenger vehicles increased by approximately RMB4,225 million, or 31.9%, from approximately RMB13,255 million in the same period of last year to approximately RMB17,480 million. Revenue from passenger vehicles engines and other auto parts increased by approximately 5.3%, from approximately RMB3,084 million in the same period of last year to approximately RMB3,247 million.

Despite oil price hikes, increase in consumption tax and auto price decline due to intensifying market competition during the year, revenue from sales of whole passenger vehicles recorded a significant increase of 31.9%. That was mainly attributable to a significant increase in the sales volume of vehicles during the period. The total sales volume of whole passenger vehicles increased by 28.4% to 299,185 units from 233,057 units in the same period of last year, higher than the industry growth rate of 22.3% for whole passenger vehicles. The market share in terms of sales volume of the Dongfeng Motor Group for the period increased to 9.7% from 9.3% in the corresponding period of last year. The launch of the new economical sedan LIVINA in 2007, which was well received by the market, enhanced the competitiveness of the Dongfeng Motor Group in the economical sedan market. Other newly launched passenger vehicle models and modified models, including Dongfeng Honda New CR-V and Dongfeng Citroen New Picasso, drove the sales volume of passenger vehicles to a higher level which was above the industry level. Meanwhile, the sales of 206, CIVIC, C-Triomphe, Sylphy and Geniss which were released by the Dongfeng Motor Group last year maintained the original sales momentum during the period. Of which, the sales volume of CIVIC during the period increased by more than 5 times over the corresponding period of last year, being another driver for the increase in sales volume of passenger vehicles.

Revenue from sales of commercial vehicles increased by approximately RMB1,103 million, or 16.9%, from approximately RMB6,534 million in the same period of last year to approximately RMB7,637 million. Of which revenue from sales of commercial vehicles for the year increased by approximately RMB1,184 million, or 20.5%, from approximately RMB5,787 million in the same period of last year to approximately RMB6,971 million. Having experienced a difficult period between 2005 and 2006 when adjustment in product mix and restructuring were implemented, recovery was seen in commercial vehicles with improvements in both operation quality and profitability. During the period, the sales volume of commercial vehicles of the Dongfeng Motor Group increased by 28.6% to 160,679 units from 124,986 units in the same period of last year, higher than the industry growth rate of 25.9% for whole commercial vehicles. The market share in terms of commercial vehicle sales volume of the Dongfeng Motor Group for the period increased to 12.5% from 12.2% in the corresponding period of last year. Since 2007, the sales of Dongfeng Kinland heavy trucks had been outstanding in the market, over 8,000 units were sold in the first half of the year.

COST OF SALES AND GROSS PROFIT MARGIN

During the period, the total cost of sales of the Group was approximately RMB23,818 million, representing an increase of approximately RMB4,620 million when compared to approximately RMB19,198 million in the corresponding period of last year. During the period, the gross profit margin decreased to 17.3% from 17.5% in the corresponding period of last year.

Against the backdrop of intensifying market competition coupled with ever-changing promotional initiatives launched by manufacturers, the price of passenger vehicles was driven down in different extents. In response to this, the Group implemented a series of cost reduction measures such as acceleration of localization, controlling expenses in the sourcing, technical and management areas. This, coupled with the benefits from the appreciation of Renminbi, has led to lower the average unit costs comparing with that of last year, mitigating the downward pressure on gross profit margin. The gross profit margin of whole passenger vehicles decreased from 18.9% in the corresponding period of last year to 17.4%. As a result, the gross profit margin of passenger vehicles decreased from 19.6% in the same period of last year to 18.4%.

During the period, the gross profit margin of the Group's commercial vehicles increased to 14.8% from 13.0% in the same period of last year, and that of whole commercial vehicles increased to 14.1% from 12.6% in the same period of last year. The increase in the gross profit margin of commercial vehicles was primarily due to the increase of production and sales volume, which helped lower the unit production cost of the products. Meanwhile, the price of steel for commercial vehicles declined for the period over the same period of last year, resulting in a drop in the unit cost for commercial vehicles and an increase in the gross profit margin.

OTHER INCOME

During the period, the total other income of the Group was approximately RMB474 million, representing an increase of approximately RMB235 million when compared with approximately RMB239 million in the same period of last year. The increase in other income was mainly attributable to an increase of grants received from the government for the purpose of supporting the development of automotive technologies and automobile projects as well as a significant growth in the steel and auto parts import and sales business.

SELLING AND DISTRIBUTION COSTS

During the period, the selling and distribution costs amounted to approximately RMB1,411 million, representing an increase of approximately RMB472 million when compared with approximately RMB939 million in the corresponding period of last year. As a percentage of sales revenue, this increased by 0.9% points to 4.9%, up from 4.0% in the corresponding period of last year. The increase in the selling and distribution costs was mainly due to higher transportation costs resulting from a significant increase in sales volume during the period. In addition, more efforts were put in advertising and exhibition and market expansion for the launch of several new and upgraded models.

ADMINISTRATIVE EXPENSES

During the period, the total administrative expenses of the Group amounted to approximately RMB1,163 million, representing an increase of approximately RMB154 million when compared with approximately RMB1,009 million in the corresponding period of last year. This was mainly due to higher staff costs, depreciation charges and amortization expenses of intangible assets. During the period, due to an increase in sales volume and the control of administrative expenses by the Group, the administrative expenses as a percentage of sales revenue decreased by 0.3% points to 4.0%, down from 4.3% in the corresponding period in last year, reflecting that were under control.

OTHER EXPENSES

During the period, other expenses were approximately RMB615 million, representing a decrease of approximately RMB48 million when compared with approximately RMB663 million in the corresponding period of last year. This was mainly due to that the Group recorded an exchange gain of approximately RMB74 million during the period while there was an exchange loss of approximately RMB72 million in the corresponding period of last year. Hence, a decrease of approximately RMB146 million of other expenses was recorded for the period. The exchange gain recorded in the period mainly arose from the Group's bank borrowings of approximately US$650 million, which recorded an exchange gain of approximately RMB50 million due to the continuous depreciation of the United States dollars. On the contrary, the Group's Euro bank borrowings recorded an exchange loss of RMB72 million in the corresponding period of last year due to the appreciation of the Euro against RMB. The exchange rate between the Euro and the Renminbi had no significant fluctuations during the period. The above decrease in expenses was partially offset by the Group's continual increased investments in research and development, which increased by approximately RMB75 million to approximately RMB480 million from approximately RMB405 million in the corresponding period of last year.

STAFF COSTS

During the period, the staff costs of the Group amounted to approximately RMB1,256 million, representing an increase of approximately RMB63 million when compared with approximately RMB1,193 million in the corresponding period of last year. This was due to higher demand for labour and a general rise in salaries brought about by an increase in market demand for automobiles. In addition, the Group granted the second tranche of stock appreciation rights as incentives to its senior management. Amortised expenses of the first and second tranches of stock appreciation rights amounted to approximately RMB35 million during the period, when comparing with last year, there was an increase of approximately RMB25 million over approximately RMB10 million of last year.

DEPRECIATION CHARGES

In recent years, with a view to expanding its business, more investments in plant and equipment were made and the depreciation charges for the period amounted to approximately RMB897 million, representing an increase of approximately RMB196 million when compared with approximately RMB701 million in the corresponding period of last year.

FINANCE COSTS

During the period, the finance costs of the Group amounted to approximately RMB159 million, representing a decrease of approximately RMB36 million when compared with approximately RMB195 million in the corresponding period of last year. Such a decrease was mainly attributable to (1) the issue of approximately RMB1,900 million short term debenture in the second half of 2006 for the early repayment of some bank borrowings and the financing costs of the short term debenture were lower than that of the bank loans; and (2) the Group also utilised its strong cash flow generated from operations to repay some of its bank borrowings, resulting in a decrease in finance costs.

INCOME TAX

The income tax of the Group during the period amounted to approximately RMB64 million, representing a decrease of approximately RMB287 million when compared with approximately RMB351 million in the corresponding period of last year. During the period, the one-time write-back of deferred tax for previous years arising from the Tax Unification Policy of the PRC amounted to approximately RMB367 million. Should the one-time expenses be excluded, the effective tax rate for the period would decrease to 20.0% from 22.8% in the same period of last year.

NET PROFIT

Based on the above reasons, the profit of the Group attributable to shareholders amounted to approximately RMB1,945 million for the period, representing an increase of approximately RMB831 million, or 74.6%, when compared with approximately RMB1,114 million for the corresponding period of last year. Earnings per share were approximately RMB22.57 cents, representing an increase of approximately RMB9.64 cents, or 74.6%, when compared with approximately RMB12.93 cents for the corresponding period last year. Should the one-time write-back of deferred tax for previous years of approximately RMB367 million arising from the Tax Unification Policy of the PRC be excluded, the adjusted profit attributable to shareholders for the period would amount to approximately RMB1,578 million, representing an increase of approximately RMB464 million, or 41.7%, when compared with the figure in the corresponding period of last year. The adjusted earnings per share for the period were RMB18.31 cents, representing an increase of 41.7% when compared with the figure in the corresponding period of last year.

During the period, the Group's net profit margin, as a percentage of profit attributable to shareholders to total revenue, was approximately 6.8%. Should the one-time write-back of deferred tax for previous years arising from the Tax Unification Policy of the PRC during the period be excluded, the adjusted net profit margin would be approximately 5.5%, representing an increase of 0.7% points when compared with 4.8% in the corresponding period of last year.

During the period, the Group's return on net assets, as a percentage of profit attributable to shareholders to average net assets, was approximately 25.8%. Should the one-time write-back of deferred tax for previous years arising from the Tax Unification Policy of the PRC during the period be excluded, the adjusted return on net assets would be approximately 20.9%, representing an increase of 3.4% points when compared with 17.5% in the corresponding period of last year.

LIQUIDITY AND SOURCES OF CAPITAL

	Six months ended 30 June	
	2007	2006
	RMB million	RMB million
Net cash flows generated from operating activities	**3,922**	1,604
Net cash flows used in investing activities	**(1,649)**	(1,807)
Net cash flows used in financing activities	**(805)**	(47)
Net increase/(decrease) in cash and cash equivalents	**1,468**	(250)

During the period, net cash inflows from operating activities amounted to approximately RMB3,922 million. This principally represents: (1) profit before tax amounting to approximately RMB2,155 million; (2) an increase of approximately RMB1,378 million in trade receivables, bills receivable and prepayments, deposits and other receivables; (3) an increase of approximately RMB3,352 million in trade, bills and other payables and accrued liabilities; (4) depreciation and impairment of approximately RMB905 million; and (5) an increase of approximately RMB556 million in inventories. During the period, cash flows generated from operating activities of the Group were strong.

During the period, net cash used in investing activities of the Group amounted to approximately RMB1,649 million. This principally represents: (1) the purchase of plant and equipment of approximately RMB1,788 million for the expansion of production capacity and development of new products; and (2) the proceeds of approximately RMB385 million from the disposal of obsolete property, plant and equipment.

During the period, net cash outflow from financing activities of the Group amounted to approximately RMB805 million, mainly due to the repayment of borrowings of approximately RMB797 million.

During the period, the increase in cash and cash equivalents (excluding the time deposits with a maturity of three months or more) of the Group amounted to approximately RMB1,468 million. As at 30 June 2007, cash and cash equivalents amounted to approximately RMB7,127 million, and cash and bank balances (including the time deposits with a maturity of three months or more) amounted to approximately RMB9,454 million. As at 30 June 2007, net cash (cash and bank balances less borrowings) of the Group significantly increased to approximately RMB2,559 million from approximately RMB219 million as at 31 December 2006.

As at 30 June 2007, the Group's gearing ratio, as a percentage of total borrowings to total shareholders' equity, was 45.8%, representing a relatively significant improvement over that of 31 December 2006 (55.9%) and 30 June 2006 (56.4%).

During the period, the Group's current ratio was 1.04 times, representing an improvement over that of 30 June 2006 (1.03 times) and 31 December 2006 (1.01 times). During the period, the Group's quick ratio was 0.75 times, representing an improvement over that of 31 December 2006 (0.72 times) and 30 June 2006 (0.71 times).

During the period, the Group strengthened the inventory control and turnover days of inventory were 59 days, representing a reduction from that of 31 December 2006 (65 days) and 30 June 2006 (68 days).

The Group's turnover days of accounts receivable (including bills receivable) were 56 days from 50 days as at 30 June 2006, but level with that of 31 December 2006 (56 days).

DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: nil).

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 for the period.

I. PRINCIPAL BUSINESSES

Dongfeng Motor Group is engaged in the manufacture and sale of commercial vehicles and passenger vehicles. Its principal products include commercial vehicles, which comprise trucks (comprising heavy trucks, medium trucks and light trucks) and buses, and passenger vehicles, which comprise basic passenger cars, MPVs and SUVs. In addition, the Dongfeng Motor Group manufactures auto engines, other auto parts and vehicle manufacturing equipment. The Dongfeng Motor Group is also engaged in other automotive-related businesses including the import/export of vehicles and equipment, auto finance businesses, insurance agency businesses and used car businesses.

The Dongfeng Motor Group's commercial vehicle business is principally operated by Dongfeng Motor Co., Ltd. (the joint venture between the Company and Nissan Motor Co., Ltd (through Nissan (China) Investment Co., Ltd)). As of 30 June 2007, the Dongfeng Motor Group manufactured five main categories of vehicles, including heavy trucks, medium trucks, light trucks, buses and special purpose vehicles. As at the end of the Reporting Period, the commercial vehicle production capacity of the Dongfeng Motor Group was 345,000 units.

The Dongfeng Motor Group's passenger vehicle business is principally operated by the following companies: Dongfeng Motor Co., Ltd. Dongfeng Peugeot Citroen Automobiles Company Ltd (the joint venture between the Company and the Peugeot Citroen Automobiles, Automobiles Citroen and Automobiles Peugeot)and Dongfeng Honda Automobile Co., Ltd (the joint venture between the Company and Honda Motor Co., Ltd (partly through Honda Motor (China) Investment Co., Ltd)). As at 30 June 2007, the members of the Dongfeng Motor Group has produced 19 series of passenger vehicles, including 15 series of passenger cars, 2 series of MPV and 2 series of SUV. As at the end of the Reporting Period, the passenger vehicle production capacity of the Dongfeng Motor Group was 720,000 units.

The Dongfeng Motor Group's engines and auto parts business is principally operated by Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroen Automobiles Company Ltd, Dongfeng Honda Engine Co., Ltd, Dongfeng Honda Auto Parts Co., Ltd and Dongfeng Honda Automobile Co., Ltd. As at 30 June 2007, the total engine production capacity of the Dongfeng Motor Group was approximately 1,230,000 units.

The Dongfeng Motor Group's equipment manufacturing business is principally operated by Dongfeng Motor Co., Ltd.

Business Operations for the Reporting Period

Against the background of rapid growth of the national economy and automobile industry, the CAAM (China Association of Automobiles Manufactures) has reported that the total sales volume of automobiles in the PRC industry in the first half of 2007 amounted to 4.374 million units, representing a growth of 23.3% over the corresponding period last year. The sales volume of passenger vehicles and commercial vehicles was 3.084 million and 1.289 million units, representing an increase of 22.3% and 25.9% over the corresponding period last year, respectively.

For the first half of 2007, the accumulated vehicles sales volume of the Dongfeng Motor Group was approximately 460,000 units, representing a growth of 28.4% over the corresponding period last year and a market share of 10.5%. The sales volume of passenger vehicles and commercial vehicles was approximately 299,000 and 161,000 units, representing an increase of 28.4% and 28.6% over the corresponding period last year, and a market share at 9.7% and 12.5%, respectively.

Revenue of the Group for the six months ended 30 June 2007:

Business sector	**Sales revenue** (RMB million)	**Contribution to the sales revenue of the Group** (%)
Commercial vehicles	7,637	26.5
Passenger vehicles	20,727	72.0
Others	445	1.5
Total	28,809	100.0

The Dongfeng Motor Group's sales volume of commercial and passenger vehicles and its market share for the six months ended 30 June 2007:

	No. of units sold		Market share (%)	
Commercial vehicles		160,679		12.5
Trucks	139,485		12.4	
Buses	21,194		13.0	
Passenger vehicles		299,185		9.7
Basic passenger cars	260,044		11.4	
MPVs	17,172		16.0	
SUVs	21,969		14.0	
Total		459,864		10.5

In the first half of 2007, the Dongfeng Motor Group introduced certain new and modified passenger vehicles models, including Dongfeng Nissan Livina, Dongfeng Honda New CR-V and Dongfeng Citroen New Picasso, to cater for market demand, and also implemented effective marketing plans, which achieved a higher passenger vehicles sales volume than the general industry level.

As of 30 June 2007, the sales of commercial vehicles of the Dongfeng Motor Group led the commercial vehicle market of the PRC with a growth of approximately 28.6% over the corresponding period last year. For the Dongfeng "Kinland" heavy truck series introduced in the first half of 2006, the accumulated sales volume in the first half of 2007 exceeded 8,000 units. After two difficult years of 2005 and 2006 for product mix restructuring and product transformation, 2007 saw a recovery of growth momentum in the sales of Dongfeng commercial vehicles, as well as better operation quality and improved profitability. However, it was noted that the growth in sales of heavy trucks continued to significantly lag behind the general industry level and face increasing competition pressures. As a result, the heavy trucks segment is one in which the Dongfeng Motor Group will need to continuously improve.

Production Safety and Environmental Protection

The Dongfeng Motor Group strictly complied with the state laws and regulations regarding production safety and environmental protection. Committed to being a responsible corporation to the enterprise itself, staff and the community, the Dongfeng Motor Group also increasingly strengthened the awareness of safety and environmental protection. As regards the emission standards for automobiles, the commercial vehicles and the passenger vehicles met Europe II and III or above, respectively. During the production and manufacturing process, the Dongfeng Motor Group maintained its record of "no occurrence of serious accidents causing injuries or deaths nor serious cases of pollution". Under the circumstances that the vehicle output increased by approximately 30% as compared with the corresponding period of last year, the total number of occupational injuries decreased by 28.8% over the corresponding period of last year. The achievement rate for monitoring the emission of key pollution remained at 99% or above, and both the consumption and the total pollutant emission for 100 million production value were on a downward trend.

Sales Network

Members of the Dongfeng Motor Group established their own independent sales and services networks under their brand. They provide after-sales services through these distribution and services networks. The sales outlets owned and operated by independent third parties comprised various networks. As at 30 June 2007, there were a total of 3,416 sales networks and 2,173 services network outlets of the Dongfeng Motor Group at all levels.

The sales and services networks of the Dongfeng Motor Group at all levels:

	No. of Sales outlets	**No. of services outlets**	**No. of provinces covered**
Commercial vehicles	2,138	1,049	31
Passenger vehicles	1,278	1,124	31
Total	3,416	2,173	31

Business Outlook

Commercial vehicles: Members of the Dongfeng Motor Group will further develop the commercial vehicles market to strengthen and improve the position of the Dongfeng Motor Group in the medium and heavy trucks segments. While further increasing their sales volume, they will improve the product sales structure and continue to carry out cost control measures, to increase the overall revenue of the Company. In addition, the capabilities of providing after-sales services for commercial vehicles will be enhanced. The Group members will also provide quality and price-competitive light trucks, and place an emphasis on the increasing market demand of the rural areas and on the expansion of overseas markets.

Passenger vehicles: Leveraging on the rapid development of the passenger vehicles market, the passenger vehicles manufacturing members of the Dongfeng Motor Group will actively conduct market research and introduce new car models in a timely manner to cater for the market demand. Based on the progress in the first half year, it is intended that two or three additional new or modified models of passenger vehicles will be introduced in the second half of 2007 to maintain and increase the sales revenue of passenger vehicles. On the other hand, the Dongfeng Motor Group will continue to take measures to localise the production of passenger vehicles, to deal actively with the material prices fluctuation and to implement cost-cutting technology, so as to maintain the profitability of passenger vehicles business with effective cost control.

II. INTERIM RESULTS AND DIVIDENDS

The results for the six months ended 30 June 2007 of the Group and the financial conditions of the Group as at that date are set out in the unaudited condensed consolidated interim financial statements on page 25 to 48 of this interim report.

The Board of Directors resolved not to distribute any dividends for the earnings of the Company in the first half of 2007.

III. MATERIAL LEGAL PROCEEDINGS

As at 30 June 2007, the 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 Group was aware.

IV. SHARE CAPITAL

As at 30 June 2007, the total share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares with a nominal value of RMB1 each, of which 5,760,388,000 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.

V. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the interests and short positions of the persons (other than directors and supervisors of the Company) interested in 5% or more in the class of issued share capital are set out below, as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance:

Long positions and lending pool

Name	Class of shares	Number of shares interested	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
Dongfeng Motor Corporation	Domestic Shares	5,760,388,000	100.00	66.86
JPMorgan Chase & Co.	H Shares	430,141,875[1]	15.06	4.99
		293,296,875[2]	10.27	3.40
UBS AG	H Shares	287,253,200[1]	10.06	3.33
SCMB Overseas Limited	H Shares	242,282,000[1]	9.76	2.81
Standard Chartered Asia Limited	H Shares	242,282,000[1]	9.76	2.81
Standard Chartered Bank	H Shares	242,282,000[1]	9.76	2.81
Standard Chartered Holding Limited	H Shares	242,282,000[1]	9.76	2.81
Standard Chartered Holdings (International) B.V.	H Shares	242,282,000[1]	9.76	2.81
Standard Chartered MB Holdings B.V.	H Shares	242,282,000[1]	9.76	2.81
Standard Chartered Private Equity Limited	H Shares	242,282,000[1]	9.76	2.81
Halbis Capital Management (Hong Kong) Limited	H Shares	161,692,000[1]	5.66	1.88
The Northern Trust Company (ALA)	H Shares	143,993,387[2]	5.04	1.67

Notes:

1 Long positions.

2 Lending pool.

Save as disclosed above, as at 30 June 2007, the Company had not been notified of any information relating to interests or short positions being held by other substantial shareholders in the shares or underlying shares of the Company.

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

As at 30 June 2007, 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 sales and purchase of the interests in the share capital of the Company for the six months ended 30 June 2007.

VII. PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries and jointly-controlled entities purchased, sold or redeemed any of the Company's securities during this Reporting Period.

VIII. STOCK APPRECIATION RIGHTS

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

In the first round of SARs, 55,665,783 SAR units were granted, equivalent to approximately 0.65% of the Company's registered share capital, or approximately 1.95% of the Company's H Share capital. The date of grant was 23 January 2006 and the grant price was HK$2.01. These SARs were valid for a period of six years from 23 January 2006 to 22 January 2012. The SARs may not be exercised after the above period and lapse upon their expiry. There is a minimum period of two years from the date of such grant of SARs before the SARs can be exercised and the following additional restrictions apply:

(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 and sixth years following the date of grant, the remaining 35% of the SARs granted may be exercised.

The above grant proposal of the stock appreciation rights, approved by State-owned Assets Supervision and Administration Commission of the State Council, was approved at the meeting of the Board of Directors held on 29 April 2006.

The Company implemented the second round SAR grant plan in 2007, and the date of grant was 15 January 2007. In this round of SARs, 31,417,387 SAR units were granted, equivalent to approximately 0.36% of the Company's registered share capital, or approximately 1.10% of the Company's H Share capital, with a grant price of HK$4.09. There is a minimum period of two years from the date of grant before the SARs can be exercised and the following additional restrictions apply:

(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;

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

These SARs were valid for a period of six years from 15 January 2007 to 14 January 2013. The SARs may not be exercised after the above period and lapse upon their expiry.

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

IX. CORPORATE GOVERNANCE

1. Overview of Corporate Governance

The Company recognises the importance of the provision of transparency and accountability to its shareholders. The Company is committed to achieving high standards of corporate governance and believes that sound corporate governance is essential for the Company to maximise shareholders' value.

The Board of Directors has reviewed the relevant corporate governance documents adopted by the Company, and is of the view that the documents contain all the Code Provisions of the Code on Corporate Governance Practices (the "CG Code").

2. Code on Corporate Governance Practices

The Company has fully complied with the requirements of the Code Provisions of the CG Code throughout this Reporting Period.

3. Directors' Securities Transaction

The Company has adopted a code of conduct regarding 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 this Reporting Period.

4. Independent Non-executive Directors

The Board of Directors of the Company has been, at any time, in compliance with 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 specialised in accounting or relevant financial management.

The Company has received the written confirmation of independence from each of the independent non-executive directors confirming that they are in compliance with Rule 3.13 of the Listing Rules in respect of their independence. The Company is of the opinion that all of the independent non-executive directors are independent.

5. Audit Committee

The Company has established an audit committee in compliance 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 provide advice and comments to the Board of Directors. 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. Ouyang Jie and Mr. Ng Lin Fung.

The audit committee has reviewed the unaudited financial reports for the six months ended 30 June 2007 of the Company and the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2007** **RMB million** **(Unaudited)**	 2006 RMB million (Unaudited)
Revenue — Sale of goods	2	**28,809**	23,282
Cost of sales		**(23,818)**	(19,198)
Gross profit		**4,991**	4,084
Other income	2, 3	**474**	239
Selling and distribution costs		**(1,411)**	(939)
Administrative expenses		**(1,163)**	(1,009)
Other expenses, net		**(615)**	(663)
Finance costs	5	**(159)**	(195)
Share of profits and losses of associates		**38**	23
Profit before tax	4	**2,155**	1,540
Income tax expense	6	**(64)**	(351)
Profit for the period		**2,091**	1,189
Attributable to:			
Equity holders of the Parent		**1,945**	1,114
Minority interests		**146**	75
		2,091	1,189
Dividend	7	**—**	—
Earnings per share:	8		
Basic for the period		**22.57 cents**	12.93 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2007 RMB million (Unaudited)	31 December 2006 RMB million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**16,104**	15,571
Lease prepayments		**307**	340
Intangible assets		**1,449**	1,251
Goodwill		**434**	434
Investments in associates		**704**	486
Available-for-sale financial assets		**126**	127
Loan to a jointly-controlled entity		**—**	150
Other long term assets		**1,082**	1,040
Deferred income tax assets		**235**	214
Total non-current assets		**20,441**	19,613
Current assets			
Inventories		**7,694**	7,128
Trade receivables	10	**2,581**	1,562
Bills receivables		**6,211**	5,774
Prepayments, deposits and other receivables		**1,580**	1,649
Due from jointly-controlled entities		**28**	100
Other financial assets		**124**	60
Cash and cash equivalents	11	**9,454**	7,437
Restricted cash	11	**352**	790
Total current assets		**28,024**	24,500
TOTAL ASSETS		**48,465**	44,113

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Notes	30 June 2007 RMB million (Unaudited)	31 December 2006 RMB million (Audited)
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Paid-up registered capital		**8,616**	8,616
Reserves		**3,576**	3,375
Retained profits		**3,696**	1,952
Proposed final dividend		**—**	345
		15,888	14,288
Minority interests		**2,580**	2,534
Total equity		**18,468**	16,822
Non-current liabilities			
Interest-bearing borrowings		**2,179**	2,087
Other long term liabilities		**82**	40
Provisions		**195**	193
Government grants		**48**	51
Deferred income tax liabilities		**523**	745
Total non-current liabilities		**3,027**	3,116
Current liabilities			
Trade payables	12	**9,829**	7,588
Bills payable		**4,904**	4,145
Other payables and accrued liabilities		**6,271**	5,592
Due to jointly-controlled entities		**222**	386
Interest-bearing borrowings		**5,068**	5,921
Government grants		**28**	28
Income tax payables		**189**	103
Provisions		**459**	412
Total current liabilities		**26,970**	24,175
TOTAL LIABILITIES		**29,997**	27,291
TOTAL EQUITY AND LIABILTIES		**48,465**	44,113
NET CURRENT ASSETS		**1,054**	325
TOTAL ASSETS LESS CURRENT LIABILTIES		**21,495**	19,938

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the parent							
	Paid-up registered capital RMB million (Unaudited)	**Capital reserves** RMB million (Unaudited)	**Statutory reserves** RMB million (Unaudited)	**Proposed dividend** RMB million (Unaudited)	**Retained profits** RMB million (Unaudited)	**Total** RMB million (Unaudited)	**Minority interests** RMB million (Unaudited)	**Total equity** RMB million (Unaudited)
As at 1 January 2007	8,616	1,363	2,012	345	1,952	14,288	2,534	16,822
Final 2006 dividend declared	—	—	—	(345)	—	(345)	—	(345)
Profit for the period	—	—	—	—	1,945	1,945	146	2,091
Transfer to a reserve	—	—	201	—	(201)	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	(100)	(100)
As at 30 June 2007	8,616	1,363	2,213	—	3,696	15,888	2,580	18,468
As at 1 January 2006	8,616	1,363	1,495	—	733	12,207	2,127	14,334
Profit for the period	—	—	—	—	1,114	1,114	75	1,189
Transfer to a reserve	—	—	14	—	(14)	—	—	—
Additional investment in a subsidiary of a jointly-controlled entity	—	—	—	—	—	—	10	10
Dividends paid to minority shareholders	—	—	—	—	—	—	(28)	(28)
As at 30 June 2006	8,616	1,363	1,509	—	1,833	13,321	2,184	15,505

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007	2006
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Net cash flows generated from operating activities	**3,922**	1,604
Net cash flows used in investing activities	**(1,649)**	(1,807)
Net cash flows used in financing activities	**(805)**	(47)
Net increase/(decrease) in cash and cash equivalents	**1,468**	(250)
Cash and cash equivalents at 1 January	**5,659**	5,586
Cash and cash equivalents at 30 June	**7,127**	5,336

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The 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 2006.

1.2 IMPACTS OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2006, 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 did not have any effect to the financial position or performance of the Group.

IAS 1 Amendment	Presentation of Financial Statements: Capital Disclosure
IFRS 7	Financial Statements: Disclosures
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The IAS 1 Amendment will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

IFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of IAS 32.

1.2 IMPACTS OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRC 8 requires IFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value.

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

IFRIC 10 requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

1.3 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.

IAS 23 (Revised)	Borrowing Costs
IFRS 8	Operating Segments
IFRIC 11	IFRS 2 — Group and Treasury Share Transaction
IFRIC 12	Service Concession Arrangements

The IAS 23 (Revised) shall be applied for annual periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying assets. The choice of immediately recognize such cost as an expense is eliminated.

IFRS 8 shall be applied for annual periods beginning on or after 1 January 2009 and will replace the existing IAS 14 “Segment Reporting”. IFRS 8 requires an entity to adopt the “management approach” to report on the financial performance of its operating segments. Generally, the information to be reported would be that used internally for the purpose of evaluating segment performance and deciding resources allocation to operating segments. Such information may be different from what is used for preparing the income statement and balance sheet. IFRS 8 therefore requires explanations of the basis on how the segment information is prepared and reconciled to the income statement and balance sheet.

1.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRIC 11 and IFRIC 12 shall be applied for annual periods beginning on or after 1 March 2007 and 1 January 2008, respectively.

The Group has commenced its assessment of the impact of these new and revised IFRSs and IFRICs but it is not yet in a position to state whether these IFRSs and IFRICs would have a material impact on its results 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

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the PRC, and all of its assets are located in the PRC.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of these business segments are as follows:

Commercial vehicles	—	Manufacture and sale of commercial vehicles, and its related engines and other automotive parts
Passenger vehicles	—	Manufacture and sale of passenger vehicles, and its related engines and other automotive parts
Corporate and others	—	Corporate operations and manufacture and sale of other automobile related products

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

The following tables present revenue and profit information for the Group's business segments for the six months ended 30 June 2007 and 2006.

For the six months ended 30 June 2007

	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	7,637	20,727	445	28,809
Other income	122	242	110	474
Total	7,759	20,969	555	29,283
Results				
Segment results	345	2,322	(391)	2,276
Finance costs				(159)
Share of profit and losses of associates	9	27	2	38
Profit before tax				2,155
Income tax expense				(64)
Profit for the period				2,091

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

For the six months ended 30 June 2006

	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	6,534	16,339	409	23,282
Other income	60	124	55	239
Total	6,594	16,463	464	23,521
Results				
Segment results	99	1,962	(349)	1,712
Finance costs				(195)
Share of profit and losses of associates	6	13	4	23
Profit before tax				1,540
Income tax expense				(351)
Profit for the period				1,189

3. OTHER INCOME

	Six months ended 30 June	
	2007	2006
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Government grants and subsidies	**92**	17
Net income from disposal of other materials	**118**	78
Bank interest income	**77**	75
Rendering of services	**2**	4
Others	**185**	65
	474	239

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2007	2006
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	**23,818**	19,198
Provision against inventories	**12**	5
Amortisation of intangible assets	**114**	72
Depreciation	**897**	701
Loss on disposal of items of property, plant and equipment, net	**4**	36
Impairment of property, plant and equipment, net	**7**	1
Impairment/(write back of impairment) of other financial assets	**1**	(6)
Provision/(write-back of provision) for bad and doubtful debts	**(9)**	25

5. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Interest on bank loans, and other borrowings wholly repayable:		
Within 5 years	**79**	125
Beyond 5 years	**57**	70
Interest on discounted bills	**32**	25
Interest on short-term debentures	**29**	—
	197	220
Less: Amount capitalised in construction in progress	**(38)**	(25)
Total interest expense	**159**	195

6. TAXATION

	Six months ended 30 June	
	2007	2006
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Current income tax	**308**	188
Deferred income tax	**(244)**	163
Income tax charge for the period	**64**	351

Under the relevant PRC Income Tax Law and the respective regulations, the corporate income tax for the Company, its subsidiaries and its jointly-controlled entities is calculated at rates ranging from 10% to 33%, on their estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. As certain of the Company's subsidiaries and its jointly-controlled entities are foreign investment enterprises, after obtaining authorisation from respective tax authorities, these subsidiaries and its 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.

6. TAXATION (Continued)

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 2006 and 2007.

Deferred income tax is calculated on temporary differences under the liability method using the respective applicable rates.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which will be effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will decrease from 33% to 25% on 1 January 2008 and thereafter. This reduction in the income tax rate will directly reduce the Group effective tax rate prospectively from 2008.

According to IAS 12, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. As a result, the change in the coporate income tax rate has increased tax credit of the current year and decreased deferred tax liabilities, both by RMB507 million for the six months ended 30 June 2007, of which RMB367 million is relating to opening deferred tax.

7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: 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	
	2007	2006
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	**1,945**	1,114
	million	million
Shares:		
Weighted average number of shares in issue during the period	**8,616**	8,616

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB1,826 million (six months ended 30 June 2006: RMB1,879 million) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB389 million (six months ended 30 June 2006: RMB293 million), resulting in a net loss on disposal of approximately RMB4 million (six months ended 30 June 2006: RMB36 million). Property, plant and equipment impairment of approximately RMB7 million (six months ended 30 June 2006: RMB1 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 offer 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 bad and doubtful debts of the Group, based on the due date, is as follows:

	30 June 2007 RMB million (Unaudited)	31 December 2006 RMB million (Audited)
Within three months	**2,153**	1,361
More than three months but within one year	**266**	157
More than one year	**162**	44
	2,581	1,562

11. CASH AND CASH EQUIVALENTS

	30 June 2007 RMB million (Unaudited)	31 December 2006 RMB million (Audited)
Cash and bank balances	**6,688**	5,785
Time deposits	**3,118**	2,442
	9,806	8,227
Less: Pledged bank balances and time deposits for securing general banking facilities	**(352)**	(790)
Cash and cash equivalents in the consolidated balance sheet	**9,454**	7,437
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(2,327)**	(1,778)
Cash and cash equivalents in the consolidated cash flow statements	**7,127**	5,659

12. TRADE PAYABLES

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

	30 June 2007 RMB million (Unaudited)	31 December 2006 RMB million (Audited)
Within three months	**9,016**	6,804
More than three months but within one year	**627**	589
More than one year	**186**	195
	9,829	7,588

13. COMMITMENTS

(a) Operating lease commitments as lessee

The future minimum rental payables under non-cancellable operating leases of the Group (not including the Group's share in its jointly-controlled entities) are as follows:

	30 June 2007 RMB million (Unaudited)	31 December 2006 RMB million (Audited)
Within one year or on demand	**6**	2
After one year but not more than five years	**72**	67
More than five years	**771**	789
	849	858

In addition, the Group's share of future minimum rental payables under non-cancellable operating leases of its jointly-controlled entities, which are not included in the above are as follows:

	30 June 2007 RMB million (Unaudited)	31 December 2006 RMB million (Audited)
Within one year or on demand	**115**	95
After one year but not more than five years	**345**	359
More than five years	**556**	569
	1,016	1,023

13. COMMITMENTS (Continued)

(b) Commitments

In addition to the operating lease commitments detailed in note 13(a) above, the Group (not including the Group's share in its jointly-controlled entities) had the following commitments at the balance sheet date:

	30 June 2007 RMB million (Unaudited)	31 December 2006 RMB million (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**14**	9
Capital contribution to an associate	**—**	175
	14	184

In addition, the Group's share of capital commitments of its jointly-controlled entities, which are not included in the above, is as follows:

	30 June 2007 RMB million (Unaudited)	31 December 2006 RMB million (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**2,958**	1,785
Authorised, but not contracted for:		
Property, plant and equipment	**1,743**	1,355

14. CONTINGENT LIABILITIES

At 30 June 2007, the Group has undertaken to provide guarantees to the extent of RMB725 million (31 December 2006: RMB742 million) to banks in connection with facilities granted to its jointly-controlled entities at nil consideration. In addition, the Group's jointly controlled entities has undertaken to provide guarantees to the extent of RMB53 million (31 December 2006: RMB53 million) and RMB38 million (31 December 2006: RMB85 million) attributable to the Group to banks in connection with facilities granted to its associates and other long-term investments, respectively, at nil consideration.

No financial liabilities were recorded as, in the opinion of the directors, the fair values of the financial guarantee contracts were not material as at 30 June 2007 and 31 December 2006.

15. RELATED PARTY TRANSACTIONS

(a) Transactions with the Dongfeng Motor Corporation ("DMC") group, the Group's jointly-controlled entities, associates, joint venture partners and their holding companies, and a minority shareholder of a jointly-controlled entity's subsidiary

	Notes	Six months ended 30 June **2007** **RMB million** **(Unaudited)**	 2006 RMB million (Unaudited)
Purchases of automotive parts/raw materials from:	(i)		
DMC		**26**	19
Joint venture partners and their holding companies		**8,447**	8,117
Associates		**305**	233
Jointly-controlled entities		**1,652**	1,042
A minority shareholder of a jointly-controlled entity's subsidiary		**33**	134
		10,463	9,545

15. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with the Dongfeng Motor Corporation ("DMC") group, the Group's jointly-controlled entities, associates, joint venture partners and their holding companies, and a minority shareholder of a jointly-controlled entity's subsidiary. (Continued)

	Notes	Six months ended 30 June **2007** **RMB million** **(Unaudited)**	 2006 RMB million (Unaudited)
Purchases of automobiles from jointly-controlled entities	(i)	**366**	385
Purchases of water, steam and electricity from DMC	(ii)	**404**	337
Rental expenses to DMC	(i)	**74**	66
Purchases of services from:	(i)		
DMC		**8**	5
An associate		**—**	5
A jointly-controlled entity		**3**	6
A minority shareholder of a subsidiary		**—**	1
		11	17
Purchases of technology know-how from joint venture partners and their holding companies	(i)	**846**	789

15. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with the Dongfeng Motor Corporation ("DMC") group, the Group's jointly-controlled entities, associates, joint venture partners and their holding companies, and a minority shareholder of a jointly-controlled entity's subsidiary (Continued)

	Notes	Six months ended 30 June 2007 RMB million (Unaudited)	2006 RMB million (Unaudited)
Sales of automotive parts/raw materials to:	(i)		
DMC		**18**	24
A joint venture partner		**4**	37
An associate		**10**	8
Jointly-controlled entities		**477**	376
A minority shareholder of a jointly-controlled entity		**5**	—
		514	445
Sales of automobiles to:	(i)		
Joint venture partners and their holding companies		**11**	2
An associate		**107**	92
Jointly-controlled entities		**41**	134
		159	228
Provision of services to:	(i)		
An associate		**—**	3
Jointly-controlled entities		**3**	4
		3	7

Notes:

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

(ii) This transaction was conducted according to the prices and conditions regulated by the PRC government.

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

	30 June 2007 RMB million (Unaudited)	31 December 2006 RMB million (Audited)
Receivables from related parties included in trade receivables		
A joint venture partner	**9**	5
Associates	**7**	6
A minority shareholder of a jointly-controlled entity's subsidiary	**33**	34
Receivables from related parties included in prepayment, deposits and other receivables:		
Joint venture partners and their holding companies	**62**	4
A minority shareholder of a jointly-controlled entity's subsidiary	**72**	69
Associates	**3**	15
Payables to related parties included in trade payables		
DMC	**30**	18
Joint venture partners and their holding companies	**561**	563
Associates	**45**	71
A minority shareholder of a jointly-controlled entity's subsidiary	**2**	2
Payables to related parties included in other payables and accrued liabilities:		
DMC	**23**	28
Joint venture partners	**195**	222
Associates	**1**	4

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties (Continued)

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	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employment benefits	**2,191**	3,277
Stock appreciation rights	**9,280**	2,922
Retirement benefits	**90**	81
Total compensation paid/payable to key management personnel	**11,561**	6,280

16. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

17. APPROVAL OF THE INTERIM FINANCIAL REPORT

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 29 August 2007.

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

"Associates"	has the meaning ascribed thereto under the Listing Rules
"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
"Group" or "Dongfeng Motor Group"	the Company, its subsidiaries and jointly-controlled entities
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Parent Group" or "DMC Group"	Dongfeng Motor Corporation and its subsidiaries (excluding the Group)
"PRC" or "China"	the People's Republic of China. Except where the context requires, geographical references in this prospectus 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

Definitions

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 and associates) 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. It should be noted that the Company and its subsidiaries only hold up to 50% of interest in the relevant jointly-controlled entities.