東風汽車集團股份有限公司

DONGFENG MOTOR GROUP COMPANY LIMITED*

Stock Code: 489

2014
Annual Report

*For reference only

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Dongfeng Motor Group Company Limited
2014 Annual Report

Corporate Profile

Second Automotive Works (第二汽車製造廠), the predecessor of Dongfeng Motor Corporation and the parent of the Company, was established in September 1969.

In 2000, Dongfeng Motor Corporation underwent a debt restructuring arrangement, with China Huarong Asset Management Corporation, China Cinda Asset Management Corporation, China Orient Asset Management Corporation, China Great Wall Asset Management Corporation and China Development Bank to jointly form the Company. The Company was incorporated on 18 May 2001.

In 2004, the Company was transformed into a joint stock limited company after repurchasing all equity interests held by shareholders other than Dongfeng Motor Corporation.

The Company initially issued H shares overseas on 6 December 2005 and completed an over-allotment on 13 December 2005. As a result, the aggregate share capital of the Company was enlarged to RMB8,616,120,000, which comprised domestic shares and H shares of RMB5,760,388,000 (approximately 66.86%) and RMB2,855,732,000 (approximately 33.14%) respectively.

As at 31 December 2014, the Company mainly has 23 subsidiaries, jointly-controlled entities and other companies in which the Company has direct equity interests, all of which constitute the Dongfeng Motor Group. Dongfeng Motor Group is primarily engaged in the manufacture and sale of commercial vehicles, passenger vehicles and auto engines and parts, vehicle manufacturing equipment business, finance businesses as well as other automotive related businesses.

On 26 March 2014, the Company entered into a master agreement on equity subscription with the French Republic, EPF, FFP and PSA, pursuant to which, the Company will subscribe for Shares to be issued pursuant to the PSA Reserved Capital Increase in an amount of 523,999,995 Euros and shares to be issued pursuant to the PSA Rights Issue in an amount not exceeding approximately 276 million Euros. On 29 April 2014, the Company completed the subscription for shares. After completion of PSA Rights Issue, the Company held approximately 14.1% of the capital of PSA.

In 2014, the Dongfeng Motor Group commanded a market share of approximately 11.6% in terms of the total sales volume of domestic commercial and passenger vehicle manufacturers in the PRC, according to the statistics published by the China Association of Automobile Manufacturers.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the annual report of Dongfeng Motor Group Company Limited (the "Dongfeng Motor Group") for 2014 for your review.

In 2014, the PRC auto industry achieved a sales volume of 23,491,900 units, representing an increase of 6.9% over last year, which recorded a decrease in growth speed and was lower than that expected at the beginning of the year.

In 2014, the PRC auto industry was mainly characterized as follows:

1. Auto industry concentration was further increased and the sales volume of industry's top ten accounted for 89.7% of the total sales volume, increasing 1.7 percentage point over last year.

2. Sales volume of passenger vehicles maintained stable growth while the sales volume of SUV and MPV continued to grow strongly. Total PV sales for the year was 19,700,600 units, representing an increase of 9.9% over last year among which total SUV sales was 4,080,000 units and total MPV sales was 1,910,000 units, representing an increase of 36.4% and 46.8% respectively over last year.

3. Affected by the general PRC economic downturn and the launch of national IV emission standard, the sales volume of commercial vehicles recorded a significant drop. The sales volume of commercial vehicles for the year was 3,791,300 units, representing a decrease of 6.5% over last year.

4. The market share of self-owned brand passenger vehicles further decreased to 37.6%, representing a decrease of 2.1% over last year. However, the sales volume of SUV and MPV with self-owned brands recorded a significant growth.

5. Attributable to favorable policies on new energy vehicles in China, the new energy vehicles market was active. The sales volume of new energy vehicles amounted to 74,800 units, representing an increase of 323.8% over last year.

6. Due to unfavorable factors such as the appreciation of RMB, the unstable political situation and depreciation of currencies of major export destination countries, PRC auto export further slumped, with a total export volume of 910,000 units, representing a decrease of 6.8% over last year.

In response to rising pressure from auto market growth slowdown and mounting risks and challenges, Dongfeng Motor Group persisted in steady development. Through exerting efforts in expanding its market and optimizing its product structure, both quality and efficiency of development were further improved. In 2014, Dongfeng Motor Group sold an accumulation of 2,733,500 units of automotives in total, representing an increase of 6.5% over last year. The market share of Dongfeng Motor Group was 11.6%. The sales volumes of passenger vehicles and commercial vehicles of Dongfeng Motor Group were 2,339,100 units and 394,400 units, respectively, representing an increase of 10.4% and decrease of 12.2% over last year respectively.

Chairman's Statement

The sales revenue of the Group for 2014 was approximately RMB80,954 million, representing an increase of approximately 117.3%. The sales revenue of the Group based on the proportionate consolidation method for the year would be approximately RMB195,211 million, representing an increase of approximately 21.1% as compared with the corresponding period of last year, and the sales revenues of passenger vehicles and commercial vehicles were approximately RMB141,677 million and RMB52,986 million, representing increases of approximately 21.3% and 19.1% as compared with the corresponding period of last year, respectively. In 2014, profit attributable to shareholders was approximately RMB12,845 million, representing an increase of approximately 22.0% as compared with the corresponding period of last year.

In 2014, the operation of Dongfeng Motor Group had the following characteristics:

1. DFG PV segment achieved a faster growth, higher than industry average.

2. The sale volume of CV decreased slightly over last year but the market share of national IV products ranked top among the industry.

3. The sales volume of DFG own brand vehicle further increased and the sales volume of self-owned brand passenger vehicles grew even more rapidly in particular.

4. Attributable to the release of new energy vehicles, DFG new energy vehicles business recorded a significant growth.

5. DFG export outperformed industry average and the export volume of passenger vehicles grew significantly.

In addition, Dongfeng Motor Group took a great step forward in its international business in 2014 by establishing strategic partnership with PSA Peugeot-Citroën. Other major projects, such as Dongfeng Renault and Dongfeng Getrag, all achieved smooth progress. With the intensified coordination in operation, major projects achieved remarkable results. The Company strengthened its corporate governance and consolidated the foundation of management. Dongfeng Motor Group put a great effort in performing its social responsibility by focusing on safety production and energy conservation and emission reduction. The overall operation was stable.

Currently, the development of Chinese economy has entered a new normal, which is characterized by 'three stages', namely the growth rate gear-shifting stage, economy structure adjustment stage and previous stimulus package digestion stage. The rapid economic growth is slowing down to moderate growth. The economic development has shifted from extensive scale expansion to intensive growth focusing on quality and efficiency. The economic structure, which once focused on the expansion of quantity and capacity, is being adjusted to a structure pursuing both quantity and quality. The economic driving force has changed from traditional growing point to new growing point.

As the PRC auto market is becoming more mature, the PRC auto industry has also entered into a new normal. In the future, PRC auto industry will remain a slight growth and there will be an intense contradiction between the development of auto industry and environment protection and transportation. There will be a more extensive integration between auto industry and the internet. New growth driver for auto industry will extend to higher end value chain in the auto related business. Consumption in the auto industry will be upgraded, with increasing demand for tailor-made and diversified products.

From the current development momentum of PRC auto industry, we also see that the auto industry is faced with more challenges. Affected by the economic growth downturn, demand for commercial vehicles will continue to decrease. With further implementation of national IV emission standard, the cost of commercial vehicles will hike accordingly. Self-owned brand passenger vehicles will have to compete in a tougher environment. The internet will play an even bigger role in the development of PRC auto industry. The revision and implementation of the Administrative Measures on the Sales of Automobile (汽車銷售管理辦法) will cause uncertainty to the auto industry. The development model of automobile dealers is also experiencing a deeper reform and different policies are expected to be launched to restrict auto sales of cities.

From the perspective of Dongfeng Motor Group, we will take a cautious attitude towards these potential risks and deep-rooted problems. Such potential risks include the unstable Sino-Japanese relationship, major investment risks, international operation risks and overseas business risks. In view of the above challenges, Dongfeng Motor Group will exert a great effort in the following aspects in 2015:

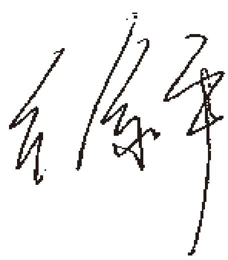
1. With an aim to achieve sound and stable development, Dongfeng Motor Group will strive for its growth. In order to operate effectively, Dongfeng Motor Group targets to adjust its structure and maintain effective risk control and prevention.

2. Dongfeng Motor Group will encourage its growth by innovation. Dongfeng Motor Group will further enhance its technology development and expand its own brand passenger vehicles business. In addition to consolidating its leading position of commercial vehicles, Dongfeng Motor Group will also put great efforts in the development of new energy vehicles and will establish remarkable technical team.

3. Dongfeng Motor Group targets to enhance its capacity of international operation. Dongfeng Motor Group will ensure the sound development of joint ventures and will proactively promote the strategic partnership with PSA. Dongfeng Motor Group will grasp all favorable opportunities to expand its business worldwide, with a focus on key regions and overseas markets.

4. Dongfeng Motor Group will carry out reformation and ensure its corporate governance is in compliance with the laws.

The new economic norm will bring both challenges and hopes, and will also become a driving force for development. Dongfeng Motor Group will adapt to the new norm and strive for steady growth by maintaining its leading position in the new norm. Dongfeng Motor Group is devoted to creating long-term and stable return for the shareholders with its aggressive spirit.



Xu Ping
Chairman

25 March 2015

Report of Directors

I. Business Overview

(I) Major Businesses of the Dongfeng Motor Group

Dongfeng Motor Group is principally engaged in the businesses of commercial vehicles (heavy trucks, medium trucks, light trucks, mini trucks and buses, as well as commercial vehicles engines, auto parts and vehicle manufacturing equipment) and passenger vehicles (sedans, MPVs, SUVs as well as passenger vehicles engines, auto parts and vehicle manufacturing equipment). Besides, Dongfeng Motor Group is also engaged in businesses such as import and export of vehicles and its equipment, financial services, insurance agency and used car trading.

The commercial vehicle business of the Dongfeng Motor Group was established in 1969, and has commanded a leading position in the PRC commercial vehicle industry for many years. As of the end of 2014, the commercial vehicle business of the Dongfeng Motor Group was mainly operated by Dongfeng Commercial Vehicle Co., Ltd, Dongfeng Motor Co., Ltd (the joint venture between the Company and Nissan Motor Co., Ltd), Dongfeng Liuzhou Motor Co., Ltd and Dongfeng Special Commercial Vehicle Co., Ltd (東風特種商用車有限公司).

The Dongfeng Motor Group's passenger vehicle business is principally operated by the Company (through Dongfeng Passenger Vehicle Company). Dongfeng Liuzhou Motor Co., Ltd. and the following Dongfeng Joint Venture Companies: Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobile Company Ltd (a joint venture between the Company and the PSA Peugeot Citroën Group), and Dongfeng Honda Automobile Co., Ltd (a joint venture between the Company and Honda Motor Co., Ltd), and Dongfeng Renault Automobile Company Limited (a joint venture between the Company and Renault S.A.).

The passenger vehicle engines and auto parts business of the Dongfeng Motor Group is principally operated by the Company (through Dongfeng Passenger Vehicle Company), Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobile Company Ltd, Dongfeng Honda Engine Co., Ltd, Dongfeng Honda Auto Parts Co., Ltd and Dongfeng Honda Automobile Co., Ltd.

In recent years, the Dongfeng Motor Group has strengthened its new energy vehicle business, which is principally operated by Dongfeng Passenger Vehicle Company, Dongfeng Electric Vehicle Co., Ltd and Dongfeng Motor Co., Ltd. Relevant whole vehicle enterprises will also actively engage in the new energy vehicle business.

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

The Dongfeng Motor Group's finance business is principally operated by the following companies: Dongfeng Motor Finance Co., Ltd, a wholly-owned subsidiary of the Company, Dongfeng Nissan Auto Finance Co., Ltd (a joint venture company between the Company and Nissan Motor Co. Ltd) and Dongfeng Peugeot Citroën Auto Finance Co., Ltd (a joint venture company between French Peugeot Citroën Hotland Finance Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd and the Company).

1. Commercial vehicles

As at 31 December 2014, the members of the Dongfeng Motor Group produced 42 series of commercial vehicle, including 35 series of trucks and 7 series of buses. The commercial vehicles of the Dongfeng Motor Group are mainly manufactured by Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Motor Co., Ltd and Dongfeng Liuzhou Motor Co., Ltd.. The commercial vehicles manufactured by the Dongfeng Motor Group are sold mainly through four major sales and after-sales service networks exclusively for commercial vehicles manufactured by the Dongfeng Motor Group, which form one of the most extensive commercial vehicle sales and service networks in the PRC.

Commercial vehicle engines produced by the Dongfeng Motor Group are mainly provided for internal use and external sales. Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Motor Co., Ltd (through Dongfeng Automobile Co., Ltd), mainly produce Dongfeng series and Dongfeng Cummins series diesel and petrol commercial vehicle engines.

In addition to engines, the Dongfeng Motor Group also manufactures a range of auto parts for commercial vehicles, including power transmission systems (mainly comprised of gear box, clutch and transmission shaft), vehicle bodies (mainly comprised of stamping parts) and chassis (mainly comprised of axles, car frames and chassis parts), electronic components and other parts.

2. Passenger vehicles

As at 31 December 2014, the members of the Dongfeng Motor Group produced 46 series of passenger vehicles, including 28 series of sedan, 7 series of MPV and 11 series of SUV. The passenger vehicles manufactured by the Dongfeng Motor Group are sold through ten independently managed sales and the after-sales service networks throughout the PRC. Each of these networks provides sales and after-sales services for one brand of passenger vehicles and is managed by the Company (through Dongfeng Passenger Vehicle Company), its subsidiaries and joint venture of Dongfeng.

The passenger vehicle engines manufactured by Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobile Company Ltd and Dongfeng Honda Automobile Co., Ltd are mainly for internal use, while those manufactured by Dongfeng Honda Engine Co., Ltd are mainly for external sales. In addition to engines, the Dongfeng Motor Group also produces a range of auto parts for passenger vehicles, including power transmission systems (mainly comprised of gear box, clutch and transmission shaft), vehicle bodies (mainly comprised of stamping parts), chassis (mainly comprised of axles, car frames and chassis parts), electronic components and other parts.

3. Finance

The financial business of Dongfeng Motor Finance Co., Ltd., Dongfeng Nissan Auto Finance Co., Ltd. and Dongfeng Peugeot Citroën Auto Finance Co., Ltd mainly includes the collective fund management of Dongfeng Motor Group, deposits from members or shareholders of Dongfong Motor Group; loans and entrusted loans for members; acceptance and discounting of bills for members; settlement between members; loans to other companies in the industry; distributors financing; sales credit, buyer credit and finance lease for products of members.

4. Other businesses

The Dongfeng Motor Group is also engaged in the production of vehicle manufacturing equipment through Dongfeng Motor Co., Ltd. The vehicle manufacturing equipment produced by Dongfeng Motor Co., Ltd includes machine tools, coating equipment, die and forging moulds, and measuring and cutting tools. Dongfeng Motor Co., Ltd also provides equipment maintenance services. In addition to the above businesses, the Dongfeng Motor Group is also engaged in the import/export of vehicles and equipment, insurance agency and used car trading businesses.

(II) Business Operations during the Year under Review

1. Production and sales volume and market share for whole vehicles of the Dongfeng Motor Group in 2014

For the year ended 31 December 2014, the production and sales volumes for whole vehicles of the Dongfeng Motor Group were 2,762,407 units and 2,733,508 units respectively. According to statistics published by the China Association of Automobile Manufacturers, the Dongfeng Motor Group had a market share of approximately 11.6% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in 2014. The following table sets out the production and sales volumes of commercial and passenger vehicles of the Dongfeng Motor Group as well as their respective market shares in terms of sales volume in 2014:

	No. of units produced (units)	No. of units sold (units)	Market share in terms of sales volume (%)[1]
Commercial Vehicles	404,015	394,388	10.4
Trucks	359,470	350,348	11.0
Buses	44,545	44,040	7.3
Passenger Vehicles	2,358,392	2,339,120	11.9
Basic passenger cars	1,482,655	1,482,683	12.0
MPVs	363,013	357,139	18.7
SUVs	509,878	496,844	12.2
Cross type	2,846	2,454	0.2
Total	2,762,407	2,733,508	11.6

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

2. Market ranking of the Dongfeng Motor Group's major segments in domestic market in 2014

	No. of units sold by Dongfeng Motor Group (units)	Ranking in Domestic market[2]
Heavy trucks	145,819	1
Medium trucks	49,185	2
Basic passenger cars	1,482,683	3
MPVs	357,139	2
SUVs	496,844	3

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

3. Sales revenue in 2014

For the year ended 31 December 2014, the sales revenue of the Group was approximately RMB80,954 million.

Business	Sales revenue (RMB millions)	Contribution to the Group's sales revenue (%)
Passenger vehicles	36,701	45.3
Commercial vehicles	42,672	52.7
Finance	1,593	2.0
Others	117	0.2
Elimination	(129)	(0.2)
Total	80,954	100

The pro forma combined revenue of the Group for the year ended 31 December 2014 is as follows:

Business	Sales revenue (RMB millions)	Contribution to the Group's sales revenue (%)
Passenger vehicles	141,677	72.6
Commercial vehicles	52,986	27.1
Finance	1,956	1.0
Others	1,657	0.9
Elimination	(3,065)	(1.6)
Total	195,211	100

4. Sales and Service Networks

Dongfeng Motor Group has always placed importance on the interest of customers and keeps improving its products and services for speedy, efficient, accurate and quality service support for distributors and customers. In 2014, Dongfeng Group further expanded its vehicle sales network. In addition to conventional sales channel of 4S shops, the Group deeply penetrated the markets through new sales channels to cope with the changing automobile market. In 2014, we reorganized and expanded the vehicle sales network after full study of the statistics of sales. The network has been expanded significantly as compared with 2013.

As at the end of 2014, the sales and after-sales services of motor vehicles of the Dongfeng Motor Group are provided through sales and service networks under 14 brands in China. Each of these 14 sales and service networks provides sales and after-sales services of vehicles of a particular whole vehicle manufacturing unit and is independently managed by the relevant whole vehicle manufacturing units, which are not connected with any member of the Dongfeng Motor Group.

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

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	Dongfeng (high-end light truck, light truck, mini truck, pickup)	2,108	1,970	31
Dongfeng Liuzhou Motor Co., Ltd.	Dongfeng (heavy and medium truck)	321	742	31
Dongfeng Commercial Vehicle Co., Ltd.	Dongfeng (heavy and medium truck)	711	1,851	31
Dongfeng Special Commercial Vehicle Co., Ltd	Dongfeng	291	1,415	31

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

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Peugeot Citroën Automobile Company Ltd	Dongfeng Citroën	1,007	606	31
Dongfeng Peugeot Citroën Automobile Company Ltd	Dongfeng Peugeot	1,096	656	31
Dongfeng Motor Co., Ltd (Dongfeng Nissan Passenger Vehicle Company)	Dongfeng Nissan	1,287	1,066	31
Dongfeng Infiniti Motor Company Limited	Dongfeng Infiniti	85	73	31
Dongfeng Motor Co., Ltd (Dongfeng Nissan Passenger Vehicle Company)	Venucia	601	406	30
Dongfeng Liuzhou Motor Co., Ltd	Dongfeng Future	1,205	615	31
Dongfeng Honda Automobile Co., Ltd	Dongfeng Honda	465	495	31
Dongfeng Renault Automobile Co., Ltd	Dongfeng Renault	102	104	30
Zhengzhou Nissan Automobile Co., Ltd	Zhengzhou Nissan	835	541	31
Dongfeng Passenger Vehicle Company	Dongfeng Fengshen	1,066	469	31

5. Production Capacity, Production Capacity Distribution and Future Expansion Plans

As at 31 December 2014, the total whole vehicle production capacity of the Dongfeng Motor Group was approximately 3,160,000 units. The total production capacity of engines was approximately 3,030,000 units, among which the production capacities of commercial vehicles and commercial vehicle engines were approximately 650,000 units and 430,000 units respectively; the production capacities of passenger vehicles and passenger vehicle engines were approximately 2,510,000 units and approximately 2,600,000 units respectively.

The following table shows the production capacity distribution of vehicles and engines of the Dongfeng Motor Group as at 31 December 2014.

(1). Production capacity of commercial vehicles

(1.1) Whole vehicle

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	250
Dongfeng Commercial Vehicle Co., Ltd.	240
Dongfeng Liuzhou Motor Co., Ltd.	60
Dongfeng Special Commercial Vehicle Co., Ltd.	100

(1.2) Engines

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	340
Dongfeng Commercial Vehicle Co., Ltd.	90

(2). **Production capacity of passenger vehicles**

(2.1) Whole vehicle

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd.	1,240
Dongfeng Liuzhou Motor Co., Ltd.	170
Dongfeng Peugeot Citroën Automobile Co., Ltd	620
Dongfeng Honda Automobile Co., Ltd	360
Dongfeng Passenger Vehicle Company	120

(2.2) Engines

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd.	990
Dongfeng Peugeot Citroën Automobiles Company Ltd	600
Dongfeng Honda Automobile Co., Ltd	360
Dongfeng Passenger Vehicle Company	120
Dongfeng Honda Engines Co., Ltd.	530

According to the automobile market forecast and the business plan of the Dongfeng Motor Group, the Dongfeng Motor Group will expand its production capacity with reasonable utility to meet the demand of its products. By the end of 2015, the production capacity of whole vehicles is expected to reach approximately 3,390,000 units.

6. Capital Expenditure

In 2014, the Dongfeng Motor Group strictly managed its investments by adhering to the principle of rationality and profitability and insisted not to invest in projects which were not consistent with the main development directions, with low returns or beyond its capability. Total investment in fixed assets during the year amounted to approximately RMB15,213 million (including all members of Dongfeng Motor Group), resulting in steady progress in the following aspects of investment project development.

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

2. Prudently managing the investments in production capacity expansion or construction to minimize investment risks in face of the slowing down of the growth of the auto market.

3. Strengthening the building work of its own brand name and its research and development capabilities to improve the core competitiveness and sustainability of the Dongfeng Motor Group.

In the next two years, the Dongfeng Motor Group will, according to its strategies and business plans, continue to improve its R&D capability, to introduce new models and new products rationally, to expand its production capacity gradually, to further improve and upgrade production technology and to optimize its investment structure. The total investment of the Dongfeng Motor Group is expected to be approximately RMB16,800 million (including all members of Dongfeng Motor Group) in 2015 and 2016 respectively.

(III) Major operating results during the year

1. Higher sales volume and further improvement in business development and profitability under prudent development strategy

In 2014, the sales volume of Dongfeng Group was 2,733,500 units, representing an increase of approximately 6.5% over last year. Its market share ranked second in the industry for five consecutive years with steady growth in total market share. The pro forma combined revenue of the Group was RMB195,211 million, representing an increase of 21.1% over last year and a new high in its operating results.

2. Remarkable achievements in independent development and innovation

In order to strengthen the research and development capability, the Group accelerated the construction of Phase II of the technology center and other related projects. The pace of research and development of products was accelerated. The number of new passenger vehicle models of our brand launched in the year hit a record high, resulting in a growth in sales while the market saw a decline in general. The sales growth was 2.7 times as high as the industry average. Sales of commercial vehicles of our brand remained its leading position as a result of major technology upgrades. Sales volume of medium and heavy trucks ranked the top among our peers for eleven consecutive years. Sales volume of vehicles of state IV standard also ranked first in the industry. The awareness and reputation of Dongfeng brand were significantly improved and the brand value was significantly enhanced.

3. Significant growth in international business

The Group establish a global strategic alliance with PSA through strategic acquisition of equity interest in PSA for cooperation in various aspects, including international market expansion, technology research and development, product planning and procurement, which marked a new model of international expansion of Chinese automobile enterprises. The alliance was a new achievement of the internationalization of the Group. We actively promoted the joint venture projects with Volvo, Renault and GETRAG. The optimization of joint venture structures has bolstered the development of our business. The product portfolio of the Group was expanded to include luxury vehicles when Dongfeng Infiniti commenced production after its establishment. We accelerated the expansion of overseas market. The export sales of Dongfeng Group stabilized and picked up again while the overall export sales of vehicles of China contracted in the past two years. In particular, the exports of Dongfeng Passenger Vehicle Company, Dongfeng Commercial Vehicle Co., Ltd and Dongfeng Liuzhou Motor Co., Ltd. increased by approximately 160%, 100% and 57% respectively.

4. New Products was launched into market as scheduled to achieve sales target

In respect of commercial vehicles, Dongfeng successfully developed and launched Tianlong D760 heavy truck. The competitiveness of commercial vehicles, including Tianlong, Tianjin, Balong, Chenglong, Captain T01, Duolika, Yufeng and NV200, were also improved through weight reduction, performance enhancement, quality improvement and simplification of production process. The market share of medium and heavy trucks of Dongfeng Motor Group in 2014 remained the top among its rivals. Furthermore, each line of products of the Company had their development plan for an optimized product mix. In 2014, the upgrade of Tianlong and Tianjin of Dongfeng Motor Group and development of a new generation of light trucks were in progress. The Group has a strong pipeline of all types of commercial vehicles.

In respect of passenger vehicles, major new models or new generation of all lines of passenger vehicles of Dongfeng Motor Group were introduced to the market as scheduled in 2014.

Upgraded new generations of major models of passenger vehicles, including the new generation of Dongfeng Nissan X-trail; Venucia R30; a new model of Dongfeng Honda, XR-V and the new Spirior; the new 2008 model and a new generation of 408 model of Dongfeng Peugeot, the new C3-XR of Dongfeng Citroën; a new model of Dongfeng Fengshen A30 and AX7, the first SUV of Dongfeng Fengshen; the first Dongfeng Fengxing Joyear S50 sedan and the new commercial models of MPV CM7 were introduced to the market.

All of the above passenger vehicle models are essential to Dongfeng Motor Group to maintain and enhance the brand recognition and sales of passenger vehicles. In particular, with the introduction of the new sedan model Q50L of Dongfeng Infiniti, Dongfeng has stepped into the luxury car market.

5. Fruitful results in the development of new energy vehicles

In 2014, the sales volume of new energy vehicles and electric passenger vehicles of Dongfeng Motor Group increased by 4.3 times and nearly 3 times respectively. Electric vehicles such as Dongfeng Fengshen E30/E30L and Venucia (Chenfeng) were also introduced to the market. As of the end of 2014, a total of 61 types of vehicles were included in the National Directory of New Energy Vehicle (國家新能源汽車推薦目錄) and 1,400 more new energy vehicles were put for trial operation.

6. Production safety and environmental protection showed steady progress

In 2014, adhering to its strategy of scientific development and safe production, Dongfeng Motor Group focused on improving the working environment for its staff by defining the responsibilities of production safety and standardizing the process of safe production, so as to ensure sustainable development of production safety. The management goal of production safety and annual control indicators were accomplished.

In 2014, there were 38 cases of production safety accidents of Dongfeng Motor Group, representing a decrease of 21 cases as compared with the corresponding period of last year. The frequency of accidents was 0.28‰ and frequency of serious injuries was 0.043‰, both of which were lower than the control indicators. Among all accidents, there were 2 fatal and 32 minor cases, representing an increase of 1 case and a decrease of 22 cases as compared with the corresponding period of last year, and there were 4 serious cases, which was the same as the corresponding period of last year.

In 2014, the major indicators for energy conservation and emission reduction were satisfactory and the annual targets were accomplished. When compared with the corresponding period of 2013, energy consumption, COD and SO_2 reduced by approximately 25.5%, 4.0% and 39.7% respectively for every RMB10,000 increment in production.

7. Social responsibilities was fulfilled

In 2014, Dongfeng Motor Group promoted its "Nurturing" plan and actively fulfilled its social responsibilities by organizing cultural, public welfare and environmental activities. Total donations of the year amounted to RMB15.21 million.

According to the Blue Book of Corporate Social Responsibility of China (2014), in terms of the performance of social responsibilities, Dongfeng ranked 16th among the Top 100 state-owned enterprises and ranked first in the auto industry of China. Besides, the Company participated in formulating industry standards and jointly published the Guidelines for the Preparation of Social Responsibility Report on Automotive Industry of China (《中國社會責任報告編製指南(汽車製造業)》) with the Chinese Academy of Social Sciences. The Company was credited as a 5-star responsible enterprise in the economic sector of China's manufacturing industry, and was named as the "Most Admired Chinese Enterprise" and Happy Enterprise of China for 2014 by FORTUNE. The Company also won awards including the award of Outstanding Performance in Corporate Social Responsibility in China and the Best CSR Innovation award.

(IV) Business Prospects

The domestic automobile industry will maintain a steady growth in next five years. It is expected that the total sales volume of domestic automobiles will be increased by 6% to 8% in 2015. Growth in sales volume of passenger vehicles will be of 8% to 10%, while sales volume of commercial vehicles will record negative growth again.

According to the forecast on future market trend and its development plan, Dongfeng Motor Group will launch approximately 26 new models of passenger vehicles (including upgraded models), such as medium-high sedans, compact sedans, SUV, MPV and sedans using new energy in next two years. Dongfeng Motor Group will also launch two series of medium and heavy trucks of commercial vehicles.

Sales mode of all whole vehicle enterprises will be enhanced in order to achieve the production target of the new vehicle models. In addition, Dongfeng Motor Group will enhance the marketing of existing models with an aim to maintain stable sales volume of all products in their lifecycles. With all these efforts, Dongfeng Motor Group aims at achieving sales volume and production volume exceeding the overall industry level in 2015.

Dongfeng Motor Group will further enhance its operational efficiency and utilization rate of resources. Through improving its budget management and cost control, Dongfeng Motor Group strives to maintain its leading position in the industry in terms of costs, quality and revenue and present an outstanding financial results to reflect its operational achievements.

II. Significant events

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2014 and the state of affairs of the Company and the Group as at that date are set out in the audited financial statements on pages 79 to 89 in this annual report.

The Board of Directors recommends the dividend distribution of RMB0.20 per share in respect of 2014 results, subject to consideration and approval at the annual general meeting to be held on 19 June 2015.

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

On 26 March 2014 (French time), the Company entered into a master agreement on equity subscription with the French Republic, EPF, FFP and PSA, pursuant to which, the Company will subscribe for Shares to be issued pursuant to the PSA Reserved Capital Increase in an amount of 523,999,995 Euros and shares to be issued pursuant to the PSA Rights Issue in an amount not exceeding approximately 276 million Euros. (For details, please refer to the announcement of the Company dated 27 March 2014.)

On 29 April 2014 (French time), Dongfeng Motor Hong Kong International Co., Limited ("DMHK") has completed the subscription pursuant to the DFG Subscription Agreement for 69,866,666 PSA Shares issued under the PSA Reserved Capital Increase. Immediately after the completion of such subscription, DMHK holds approximately 14.1% of the enlarged issued share capital of PSA as at the date of this announcement.

SUBSEQUENT EVENT

On 5 January 2015, The Company transferred 45% equity interest in Commercial Vehicle Co., Ltd to Volvo. Following completion of the Equity Transfer Transaction, the Company and Volvo hold 55% and 45% of the equity interest in Commercial Vehicle Co, Ltd respectively. (For details, please refer to the announcement of the Company dated 5 January 2015.)

MATERIAL LEGAL PROCEEDINGS

In February 2014,Dongfeng Commercial Vehicle Co., Ltd. ("DFCV"), a wholly-owned subsidiary of the Company, was served with a notice of arbitration. The arbitration was initiated by the claimant of the arbitration in respect of dispute arising from an agreement and other relevant agreements entered into by the claimant with the Company and DFCV. The claimant sought damages totaling BRL 1,670 million, equivalent to approximately RMB3,310 million (The relevant exchange rate is the average middle rate of RMB to BRL as announced by the People's Bank of China on 25 March 2015).

The Company and Dongfeng Commercial Vehicle Co., Ltd have sought legal advice in respect of the Dispute and will vigorously contest the claim and take all appropriate steps to defend their position against the Claimant's allegations. The Company believes the outcome of the Dispute will not have a material impact on the financial condition of the Company. (For details, please refer to the announcement of the Company dated 17 February 2014.)

DIVIDEND DISTRIBUTIONS BY THE COMPANY'S JOINTLY CONTROLLED ENTITIES

In 2014, the Company's JCEs, in total, declared and distributed aggregate dividends of approximately RMB7,345 million to the Company. Although the exact amounts of dividend distributions are not set each year, pursuant to each of the joint venture agreements, distributions are required to be paid out of the profit made by the relevant JCEs (after payments of income tax) in accordance with the relevant PRC law as determined at the meetings of the Board of Directors of each JCE as being appropriate dividend distributions on the circumstances of each JCE. When determining dividend distributions, the Board of Directors of each JCE will offset losses of previous years and deduct from the profit made by the relevant JCE the portion of profit to be allocated for applicable legal reserves as required under the PRC laws and regulations and company reserve (including but not limited to amounts allocated to cover the relevant JCE's working capital or to increase capital or expand production), employee bonus and welfare and company development. Pursuant to each of the joint venture agreements, distributions of profit will be made in proportion to the capital contributions paid by the relevant joint venture party and the Company respectively in accordance with the PRC laws.

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

FINANCIAL SUMMARY

A summary of the operating results, assets and liabilities of the Group for the last five years ended 31 December 2014 is set out on pages 191 to 192 in this annual report.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Group are set out in note 30 to the audited financial statements.

INTEREST CAPITALISED

Details of the interest capitalised of the Group for the year ended 31 December 2014 are set out in note 7 to the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Changes in the Company's and the Group's property, plant and equipment for the year ended 31 December 2014 are set out in note 14 to the audited financial statements.

DESIGNATED DEPOSITS AND OVERDUE TERM DEPOSITS

As at 31 December 2014, the Group had no designated deposits and overdue term deposits in any financial or other authorities.

RESERVES

Details of movements in reserves of the Company and the Group for the year ended 31 December 2014 are set out in note 29 to the audited financial statements and the consolidated statement of changes in equity on page 85, respectively. Pursuant to Article 155 of the Articles of Association of the Company, if there are material discrepancies between the financial statements prepared in accordance with the accounting standards and regulations in the PRC and the financial statements prepared in accordance with International Financial Reporting Standards or the accounting standards in other place(s) where the Company is listed, the after-tax profit to be allocated for the relevant accounting period shall be the lower of the after-tax profits in these financial statements. The Board of Directors recommends allocation of 10% of total profit to the statutory surplus reserve and no allocation to the discretionary surplus reserve under the laws and the Articles of Association, subject to consideration and approval at the annual general meeting to be held on 19 June 2015.

DONATIONS

The Group has made total donations of approximately RMB15.21 million for the year ended 31 December 2014.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, the revenue attributable to the five largest customers accounted for no more than 30% of the Group's revenue for the year.

During the year ended 31 December 2014, the purchases (other than those of a capital nature) from the five largest suppliers accounted for no more than 30% of the Group's total purchases for the year.

SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND OTHER COMPANIES IN WHICH THE COMPANY HAS DIRECT EQUITY INTERESTS

As at 31 December 2014, details of the subsidiaries and JCEs as well as other companies in which the Company has direct equity interests are set out in notes 17, 18 and 26 to the audited financial statements for the year respectively.

SHARE CAPITAL

As at 31 December 2014, the aggregate share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares with a nominal value of RMB1 each, of which 5,760,388,000 were Domestic Shares representing approximately 66.86% of the aggregate number of shares in issue, and 2,855,732,000 were H Shares representing approximately 33.14% of the aggregate number of shares in issue. During the year ended 31 December 2014, there is no change in the aggregate share capital of the Company.

STOCK APPRECIATION RIGHTS

The shareholders of the Company adopted a plan of stock appreciation rights, or SARs, for the core management and technicians of the Company. The plan is designed to link the financial interests of the Company's senior management with the future results of operations and the price and performance of H Shares of the Dongfeng Motor Group. 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. 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 authorized 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.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the name of the persons (other than directors and supervisors) entitled to exercise 5% or more (class of shares categorized into domestic shares and H shares) of the voting rights at any general meeting of the Company and the number of underlying shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

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

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
Dongfeng Motor Corporation	Domestic shares	5,760,388,000 (L)	100	66.86
JPMorgan Chase & Co.	H shares	315,173,792 (L)	11.03 (L)	3.65
		1,876,664 (S)	0.06 (S)	0.021
		280,783,768 (P)	9.83 (P)	3.25
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
BlackRock, Inc.	H shares	268,999,193 (L)	9.42 (L)	3.12
		376,000 (S)	0.01 (S)	0.004
Prudential plc	H shares	172,781,093 (L)	6.05 (L)	2.00
Edinburgh Partners Limited	H shares	153,514,000 (L)	5.38 (L)	1.78

Report of Directors

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

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

Directors

Xu Ping	Executive Director and Chairman
Zhu Fushou	Executive Director and President
Li Shaozhu	Executive Director
Tong Dongcheng	Non-executive Director
Ouyang Jie	Non-executive Director
Liu Weidong	Non-executive Director
Zhou Qiang	Non-executive Director
Ma Zhigeng	Independent Non-executive Director
Zhang Xiaotie	Independent Non-executive Director
Cao Xinghe	Independent Non-executive Director
Chen Yunfei	Independent Non-executive Director

Senior Management

Cai Wei	Vice President and Secretary of the Board of Directors

Brief biographies of each of the directors and senior management are set out on pages 49 to 53 in this annual report.

Supervisors

The supervisors of the Company during the year were:

Ma Liangjie	Chairman of the Supervisory Committee
Ren Yong	Supervisor (The Company released an announcement on 19 December 2014 to remove Ren Yong from his administrative roles and duties and suspend his supervisor duties)
Feng Guo	Independent Supervisor
Zhao Jun	Independent Supervisor

Brief biographies of each supervisor are set out on pages 54 to 55 in this annual report.

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

As at 31 December 2014, none of the directors, supervisors or senior management of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), which were required to be entered in the register required to be kept under section 352 of the Securities and Futures Ordinance, or were required to be notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Companies. As at 31 December 2014, the Company did not grant to any director, or senior management or supervisor of the Company or their respective spouses or children under eighteen years of age any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

CONFIRMATIONS OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual written confirmations of independence from all independent non-executive directors for 2014, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei. The Company is of the view that they are independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Except for service contracts, no director or supervisor of the Company has a material interest, whether directly or indirectly, in any material contract to which the Company or any of its subsidiaries and JCEs was a party during the year ended 31 December 2014.

REMUNERATIONS OF DIRECTORS AND SUPERVISORS

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

FIVE HIGHEST-PAID INDIVIDUALS

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

EMPLOYEES

As at 31 December 2014, the Dongfeng Motor Group had a total of 122,159 full-time employees. The number of employees in various divisions and their percentage of the total number of employees are as follows:

Division	Employees	Percentage of total (%)
Manufacturing workers	71,801	58.78
Engineering and technology	19,394	15.88
Management	27,783	22.74
Services	3,181	2.60
Total	122,159	100

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

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

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

RETIREMENT BENEFITS

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

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into with any person, firm or legal person during the year ended 31 December 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Competition exists between the businesses of the Dongfeng Motor Group and Dongfeng Motor Corporation and its subsidiaries. The Executive Directors of the Company (Mr. Xu Ping, Mr. Zhu Fushou and Mr. Li Shaozhu) devote most of their time managing the day-to-day operations of the Company. The Company further confirmed that its management has not involved in daily operations of Dongfeng Motor Corporation and its subsidiaries which compete with the businesses of the Company as at the latest practicable date.

Mr. Zhu Fushou, an Executive Director of the Company, is the Deputy Chairman of Dongfeng Yueda Kia Motors Co., Ltd., which is principally engaged in manufacturing of Kia series of passenger vehicles and competes with the passenger vehicles manufactured and sold by the Dongfeng Motor Group. Dongfeng Yueda Kia Motors Co., Ltd. is a joint venture company of the Dongfeng Motor Corporation and has been managed and operated independently from the Dongfeng Motor Group. In addition, the Company does not have any equity interests in this joint venture company. Accordingly, the Dongfeng Motor Group is capable of carrying on, and has carried on, its passenger vehicle manufacturing business independently of, and at arm's length from, the business of Dongfeng Yueda Kia Motors Co., Ltd.

Mr. Zhu Fushou, an Executive Director of the Company, is the Chairman of Dongfeng Xiaokang Motor Company Limited, which is principally engaged in manufacturing and sales of passenger vehicles of Dongfeng, mainly the general passenger vehicles, and competes with the passenger vehicles manufactured and sold by the Dongfeng Motor Group. Dongfeng Xiaokang Motor Company Limited is a joint venture company of the Dongfeng Motor Corporation, in which Dongfeng Motor Corporation held 50% equity interest, and has been managed and operated independently from the Dongfeng Motor Group. Accordingly, the Dongfeng Motor Group is capable of carrying on, and has carried on, its passenger vehicle manufacturing business independently of, and at arm's length from, the business of Dongfeng Xiaokang Motor Company Limited.

Mr. Zhu Fushou, an Executive Director of the Company, is the Chairman of Dongfeng Yulong Automobile Company Limited, which is principally engaged in manufacturing and sales of passenger vehicles of Luxgen and competes with the passenger vehicles manufactured and sold by the Dongfeng Motor Group. Dongfeng Yulong Automobile Company Limited is a joint venture company of the Dongfeng Motor Corporation, in which Dongfeng Motor Corporation held 50% equity interest, and has been managed and operated independently from the Dongfeng Motor Group. Accordingly, the Dongfeng Motor Group is capable of carrying on, and has carried on, its passenger vehicle manufacturing business independently of, and at arm's length from, the business of Dongfeng Yulong Automobile Company Limited.

Save as disclosed above, none of the directors nor their associates own any interests in businesses which compete or are likely to compete with the businesses of the Group nor have other interest conflicts with the Group.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company has received from Dongfeng Motor Corporation a written confirmation confirming that during the year ended 31 December 2014 it had complied with Noncompetition Agreement signed with the Company.

PUBLIC FLOAT

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

III. Connected transactions

For the year ended 31 December 2014, the continuing connected transactions between Dongfeng Motor Group and Dongfeng Motor Corporation and its associates (as defined under the Listing Rules), together with the annual caps exempted subject to the Listing Rules, were as follows:

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

1. Provision of Ancillary Services

Date	: 26 November 2013
Parties	: The Company Dongfeng Motor Corporation (on behalf of itself and other members under its group)
Term	: Three years from 1 January 2014 to 31 December 2016
Objective	: In order to satisfy the demand on water, electricity and steam for its ordinary production and operation, Dongfeng Motor Corporation has agreed, or procure other members of the Parent Group, to provide the ancillary services to Dongfeng Motor Group, including water supply, steam supply and electricity supply
Consideration	: The government prescribed prices

Annual cap of water supply for the year ended 31 December 2014:	RMB120 million
Annual cap of steam supply for the year ended 31 December 2014:	RMB230 million
Annual cap of electricity supply for the year ended 31 December 2014:	RMB1,600 million
Annual actual consideration of water supply for the year ended 31 December 2014:	RMB42 million
Annual actual consideration of steam supply for the year ended 31 December 2014:	RMB123 million
Annual actual consideration of electricity supply for the year ended 31 December 2014:	RMB857 million

The above ancillary services will be charged at the end of each calendar month by members of the Parent Group based on the actual usage of the ancillary services by members of Dongfeng Motor Group. The charges of the ancillary services will be satisfied in cash per month by internal resources of Dongfeng Motor Group and no payment will be made on a deferred basis.

2. Trademarks Licensing

Date	: 29 October 2005
Parties	: The Company Dongfeng Motor Corporation
Term	: Ten years from 7 December 2005 to 6 December 2015 (the agreement will automatically renew for another ten years upon its expiration of the ten-year term)
Objective	: Dongfeng Motor Corporation granted to the Company a non-exclusive right to use certain trademarks owned by and registered in the name of Dongfeng Motor Corporation in order to ensure the commercial activities of the Company, including sales of products, are in compliance with the applicable laws and regulations
Consideration	: Nil

3. Social Insurance Funds

For the year ended 31 December 2014, Dongfeng Motor Group made payments to the following funds or schemes through the accounts of Dongfeng Motor Corporation according to the applicable laws and regulations in the PRC: (1) basic pension fund; (2) supplementary pension fund; (3) medical insurance; (4) unemployment insurance; and (5) housing provident fund (together "Social Insurance Funds").

4. Financial Service

Date	: 26 November 2013
Parties	: Dongfeng Motor Finance Co., Ltd. The Parent Group
Term	: Three years from 1 January 2014 to 31 December 2016
Objective	: Dongfeng Motor Finance Co., Ltd. has agreed to provide treasury services, financing services and auto financial services to the Parent and its subsidiaries so as to enhance the efficiency of capital allocation of the Company and strengthen the finance business of Dongfeng
Consideration	: The consideration shall be charged at the following rates: (a) market price (at government fixed price or government guidance price, if such price are available); or (b) price determined on an arm's length and reasonable basis

The proposed annual cap for the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Finance Co., Ltd. to the Parent Group of the year 2014 is RMB800 million. As at 31 December 2014, the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Finance Co., Ltd. to the Parent Group was approximately RMB217 million.

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

Date	: 28 November 2006
Parties	: Dongfeng Motor Group Dongfeng Hongtai Wuhan Holdings Group Limited
Term	: The agreement has been effective from 28 November 2006 and is a continuing contract terminable by agreement between the parties on the occurrence of certain events such as the bankruptcy or reorganisation of a party
Objective	: Dongfeng Motor Group sells whole vehicles and purchases auto parts such as seats for assembly through the whole vehicles selling network of Dongfeng Hongtai. Dongfeng Hongtai purchases related auto parts for assembly from Dongfeng Motor Group
Consideration	: The consideration shall be determined on the following basis: (a) at market price; and (b) on normal commercial terms

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

For the year ended 31 December 2014, the total consideration paid by Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was RMB3,349 million and the total amount paid by Dongfeng Hongtai to Dongfeng Motor Group for purchases of vehicle and auto parts from Dongfeng Motor Group was RMB4,914 million.

6. Dongfeng Motor Group sells commodity whole vehicles and chassis to Dongfeng Motor Trade Corporation

Date	: 26 November 2013
Parties	: Dongfeng Motor Group Dongfeng Motor Trade Corporation
Term	: Three years from 1 January 2014 to 31 December 2016
Objective	: Dongfeng Motor Group sells commercial vehicles and chassis through the whole vehicles selling network of Dongfeng Motor Trade Corporation
Consideration	: The consideration shall be charged at the following price: (a) market price; or (b) price determined on an arm's length and reasonable basis

Dongfeng Motor Trade Corporation, previously an independent third party to the Company, became a wholly-owned subsidiary of the Parent in July 2007 and a connected person of the Company within the meaning of the Listing Rules. As a result, the ongoing transactions above between Dongfeng Motor Group and Dongfeng Motor Trade Corporation have become continuing connected transactions of the Company.

The proposed annual caps for Dongfeng Motor Trade Corporation's purchase of commodity vehicles from Dongfeng Motor Group for the year 2014 is approximately RMB1,360 million. For the year ended 31 December 2014, the annual actual amount for Dongfeng Motor Trade Corporation's purchase of commodity vehicles from Dongfeng Motor Group was approximately RMB483 million.

7. Dongfeng Motor City Logistics Co., Ltd. provide logistics services to Dongfeng Motor Group

Date	:	26 November 2013
Parties	:	Dongfeng Motor Group Dongfeng Motor City Logistics Co., Ltd.
Term	:	Three years from 1 January 2014 to 31 December 2016
Objective	:	Dongfeng Motor City Logistics Co., Ltd. provides logistics services for whole vehicles and auto parts to Dongfeng Motor Group and its subsidiaries and joint ventures in order to ensure a secure and timely delivery of the products and satisfy the customers' demands by enhancing the efficiency of its logistics
Consideration	:	The consideration shall be charged at the following price: (a) price determined or instructed by the government; or (b) market price if no government guidance rate is available

The proposed annual caps for the logistics services provided by Dongfeng Motor City Logistics Co., Ltd. to Dongfeng Motor Group for the year 2014 is approximately RMB1,400 million. For the year ended 31 December 2014, the annual actual amount for Logistics Service provided by Dongfeng Motor City Logistics Co., Ltd. to Dongfeng Motor Group was approximately RMB733 million.

8. T Engineering AB provide technical services to Dongfeng Motor Group

Date	:	26 November 2013
Parties	:	Dongfeng Motor Group T Engineering AB ("T Company")
Term	:	Three years from 1 January 2014 to 31 December 2016
Objective	:	The Company will establish a long term cooperation relationship with T Engineering AB in technology research and development, while T Company will provide technical services to Dongfeng Motor Group (including its member companies and business units) when necessary and practical.
Consideration	:	The consideration shall be charged at the following price: (a) market price (at government fixed price or government guidance price if such price are available); (b) price determined on an arm's length and reasonable basis.

Dongfeng Motors Engineering Co., Limited ("Dongfeng Motors Engineering") holds 70% equity interests in T Company. Therefore, T Company is a subsidiary of Dongfeng Motors Engineering. Donfeng Motors Engineering is in turn a wholly-owned subsidiary of Dongfeng Asset Management Co. Ltd. ("Dongfeng Asset"), which is a wholly-owned subsidiary of Dongfeng Motors, a controlling shareholder of the Company. Therefore, the Framework Agreement entered into between the Company and T Company, the provision of technical services by T Company to Dongfeng Motor Group (including its member companies and business units) and the consideration by Dongfeng Motor Group (including its member companies and business units) for the provision of services by T Company to constituted continuing connected transactions under the Listing Rules.

The annual caps of payment by Dongfeng Motor Group (including its member companies and business units) to T Company for the provision of technical services by T Company under the Framework Agreement are RMB200 million, for the years ending 31 December 2014. For the year ended 31 December 2014, the annual actual amount for Technology Service provided by T Company to Dongfeng Motor Group was approximately RMB10 million.

9. Dongfeng Motor Group place Deposits with Dongfeng Nissan Auto Finance Co., Ltd.

Date	:	26 November 2013
Parties	:	Dongfeng Nissan Auto Finance Co., Ltd. The Company
Term	:	Three years from 1 January 2014 to 31 December 2016
Objective	:	The Company places certain deposits with Dongfeng Nissan Auto Finance Co., Ltd. in order to enhance the efficiency of our capital allocation and facilitate the sales of passenger vehicles of Dongfeng Nissan
Consideration	:	The consideration shall be charged at the following rates: (a) market price (at government fixed price or government guidance price, if such price are available); or (b) price determined on an arm's length and reasonable basis

The maximum balance of Deposits (including the accrued interests) maintained by the Company with Dongfeng Nissan Auto Finance Co., Ltd. shall not exceed RMB3,000 million on any given day for the year 2014. As at 31 December 2014, the outstanding amount of the deposits placed by the Company with Dongfeng Nissan Auto Finance Co., Ltd. was RMB2,000 million.

10. For the year ended 31 December 2014, the continuing connected transactions relating to the joint ventures include:

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

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

During the year ended 31 December 2014, each of Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Company Ltd., Dongfeng Honda Automobile Co., Ltd, Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd., Dongfeng Renault Automobile Company, Wuhan Schmitz Trailer Co., Ltd., Dongfeng GETRAG Transmission Co., Ltd. and Dongvo (Hangzhou) Truck Co., Ltd. (including each of these companies' subsidiaries and associates) regularly purchased auto parts or production facilities from the joint venture partners of the Company in the manner described below and such purchases will continue for the duration of the joint venture term.

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

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

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

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

The joint ventures (including their subsidiaries, joint ventures and associates) may only purchase auto parts and production equipment from the joint venture partners (including their subsidiaries and associates) if it is unable to obtain auto parts of equivalent quality or of the required specifications at a more favourable price (or otherwise on more favourable terms) from a local supplier.

The contracts regarding the purchases of auto parts and production equipment by the joint ventures (including their subsidiaries, joint ventures and associates) from the joint venture partners (including their subsidiaries and associates) must be pre-approved by the Company to ensure that the joint venture only enters into transactions on normal commercial terms or terms which are more favourable to the joint venture.

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

For the year ended 31 December 2014, the total consideration paid by the joint ventures (including their subsidiaries, joint ventures and associates in respect of purchases of auto parts and production facilities from the joint venture partners (including their subsidiaries and associates) was RMB44,049 million.

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

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

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

Dongfeng Honda Auto Parts Co., Ltd. continued to sell auto parts to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. for the year ended 31 December 2014.

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

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

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

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

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

For the year ended 31 December 2014, Guangzhou Honda Automobile Co., Ltd. continued to purchase from Dongfeng Honda Engine Co., Ltd. engines and auto parts needed by it.

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

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

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

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

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

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

For the year ended 31 December 2014, the total consideration paid by the joint ventures in respect of purchases of technology licences and technical assistance stated above was RMB4,655 million.

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

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

Parties	: Dongfeng Motor Corporation Dongfeng Motor Co., Ltd.
Term	: 50 years from 2003 to 2053
Objective	: Dongfeng Motor Co., Ltd. leases land parcels from Dongfeng Motor Corporation for ordinary production and operation
Consideration	: at fair market rate

Under the joint venture lease, Dongfeng Motor Co., Ltd. leased from Dongfeng Motor Corporation a total of 113 parcels of land with an aggregate area of approximately 3,292,046 sq.m. for industrial use, which was supplemented with industrial infrastructure.

The standard rent (the "Rent") for each parcel of the leased land amounted to an aggregate annual rent of approximately RMB66 million.

If the Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation cannot agree on the fair market value of the leased land, an independent appraiser shall be jointly appointed by Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation to determine the fair market rate of the leased land, with such appraised value served as the basis for the parties' discussions concerning the adjusted rent. The rental payable under the land lease contract is determined on a fair basis and reflects the market rates. An independent appraiser has confirmed that the rental under the land lease contract is not higher than the prevailing market rates. For the period from the lease commencement date to 31 December 2014, Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation did not adjust the rental of land leased by Dongfeng Motor Co., Ltd. from Dongfeng Motor Corporation.

The Company established a wholly-owned subsidiary, Dongfeng Commercial Vehicle Co., Ltd., on 16 January 2013 by way of cash contribution. Under the framework agreement and its sub-agreements entered into on 26 January 2013, Dongfeng Commercial Vehicle Co., Ltd. acquired from Dongfeng Motor Co., Ltd. (a) all transferred assets; and (b) all transferred equities held by Dongfeng Motor Co., Ltd. in the eight equity transfer entities according to the framework agreement and its sub-agreements. Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Motor Co., Ltd. completed the acquisition of all transferred assets and equity transfers on 30 June 2013. Due to the concurrent transfer of rights, interests and liabilities, a potion of the land parcels originally leased by Dongfeng Motor Co., Ltd. from Dongfeng Motor Corporation was leased to

Dongfeng Commercial Vehicle Co., Ltd. or its subsidiaries (a total of 126 land parcels with a total area of approximately 3,963,420 sq.m.), and a new land lease contract was entered into between Dongfeng Commercial Vehicle and Dongfeng Motor Corporation to determine the rights and obligations.

For the year ended 31 December 2014, the total leasehold payment payable by Dongfeng Motor Co., Ltd. to Dongfeng Motor Corporation was approximately RMB66 million and the actual payment amounted to approximately RMB82 million. The outstanding amount for the year amounted to RMB4 million and the total outstanding amount was approximately RMB19 million.

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

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

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

11. Lease of land between Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Motor Corporation

Date	:	26 November 2013
Parties	:	Dongfeng Motor Corporation Dongfeng Commercial Vehicle Co., Ltd.
Term	:	Continuing effect
Objective	:	Dongfeng Commercial Vehicle Co., Ltd. leases land parcels from Dongfeng Motor Corporation for ordinary production and operation
Consideration	:	at fair market price

The Lessees shall pay a total leasehold payment of approximately RMB139 million to Dongfeng Motor Corporation in 2014.

Pursuant to the master land lease contract, the leasehold payments payable under the master contract (including the benchmark payments of the newly leased land) may be adjusted according the following principles every three years since the relevant dates of leasing.

a. The adjusted leasehold payments shall not be lower than 90% of the payments for the previous period;

b. Both parties may negotiate for the payment adjustment within the six months prior to expiry of the leasing term;

c. In the event that both parties fail to reach an agreement on the fair market value of the leased land, they shall jointly engage an independent valuer to determine the fair market value, which shall be the basis for their negotiation of payment adjustment.

For the year ended 31 December 2014, the annual cap of the leasehold payments payable by Dongfeng Commercial Vehicle Co., Ltd. and its subsidiaries to Dongfeng Motor Corporation shall be approximately RMB175 million. The total leasehold payment payable by Dongfeng Commercial Vehicle Co., Ltd. and its subsidiaries to Dongfeng Motor Corporation was approximately RMB162 million and the outstanding amount for the year amounted to approximately RMB3 million and the total outstanding amount was approximately RMB58 million.

Management Discussion and Analysis

I. FINANCIAL RESULTS OVERVIEW

	The Group (based on proportionate consolidation) RMB million	Joint ventures RMB million	The Group (based on equity method) RMB million
Revenue	195,211	114,257	80,954
Cost of sales	(156,890)	(86,646)	(70,244)
Other income	4,690	3,149	1,541
Selling and distribution costs	(11,168)	(7,034)	(4,134)
Administrative expenses	(6,760)	(3,479)	(3,281)
Other expenses, net	(8,553)	(5,145)	(3,408)
Finance costs	390	(114)	504
Share of profits and losses of associates	2,277	188	2,089
Share of profits and losses of joint ventures	—	(10,662)	10,662
Profit before tax	19,197	4,514	14,683
Income tax expenses	(5,237)	(3,872)	(1,365)
Profit for the year	13,960	642	13,318
Attributable to:			
Equity holders of the parent	12,845	—	12,845
Non-controlling interests	1,115	642	473
Total assets	201,310	55,837	145,473
Total liabilities	(122,130)	(52,109)	(70,021)
Net assets	79,180	3,728	75,452
Equity attributable to equity holders of the parent	73,829	—	73,829
Non-controlling interests	5,351	3,728	1,623

Revenue

The growth of automobile industry in China was stable in 2014. A total of approximately 23,491,900 vehicles were sold during the year, representing an increase of approximately 6.9% over last year. Sales volume of passenger vehicles and commercial vehicles were approximately 19,700,600 units and 3,791,300 units respectively, representing an increase of 9.9% and a decrease of 6.5% over last year respectively.

In 2014, the Group managed to overcome various risks and challenges and its operation remained steady growth. The total sales of the Group for the year were approximately 2,733,500 vehicles, representing an increase of approximately 6.5% over last year. Sales of passenger vehicles were approximately 2,339,100 units, representing an increase of approximately 10.4% over last year. Sales of commercial vehicles were approximately 394,400 units, representing a decrease of approximately 12.2% over last year. The domestic market share of the Group in terms of sales volume was approximately 11.6% and remained stable as compared with last year. The market share of its passenger vehicles was approximately 11.9%, representing an increase of approximately 0.1 percentage point over last year. The market share of its commercial vehicles was 10.4%, representing a decrease of approximately 0.7 percentage point over last year.

The revenue of the Group based on proportionate consolidation was approximately RMB195,211 million, representing an increase of approximately RMB33,958 million, or 21.1%, as compared with approximately RMB161,253 million of last year. Except the change in basis of consolidation, the increase was mainly due to the increase in sales volume of passenger vehicles and the contribution of revenue from new products.

The revenue of the Group based on equity method was approximately RMB80,954 million, representing an increase of approximately RMB43,691 million, or 117.3%, as compared with approximately RMB37,263 million of last year. The increase was mainly due to the increase in sales volume of passenger vehicles, the contribution of revenue from new products and the adjustment on the basis of consolidation of commercial vehicles business and Dong Feng Peugeot Citroën.

	2014		2013	
	Sales revenue (based on proportionate consolidation) RMB million	Sales revenue (based on equity method) RMB million	Sales revenue (based on proportionate consolidation) RMB million	Sales revenue (based on equity method) RMB million
Passenger vehicles	141,677	36,702	116,820	11,905
Commercial vehicles	52,986	42,672	44,505	24,557
Financial business	1,956	1,593	1,054	794
Others	1,657	117	1,220	61
Intra-segment elimination	(3,065)	(129)	(2,346)	(54)
Total	195,211	80,954	161,253	37,263

Passenger Vehicle Business

The revenue from sales of passenger vehicles of the Group based on proportionate consolidation increased by approximately RMB24,857million, or 21.3%, to approximately RMB141,677 million from approximately RMB116,820 million of last year. The revenue from sales of whole passenger vehicles increased by approximately RMB24,445 million, or 23.1%, from approximately RMB105,610 million of last year to approximately RMB130,055 million. Without taking into account the change in the basis of consolidation, the increase in revenue from sales was mainly due to the increase in sales volume of whole passenger vehicles. The sales volume of passenger vehicles of Dongfeng Nissan, DPCA and Dongfeng Liuzhou Motor increased by 3.0%, 28.0% and 33.7% over last year respectively.

Based on equity method, the revenue from sales of passenger vehicles for the year increased by approximately RMB24,796 million, or 208.3%, to approximately RMB36,702 million from approximately RMB11,905 million of last year. Without taking into account the change in the basis of consolidation, the increase in revenue was mainly due to the increase in sales volume of passenger vehicle and the increase in varieties of new products.

Commercial Vehicle Business

The revenue from sales of commercial vehicles of the Group based on proportionate consolidation increased by approximately RMB8,481 million, or 19.1%, to approximately RMB52,986 from approximately RMB44,505 million of last year. The revenue from sales of whole commercial vehicles increased by approximately RMB8,999 million, or 22.9%, to approximately RMB48,379 million from approximately RMB39,380 million of last year.

Based on equity method, the revenue from sales of commercial vehicles of the Group for the year increased by approximately RMB18,115 million, or 73.8%, to approximately RMB42,672 million from RMB24,557 million of last year. The decrease in revenue from sales of commercial vehicles was mainly due to the decrease in overall sales volume of commercial vehicles and the decrease in revenue and was offset by the adjustment on basis of consolidation of commercial vehicles business.

Financial Business

The revenue of financial business based on proportionate consolidation increased by approximately RMB902 million, or 85.6%, to approximately RMB1,956 million from approximately RMB1,054 million of last year.

During the year, the revenue of financial business based on equity method increased by approximately RMB799 million, or 100.6%, to approximately RMB1,593 million from RMB794 million of last year. The financial business of the Group maintained its rapid growth.

Cost of sales and gross profit

The total gross profit of the Group for 2014 based on proportionate consolidation was approximately RMB38,321 million, representing an increase of approximately RMB6,421 million, or 20.1%, as compared with approximately RMB31,900 million of last year. The comprehensive gross margin was approximately 19.6% and remained stable over last year. The total gross profit of the Group for 2014 based on equity method was approximately RMB10,710 million, representing an increase of approximately RMB6,029 million, or 128.8%, as compared with approximately RMB4,681 million of last year. The comprehensive gross margin increased by 0.6 percentage point to approximately 13.2% from approximately 12.6% of last year.

Other Incomes

The total other incomes of the Group based on proportionate consolidation amounted to approximately RMB4,690 million, representing a decrease of approximately RMB64 million as compared with approximately RMB4,754 million of last year.

The total other incomes of the Group based on the equity method was approximately RMB1,541 million, representing an increase of approximately RMB260 million as compared with approximately RMB1,281 million of last year.

Selling and Distribution Costs

The selling and distribution costs of the Group based on proportionate consolidation increased by approximately RMB1,578 million to approximately RMB11,168 million from approximately RMB9,590 million of last year. The proportion of selling and distribution costs to the sales revenue decreased by approximately 0.2 percentage point to approximately 5.7% from approximately 5.9% of last year.

The selling and distribution costs of the Group based on equity method increased by approximately RMB1,866 million to approximately RMB4,134 million from approximately RMB2,268 million of last year.

The increase in selling and distribution costs was mainly due to the increase in advertisement expenses for newly launched products and increase in transportation expenses resulted from the increase in sales volume.

Administrative Expenses

The total administrative expenses of the Group based on proportionate consolidation increased by approximately RMB1,233 million to approximately RMB6,760 million from approximately RMB5,527 million of last year. The proportion of administrative expenses to sales revenue increased by approximately 0.1 percentage point to approximately 3.5% from approximately 3.4% of last year.

The administrative expenses of the Group based on equity method increased by approximately RMB1,102 million to approximately RMB3,281 million from approximately RMB2,179 million of last year.

The increase in administrative expenses was mainly due to the acquisition of commercial vehicle business and amortization of depreciation charges.

Other expenses, net

The net other expenses of the Group based on proportionate consolidation amounted to approximately RMB8,553 million, representing an increase of approximately RMB2,243 million as compared with approximately RMB6,310 million of last year.

The net other expenses of the Group based on equity method amounted to approximately RMB3,408 million, representing an increase of approximately RMB1,346 million as compared with approximately RMB2,062 million of last year.

The increase in other expenses was mainly attributable to the additional expenses of technology development.

Staff costs

The staff costs (including directors' and supervisors' emoluments) of the Group based on proportionate consolidation amounted to approximately RMB11,403 million, representing an increase of approximately RMB2,140 million as compared with approximately RMB9,263 of last year. The proportion of staff costs to the sales revenue increased by 0.1 percentage point to approximately 5.8% from approximately 5.7% of last year.

The staff costs of the Group based on equity method amounted to approximately RMB5,306 million, representing an increase of approximately RMB1,941 million as compared with approximately RMB3,365 million of last year.

The increase in staff costs was mainly attributable to additional expenses including salaries and benefits as a result of a higher demand for labour in line with the increase in production and sales volume of vehicles, as well as the regular adjustment in employees' remuneration.

Amortization and Depreciation

The depreciation charges of the Group based on proportionate consolidation amounted to approximately RMB5,641 million, representing an increase of approximately RMB1,821 million as compared with approximately RMB3,820 million of last year.

The depreciation charges of the Group based on equity method amounted to approximately RMB1,456 million, representing an increase of approximately RMB693 million as compared with approximately RMB763 million of last year.

Finance Costs

The finance costs of the Group based on proportionate consolidation amounted to approximately RMB–390 million, representing a decrease of approximately RMB621 million as compared with approximately RMB231 million of last year.

The finance costs of the Group based on equity method amounted to approximately RMB–504 million, representing a decrease of approximately RMB674 million as compared with approximately RMB170 million of last year.

The decrease in finance costs was mainly due to the exchange gain from Euro-denominated borrowings. On the other hand, interests of borrowings increased as a result of additional borrowings.

Income Tax

The income tax expense of the Group based on proportionate consolidation amounted to approximately RMB5,237 million, representing an increase of approximately RMB1,248 million as compared with approximately RMB3,989 million of last year. The effective tax rate for the year was approximately 27.3%, representing an increase of approximately 1.5 percentage points as compared with approximately 25.8% of last year.

The income tax expense of the Group based on equity method amounted to approximately RMB1,365 million, representing an increase of approximately RMB1,256 million as compared with approximately RMB109 million of last year. The effective tax rate for the year was approximately 9.3%, representing an increase of approximately 8.3 percentage points as compared with approximately 1.0% of last year.

Profit for the year

As a result of the above reasons, profit attributable to shareholders of the Group based on proportionate consolidation amounted to approximately RMB12,845 million, representing an increase of approximately RMB2,317 million, or 22.0%, as compared with approximately RMB10,528 million of last year. Earnings per share was approximately RMB149.08 cents, representing an increase of approximately RMB26.89 cents, or 22.0%, as compared with approximately RMB122.19 cents of last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 6.6%, representing an increase of approximately 0.1 percentage point as compared with approximately 6.5% of last year. The return on net assets (a percentage of profit attributable to shareholders to average net assets) was approximately 18.8%, representing an increase of approximately 0.8 percentage point as compared with approximately 18.0% of last year.

Profit attributable to shareholders of the Group based on equity method amounted to approximately RMB12,845 million, representing an increase of approximately RMB2,317 million, or 22.0%, as compared with approximately RMB10,528 million of last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 15.9%, representing a decrease of approximately 12.4 percentage points as compared with approximately 28.3% of last year. The return on net assets (a percentage of profit attributable to shareholders to average net assets) was approximately 18.8%, representing an increase of approximately 0.8 percentage point as compared with approximately 18.0% of last year.

Total Assets

Total assets of the Group for the year based on proportionate consolidation amounted to approximately RMB201,310 million, representing an increase of approximately RMB30,106 million as compared with approximately RMB171,204 million of last year. The increase was mainly due to the increase in cash, receivables, inventory and investments in associates.

Total assets of the Group based on equity method amounted to approximately RMB145,473 million, representing an increase of RMB29,475 million as compared with approximately RMB115,998 million of last year.

Total liabilities

Total liabilities of the Group for the year based on proportionate consolidation amounted to approximately RMB122,130 million, representing an increase of approximately RMB18,567 million as compared with approximately RMB103,563 million of last year. The increase was mainly due to the increase in short-term borrowings, payables and other payables.

Total liabilities of the Group based on equity method amounted to approximately RMB70,021 million, representing an increase of approximately RMB18,057 million as compared with approximately RMB51,964 million of last year.

Total equity

Total equity of the Group for the year based on proportionate consolidation amounted to approximately RMB79,180 million, representing an increase of approximately RMB11,539 million as compared with approximately RMB67,641 million of last year. Equity attributable to equity holders of parent amounted to approximately RMB73,829 million, representing an increase of approximately RMB10,694 million as compared with approximately RMB63,135 million of last year.

Total equity of the Group based on equity method amounted to approximately RMB75,452 million, representing an increase of approximately RMB11,418 million as compared with approximately RMB64,034 million of last year.

Liquidity and sources of capital

(Based on proportionate consolidation)	2014 RMB million	2013 RMB million
Net cash flows from operating activities	12,558	16,035
Net cash flows used in investing activities	(13,361)	(3,925)
Net cash flows generated from/(used in) financing activities	8,484	(1,485)
Net increase in cash and cash equivalents	7,681	10,625

Net cash inflows from operating activities of the Group amounted to approximately RMB12,558 million. Net cash outflows from investing activities of the Group amounted to approximately RMB13,361 million. Net cash inflows from financing activities of the Group amounted to approximately RMB8,484 million.

(Based on equity method)	2014 RMB million	2013 RMB million
Net cash flows used in operating activities	(985)	(9,694)
Net cash flows generated from/(used in) investing activities	(696)	17,982
Net cash flows generated from/(used in) financing activities	8,223	(1,906)
Net increase in cash and cash equivalents	6,542	6,382

Net cash outflows from operating activities of the Group amounted to approximately RMB985 million, reflecting mainly: (1) an increase of approximately RMB2,316 million in trade receivables, bills receivable, prepayments, deposits and other receivables; (2) a decrease of approximately RMB5,551 million in inventory; and (3) a decrease of approximately RMB6,401 million in trade payables, bills payable, other payables and accrued liabilities. The net cash flow from operating activities of the Group for the year increased by approximately RMB8,709 million, as compared with the net cash outflow of approximately RMB9,694 million for last year. The decrease was mainly due to: (1) an increase of profit before taxation of approximately RMB2,635 million, net of non-cash items of depreciation and impairment; (2) a decrease of approximately of RMB5,560 million resulting from the increase in account receivables in line with sales growth; (3) a decrease of approximately RMB5,681 million resulting from a large increase in inventory; (4) an increase of approximately RMB5,345 million resulting from the increase in trade payables, bills payable and other payables; (5) an increase of approximately RMB1,219 million resulting from the decrease in loans and receivables generated from financial business; (6) deposits of financial business increased by approximately RMB12,103 million; and (7) a decrease of approximately RMB938 million resulting from the increase in income taxes paid.

Net cash outflows from investing activities of the Group amounted to approximately RMB696 million, mainly reflecting: (1) the purchase of property, plant and equipment of approximately RMB3,011 million for expansion of production capacity and development of new products; (2) the investments in associates of approximately RMB6,801 million; (3) investment in joint ventures of approximately RMB2,075 million; and (4) dividends of approximately RMB9,871 million from joint ventures and associated companies. The net cash outflows in investing activities of the Group for the year increased by approximately RMB18,678 million, as compared with the net cash inflows of approximately RMB17,982 million for last year. The increase was mainly due to: (1) the payment of approximately RMB6,801 million for acquisition of 14.1% of the equities in PSA Group; (2) an increase of approximately RMB8,779 million resulting from the acquisitions of subsidiaries, namely Dongfeng Commercial Vehicles, Dongfeng Liuzhou and Dongfeng Finance, in 2013 which did not occur in 2014; (3) an increase of approximately RMB2,261 million in investments in property, plant and equipment; and (4) increased outflows in investment in joint ventures of approximately RMB1,840 million.

Net cash inflows from financing activities of the Group amounted to approximately RMB8,223 million, mainly reflecting: (1) an increase of approximately RMB22,372 million in net bank borrowings; (2) a decrease of approximately RMB12,668 million repayment of net bank borrowings; and (3) dividends distributed to shareholders of approximately RMB1,551 million. The net cash inflows from financing activities of the Group for the year increased by approximately RMB10,129 million, as compared with approximately RMB1,906 million of the net cash outflows for last year. The increase was mainly due to: (1) an increase of approximately RMB18,758 million in net bank borrowings; and (2) an increase of approximately RMB8,909 million in repayment of net bank borrowings.

As a result of the above reasons, the Group's cash and cash equivalents (excluding time deposits with an original maturity of three months or more) based on equity method amounted to approximately RMB23,212 million as at 31 December 2014, representing an increase of approximately RMB6,542 million as compared with approximately RMB16,670 million as at 31 December 2013. Cash and bank balances (including time deposits with an original maturity of three months or more) amounted to approximately RMB28,559 million, representing an increase of approximately RMB4,277 million as compared with approximately RMB24,282 million as at 31 December 2013. Net cash (cash and bank balances less borrowings) of the Group amounted to approximately RMB10,849 million, representing a decrease of approximately RMB7,558 million as compared with approximately RMB18,407 million as at 31 December 2013.

As at 31 December 2014, the Group's equity ratio (percentage of total borrowings to total shareholders' equity) based on proportionate consolidation was approximately 31.7%, representing an increase of approximately 14.7 percentage points as compared with approximately 17.0% as at 31 December 2013. The Group's liquidity ratio was approximately 1.09 times, representing a decrease of approximately 0.07 time from approximately 1.16 times as at 31 December 2013. The Group's quick ratio was approximately 0.93 time, representing a decrease of 0.1 time from approximately 1.03 times as at 31 December 2013.

As at 31 December 2014, the Group's equity ratio (percentage of total borrowings to total shareholders' equity) based on equity method was approximately 24.0%, representing an increase of approximately 14.7 percentage points as compared with approximately 9.3% as at 31 December 2013. The Group's liquidity ratio was approximately 1.04 times, representing a decrease of approximately 0.14 time from approximately 1.18 times as at 31 December 2013. The Group's quick ratio was approximately 0.89 time, representing a decrease of approximately 0.21 time from approximately 1.10 times as at 31 December 2013.

The inventory turnover days of the Group based on proportionate consolidation increased by approximately 8 days to approximately 44 days from approximately 36 days of last year. The Group's turnover days of receivables (including bills receivable) decreased by approximately 18 days to approximately 77 days from approximately 95 days of last year. The turnover days of receivables (excluding bills receivable) increased by approximately 2 days to approximately 14 days from approximately 12 days of last year. The turnover days of bills receivable decreased by approximately 20 days to approximately 63 days from approximately 83 days of last year.

The inventory turnover days of the Group based on equity method increased by approximately 3 days to approximately 51 days from approximately 48 days of last year. The Group's turnover days of receivables (including bills receivable) decreased by approximately 72 days to approximately 72 days from approximately 144 days of last year. The turnover days of receivables (excluding bills receivable) decreased by 16 days to approximately 17 days from approximately 33 days of last year. The turnover days of bills receivable decreased by approximately 58 days to approximately 54 days from approximately 112 days of 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.

II. ANALYSIS OF CORE COMPETITIVENESS

Dongfeng Motor Group has maintained its industry leading position and achieved a steady growth momentum in an intense competitive market. Its core competitive edge is mainly reflected in the following aspects:

1. Strong industry influence

Dongfeng Motor Corporation, the parent of the Company, is one of the top three operators in the PRC auto industry. It ranked second in auto industry in terms of production and sales of vehicles and ranked 113th in Fortune Global 500 in 2014. It has strong industry influence in the PRC auto industry.

2. Leading position in the domestic commercial vehicles market

Dongfeng Motor Group is the most competitive manufacturer of commercial vehicles in China, and has set up comprehensive value chain in the commercial vehicle sector. It maintains a leading position in China in terms of the system and capacity of research and development, auto parts, advanced production system and perfect sale services. Dongfeng Commercial Vehicle Co., Ltd., a joint venture of Dongfeng Motor Group Company Limited and AB Volvo incorporated in 2015, was strategically important to the enhancement of international competitiveness and acceleration of overseas expansion of the commercial vehicle business of Dongfeng.

3. Well-known Dongfeng brand in China

With over 40 years of development, Dongfeng brand is a famous brand of the Company representing the intelligence and dedication of all members of Dongfeng. According to the Best Value Brand of 2014 (2014年度品牌價值排行榜) issued by Brand Finance and the 2014 Best Value Brand in China (2014最佳中國品牌價值排行榜) issued by Interbrand, Donfeng is one of the most valuable brands in the auto industry in China.

4. Best business network in the industry

Dongfeng Motor Group has the most extensive business network in the domestic whole vehicle market with business lines in each major segment. With the best business network in the industry, Dongfeng Motor Group is able to maintain sustainable development, which is helpful to reduce the impact of the risks of a single market or company on the Group as a whole.

5. Global vision and management philosophy

Dongfeng Motor Group adopts a strategy to explore business cooperation in the highly competitive auto industry with strong market awareness and global vision. Dongfeng Motor Group aims to achieve growth through business cooperation and organic development. Dongfeng Motor Group develops products and streamlines its business procedures according to the market trend and insists to maintain the quality of management while striving for rapid growth. Dongfeng Motor Group has established a distinctive management model by studying and learning from the advanced management experience and methods in the global market.

Benefiting from the advanced management philosophy and global vision, Dongfeng Motor Group is able to expand overseas and enhance its international management level.

6. Satisfactory development of joint venture business

All joint venture business lines of Dongfeng Motor Group maintain steady and sound growth. The strategic mutual trust between Dongfeng Motor Group and its partners has been strengthening, and the shareholders provide more support to the joint ventures. As development of the joint ventures further expands, their product portfolio, distribution network, production capacity and research and development are constantly improved. The joint ventures maintain a leading position in the industry in terms of their profitability. In 2014, Dongfeng Motor Group strategically acquired equity interests of PSA for the cooperation in product technology and international business development, which marked a new form of cooperation in the auto industry in China.

The sound development of joint venture business provides strong supports, including sufficient capital, professional teams and management supports, to the general business growth of Dongfeng Motor Group, especially to the growth of its proprietary brands.

7. Enhanced innovation

Adhering to the mission to revitalize the PRC auto industry, Dongfeng Motor Group has always been focusing on strengthening its innovation and organic growth throughout its 40 years of development, and has established comprehensive research and development systems for commercial vehicles, passenger vehicles and new energy vehicles. The research and development capacity of Dongfeng Motor Group continues to improve, ranking second in the auto industry according to the Evaluation of National Technology Center (國家級技術中心評價) organized by the National Development and Reform Commission.

Profiles of Directors, Supervisors and Senior Management

Executive Directors

Mr. Xu Ping (徐平先生), aged 58, is a senior postgraduate engineer and the Chairman of the Board of Directors of the Company. Mr. Xu graduated in 1982 from Hefei Industrial University with a bachelor's degree in engineering specialising in power plant and power systems. Mr. Xu joined Dongfeng Motor Corporation in 1982 and was the head of Dongfeng Motor Corporation's thermoelectricity factory. Mr. Xu served as the secretary of the Communist Party and deputy general manager of Dongfeng Motor Corporation from July 2001 to June 2005. From 2003 to September 2005, Mr. Xu was a director and a vice president of Dongfeng Motor Co., Ltd., and was also the general manager and the secretary of the Communist Party of Dongfeng Motor Corporation from June 2005 to June 2010. He was appointed as the Chairman and the secretary of the Communist Party of Dongfeng Motor Corporation in June 2010. Mr. Xu has been the Chairman of the board of directors of Dongfeng Motor Co., Ltd. since June 2005, Dongfeng Peugeot Citroën Automobile Company Ltd. since June 2005, Dongfeng Honda Automobile Co., Ltd. since March 2013 and Dongfeng Renault Automobile Company since May 2013. He is a representative of the 12th National People's Congress and a representative of the 18th Communist Party Committee. Mr. Xu has been a director of the Board of Directors of the Company since October 2004, and has been the Chairman of the Board of Directors of the Company since August 2005. On 10 October 2013, Mr. Xu was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Zhu Fushou (朱福壽先生), aged 52, is a senior postgraduate engineer and an Executive Director and the President of the Company. Mr. Zhu graduated from Anhui Technical Institute in 1984 with a Bachelor's degree in Engineering, specialising in Agricultural engineering. He studied Business Administration from 1998 to 2001 and received a Master's degree in Business Administration from Zhongnan University of Finance and Economics. Mr. Zhu joined Dongfeng Motor Corporation in 1984 and has served as a Standing Committee Member of the Communist Party of Dongfeng Motor Corporation and also as a director of Dongfeng Automobile Co., Ltd. since 2001. He was the General Manager of Dongfeng Automobile Co., Ltd. from 2001 to 2009. He was also the Vice President of Dongfeng Motor Co., Ltd. since September 2005. In June 2010, he was appointed as the President of the Company. In August 2010, he was appointed as an Executive Director of the Board of Directors of the Company. In April 2011, he was appointed as the Director and General Manager of the Dongfeng Motor Corporation. He was the chairman of Zhengzhou Nissan Automobile Co., Ltd. in March 2008, Dongfeng Motor Finance Co., Ltd. in April 2010 and Dongfeng Well-off Automobile Co., Ltd. in December 2010. Mr Zhu was also appointed as the director of Dongfeng Motor Co., Ltd. in February 2011, the vice chairman of Dongfeng Peugeot Citroën Automobile Company Limited in June 2011, the executive director of Dongfeng Asset Management Co., Ltd. in November 2011, the vice chairman of Dongfeng Yueda Kia Motor Co., Ltd. in March 2013 and the chairman of Dongfeng Automobile Co., Ltd. in October 2013. Mr. Zhu has more than 20 years of business and management experience in the automotive industry in the PRC. On 10 October 2013, Mr. Zhu was appointed as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Li Shaozhu (李紹燭先生), aged 54, is a senior postgraduate engineer and an Executive Director of the Company. Mr. Li graduated from Tsinghua University in 1983 with a Bachelor's degree in Engineering Science, specializing in Casting Engineering and Equipment. He also studied Business Administration as a part-time postgraduate student from 1994 to 1996 and received a Master's degree in Business Administration from Zhongnan University of Finance and Economics. Mr. Li was appointed as a member of the National Master in Engineering Education Committee by the Second Academic Degrees Committee of the State Council in 2004. Mr. Li joined Dongfeng Motor Corporation in 1983 and was the head of No.2 Foundry Plant of Dongfeng Motor Corporation. Mr. Li has served as Deputy General Manager of Dongfeng Motor Corporation since 1997. He served as General Manager of Dongfeng Automobile Co., Ltd. from July 1999 to November 2001 and was the Vice President of Dongfeng Motor Co., Ltd. from July 2003 to September 2005. He was appointed as a Director of the Board of Directors of the Company in October 2004. In August 2011, Mr Li was appointed as the Chairman of the Dongfeng Design Institute Co., Ltd. and Dongfeng Motor City Logistics Co., Ltd. Mr. Li has more than 20 years of business and management experience in the automotive industry. On 10 October 2013, Mr. Li was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Non-executive Directors

Mr. Tong Dongcheng (童東城先生), aged 58, is a senior economist and a Non-executive Director of the Company. Mr. Tong graduated from the Central Party School in 1996, majoring in Economics and management. He joined Dongfeng Motor Corporation in 1971, and has been the Deputy General Manager of Dongfeng Motor Corporation since 1997. Since 2003, Mr. Tong has served as the Vice President of Dongfeng Motor Co., Ltd., and served as the General Manager of Commercial Vehicle Company of Dongfeng Motor Co., Ltd. from July 2003 to December 2009. In October 2004, Mr. Tong was appointed as the Director of the Company. Mr. Tong has been the director of Dongfeng Motor Co., Ltd. in September 2005, the chairman of the Board of directors of Dongfeng Nanchong Automobile Co., Ltd. in October 2011, Dongfeng Motor Parts and Components Group Co., Ltd. in January 2011, Dongfeng Commercial Vehicle Co., Ltd. in January 2013 and Dongfeng Liuzhou Motor Co., Ltd. in February 2013. Mr. Tong has more than 30 years of business and management experience in the automotive Industry in the PRC. On 10 October 2013, Mr. Tong was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Ouyang Jie (歐陽潔先生), aged 58, is a senior postgraduate engineer and a Non-executive Director of the Company. Mr. Ouyang graduated in 1982 from the Department of Casting of Hunan University with a Bachelor's degree in Engineering Science and received a Bachelor's degree in Economics from the Renmin University of China in 1988. Mr. Ouyang joined Dongfeng Motor Corporation in 1982 and has served as the Deputy General Manager of Dongfeng Motor Corporation since 1997. In 2003, Mr. Ouyang became the Vice President of Dongfeng Motor Co., Ltd. In October 2004, he was appointed as a director of the Board of Directors of the Company. He was appointed as the director of Zhengzhou Nissan Automobile Co., Ltd. in August 2013 and the director of Dongfeng Automobile Co., Ltd. in October 2013. Mr. Ouyang has more than 20 years of business and management experience in the automotive industry in the PRC. On 10 October 2013, Mr. Ouyang was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Liu Weidong (劉衛東先生), aged 48, is a senior postgraduate engineer and a Non-executive Director of the Company. Mr. Liu graduated in 1988 from Wuhan Technical Institute with a Bachelor's Degree in Engineering, specializing in the automotive industry. He studied Management Science and Engineering as a part-time postgraduate student from 2000 to 2003 and received a Master's degree in Management from Wuhan Polytechnic University. He was a representative of the 10th National People's Congress. Mr. Liu joined Dongfeng Motor Corporation in 1988 and has been the Deputy General Manager of Dongfeng Motor Corporation and the General Manager of Dongfeng Peugeot Citroën Automobile Company Ltd. since 2001. Mr. Liu has served as a director of the Board of Directors of the Company since October 2004. He served as the secretary of the Community Party Committee of the Dongfeng Passenger Vehicle Company from July 2007 to July 2011. Form July 2011 to May 2014, he was appointed as the general manager of Dongfeng Passenger Vehicle Company. From July 2011 to March 2012, he served as the secretary of the Community Party Committee of Technical Center of Dongfeng Motor Corporation. In November 2010, Mr. Liu was appointed as the director of Dongfeng Peugeot Citroën Automobile Company Ltd. In August 2011, he was appointed as the chairman of the board of directors of the Dongfeng Hongtai Wuhan Holdings Group Co., Ltd. Since June 2012, Mr. Liu has served as the chairman of the board of directors of Dongfeng Electric Vehicle Co., Ltd. In November 2012, he was appointed as the chairman of the board of directors of Dongfeng GETRAG Transmission Co., Ltd. Mr. Liu has 20 years of business and management experience in the automotive industry in the PRC. On 10 October 2013, Mr. Liu was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Zhou Qiang (周強先生), aged 53, is a senior economist and a Non-executive Director of the Company. Mr. Zhou graduated from the Central Party School in 1992, specializing in Economics and Management. From 2002 to 2005, he studied business administration in Tsinghua University and received an EMBA degree. Mr. Zhou joined Dongfeng Motor Corporation in 1978. In August 2003, Mr. Zhou was appointed as a Standing Committee Member of Dongfeng Motor Co., Ltd., and was also the Secretary of the Communist Party and Deputy General Manager of the Commercial Vehicle Company, Dongfeng Motor Co., Ltd. from July 2003 to September 2005. He has been the assistant to General Manager of Dongfeng Motor Corporation since September 2005 and a Standing Committee Member of Dongfeng Motor Corporation since March 2009. He has been the deputy secretary of Dongfeng Motor Corporation since June 2014 and the Chairman of the Union of Dongfeng Motor Corporation since December 2014. From May 2011 to February 2012, he served as the director of the Dongfeng Motor Corporation Shiyan Administration Division. Mr Zhou was appointed as the chairman of the board of directors of China Dongfeng Motor Industry Import and Export Company in August 2011 and Dongfeng Nissan Auto Finance Co., Ltd. in November 2012. He was also appointed as the director of Dongfeng Commercial Vehicle Co., Ltd. in January 2013 and Dongfeng Motor Finance Co., Ltd. in February 2013. Mr. Zhou has 20 years of business and management experience in the automotive industry in the PRC. On 10 October 2013, Mr. Zhou was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Independent Non-executive Directors

Mr. Ma Zhigeng (馬之庚先生), aged 70, has served as the external director of Dongfeng Motor Corporation and China Three Gorges Corporation since March 2011. Mr. Ma graduated from Yangzhou Institute of Technology majoring in mechanical manufacturing in 1968. Mr. Ma has worked in various positions since September 1968, including the deputy head of Sichuan Ordnance Bureau of the Ordnance Ministry (兵器部四川兵工局), deputy head of the Southwest regional department of China North Industries Group (中國北方工業(集團)總公司), as well as deputy head, chief economist, deputy general manager and deputy party secretary of the Southwest Ordnance Bureau of China North Industries Corporation (中國兵器工業總公司). He served as the general manager and party secretary of China North Industries Group Corporation from June 1999 to June 2007, and as the general manager of China North Industries Group Corporation from June 2007 to October 2008. Mr. Ma has served as the external director of Shanghai Electric Group, China Three Gorges Corporation and Dongfeng Motor Corporation since June 2010, December 2010 and March 2011, respectively. On 10 October 2013, Mr. Ma was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Zhang Xiaotie (張曉鐵先生), aged 62, is the external director of Dongfeng Motor Corporation and China National Travel Service (HK) Group Corporation. Mr. Zhang graduated from the School of Economics and Management of Tsinghua University as a part-time postgraduate in industrial management engineering and received a Master's degree in engineering in 1989. Mr. Zhang had worked in various positions since 1969, including the deputy director general of the Finance Department of the Ministry of Posts and Telecommunications, deputy director general and director general of the Department of Financial Adjustment and Clearance of the Ministry of Information Industry, assistant to president, general manager and deputy general manager of the Planning and Financial Division and a member of Leading Party Group of China Netcom Corporation, and director and senior vice president of China Netcom Group Corporation (Hong Kong) Limited. From May 2008 to June 2010, he served as the deputy general manager and member of Leading Party Group of China Netcom Corporation. He became the external director of China Electronics Corporation and Dongfeng Motor Corporation in June 2010 and March 2011, respectively. Mr. Zhang is not related to any of the Directors and senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Zhang was elected as Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Cao Xinghe (曹興和先生), aged 65, is a senior economist and the external director of Dongfeng Motor Corporation. Mr. Cao graduated from Tianjin Politics and Law Management College majoring in economic laws and Capital University of Economics and Business as a postgraduate majoring in business administration. He had worked in various positions since 1965, including the deputy general manager, general manager and secretary of the Communist Party of China Offshore Oil Bohai Corporation, and assistant to general manager of China National Offshore Oil Corporation. From 2004 to 2010, he served as the deputy general manager and member of Leading Party Group of China National Offshore Oil Corporation. He served as the vice chairman of China Petroleum Enterprise Association and honorary chairman of China Petroleum and Chemical Enterprise Association (中國石油化工企業聯合會) in 2007. He became an independent director of China Yangtze Power Co., Ltd. in 2010, external director of Dongfeng Motor Corporation in 2011 and external director of China Shipping (Group) Company in 2012. Mr. Cao is not related to any of the Directors and senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Cao was elected as Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Chen Yunfei (陳雲飛先生), aged 44, lives in Hong Kong. Mr. Chen received his bachelor's degree in law from Wuhan University in July 1992 and JD from Southern Illinois University in the US in December 1996. In early 1997, he joined Sullivan & Cromwell, an American law firm based in New York, and started practicing securities law. He moved to Hong Kong in 1998 and continued legal practice in the Hong Kong office of Sullivan & Cromwell. He left Sullivan & Cromwell in July 2001 and joined the Asian investment banking division of Deutsche Bank. During his service as a managing director in the Asian investment banking division of Deutsche Bank, he ran its Asian general industry (such as automobile industry) and metal and mining groups in different periods. In August 2007, he left Deutsche Bank and became an independent investor engaged in investment and consultation. He served as the board chairman of Asia Coal Limited, a company listed in Hong Kong, and is currently the independent director of China Gold International Resources Corp. Ltd., a company listed in Toronto, Canada and Hong Kong. Mr. Chen is not related to any of the Directors and senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Chen was elected as Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Senior Management

Mr. Cai Wei (蔡瑋先生), aged 56, is the Vice President and the Secretary of the Board of Directors of the Company. Mr. Cai is a senior postgraduate engineer. He graduated from Hefei Industrial University in 1982 with a Bachelor's degree in Engineering Science, specializing in internal combustion engines. Mr. Cai joined Dongfeng Motor Corporation in 1982 and was the General Manager of the auto parts division of the Dongfeng Motor Corporation from November 2001 to July 2003. He was the Head of the Planning Department of Dongfeng Motor Corporation from July 2003 to September 2005 and has been the Vice President and the Secretary of the Board of Directors of Dongfeng Motor Group Company Limited since October 2004. Mr. Cai was appointed as a director of Dongfeng Honda Automobile Co., Ltd. in July 2003 and Dongfeng Peugeot Citroën Automobile Company Ltd. in November 2006. He also served as the chairman of the board of directors of Dongfeng Honda Engine Co., Ltd. and Dongfeng Honda Automoible Co., Ltd. in December 2013.

Supervisors

Mr. Ma Liangjie (馬良杰先生), aged 58, is an engineer and the Chairman of the Supervisory Committee of the Company. Mr. Ma graduated from Jilin University of Technology in 1982, specializing in design and manufacturing of internal combustion engine. Prior to joining Dongfeng Motor Corporation, he was an assistant to general manager of China Aerospace Science & Industry Corporation and the Vice Chairman, General Manager of China Aerospace Automobile Co., Ltd. (中國航天汽車有限公司) and the Chairman of Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. Mr. Ma joined Dongfeng Motor Corporation in December 2008, and he served as a standing committee member and the secretary of the disciplinary committee of the Communist Party of Dongfeng Motor Corporation. From March 2011 to June 2014, Mr. Ma was appointed as the Director of Dongfeng Motor Corporation. On October 2013, Mr. Ma was elected as the Chairman of the Fourth Session of the Supervisory Committee for a term of three years commencing 10 October 2013.

Mr. Ren Yong (任勇先生), aged 49, is a senior accountant. He has been a Supervisor of the Supervisory Committee of the Company since October 2004. On 10 October 2013, Mr. Ren was re-elected as a Supervisor of the Fourth Session of the Supervisory Committee for a term of three years commencing 10 October 2013. Due to the serious disciplinary violations, Dongfeng Motor Corporation has removed his administrative roles and duties on 19 December 2014. The Company has announced to remove his position as Supervisor on 19 December 2014.

Mr. Feng Guo (馮果先生), aged 46, has been teaching at Wuhan University since his graduation from the postgraduate degree studies in economic law in 1992. He was promoted to lecturer in 1994, associate professor in 1999 and professor in 2002. He became a visiting scholar of the University of Sheffield in the UK and was admitted to the Program for New Century Excellent Talents (新世紀優秀人才支持計劃) in 2005. He is the associate dean and the head of Economic Law Research Institute (經濟法研究所) of Wuhan University. He also serves as a distinguished professor of Luojia and doctoral tutor at Wuhan University. Mr. Feng holds various academic positions, such as the executive director and vice chairman of the academic committee of Chinese Society of Economic Law (中國經濟法學會), executive director of Commercial Law Research Association of China Law Society (中國法學會商法學研究會), president of Hubei Commercial Law Society (湖北商法學會), vice president of Hubei Economic Law Research Institute (湖北省經濟法研究會副會長), part-time researcher of Economic Law Research Center of Xiamen University (廈門大學經濟法研究中心), researcher of Economic Law Research Center of Southwest University of Political Science and Law (西南政法大學經濟法研究中心), part-timer professor of the Law School of Huazhong University of Science and Technology and the School of Law of Huazhong Agricultural University, arbitrator of Wuhan Arbitration Commission and member of the expert advisory committee of Intermediate People's Court in Wuhan. He mainly engages in teaching and researching in economic laws and commercial laws. He is an independent director of Two listed companies, namely Sante Cableway, Dinglong Chemical. Mr. Feng is not related to any of the Directors or senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Feng was re-elected as a Supervisor of the Fourth Session of the Supervisory Committee for a term of three years commencing 10 October 2013.

Mr. Zhao Jun (趙軍先生), aged 56, graduated from Jilin University with a bachelor's degree in mathematics in 1982 and obtained his master's and doctoral degrees in science from Beijing Institute of Technology in 1987 and 1990, respectively. He was promoted to associate professor in 1991. He served as the director of registry in the former Beijing Institute of Commerce (currently known as Beijing Technology and Business University) from 1995 to 1998 and was promoted to professor in 2001. He is a professor and postgraduate instructor in administration at the Business School of University of International Business and Economics. His researches cover academic fields of econometric model, management decision analysis, and statistical analysis and forecasting. He has published over 20 articles on theories of professional disciplines, application of theories, teaching materials and methodologies and education management. Mr. Zhao received the second prize for National Outstanding Teaching Achievements (國家級優秀教學成果二等獎) and the first prize for Beijing Outstanding Teaching Achievements (北京地區優秀教學成果一等獎). Mr. Zhao is not related to any of the Directors or senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Zhao was re-elected as a Supervisor of the Fourth Session of the Supervisory Committee for a term of three years commencing 10 October 2013.

Joint Company Secretary

Lu Feng (盧鋒), aged 47, the Joint Company Secretary of the Company, the head of Legal & Securities Affairs Department and Asset Management Department of the Company and the head of the secretariat of the Board of Directors of the Company. Mr. Lu served as the deputy general manager of Dongfeng Automobile Co., Ltd. from June 2002 to December 2009 and the general manager of Dongfeng Automobile Co., Ltd. from December 2009 to November 2011.

Lo Yee Har, Susan (盧綺霞), aged 56, is the Joint Company Secretary of the Company. Ms. Lo is an executive director of Tricor Services Limited. She is a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

Heads of Departments

The head of the Office of the Company (Party Committee Office) is Mr. Zhao Shuliang

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

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

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 Organization & 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 Technical Development Department of the Company is Mr. Li Jiangang

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

The head of the Legal & Securities Affairs Department of the Company (The Secretary of the board of directors) is Mr. Lu Feng

The head of the Asset Management Department of the Company is Mr. Lu Feng

The head of the employee welfare and insurance Department of the Company is Mr. Zhou Weiyong

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

The head of the new energy vehicle business is Mr. Huang Zhaoqin

The head of the military vehicle business is Mr. He Wei

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

Report of the Supervisory Committee

Dear shareholders,

In 2014, the Supervisory Committee has carried out its supervisory and other duties in accordance with the Company's Articles of Association to ensure the sound, stable and sustainable development of the Company as well as to safeguard the legal interests of all shareholders. It has performed effective supervision, through the inspection of relevant documents and information of the Company, and attending meetings of the Board of Directors and the shareholders' general meetings, on the compliance of laws, financial positions, connected transactions and internal control of the Company. The Supervisory Committee expressed the following independent opinion of such matters of the Company during the reporting period.

1. PERFORMANCE OF THE SUPERVISORY COMMITTEE

In 2014, the Supervisory Committee held two meetings and the number of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2014, the Supervisory Committee has reviewed and approved: the 2013 report of the Supervisory Committee of the Company; the 2013 financial report, which was audited by Ernst & Young Hua Ming; the 2013 auditors' report, which was audited by Ernst & Young and reviewed and approved by the Audit Committee; the 2013 annual report and preliminary results announcement; the 2013 profit distribution and payment of dividend proposal; the 2014 interim report and results announcement and the payment of 2014 interim dividend.

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

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

After the supervision on the directors and senior management of the Company, the Supervisory Committee is of the view that the Board of Directors was in compliance with the Company Law, the Securities Law, the Listing Rules of the Stock Exchange of Hong Kong, the Articles of Association of the Company and other relevant laws, rules and regulations and all Directors diligently performed their duties in 2014. The Supervisory Committee also considers that through scientific and democratic decision-making of the Board of Directors, the internal management and internal control system of the Company have been further improved and a better internal control mechanism was established. The decision of the Company on material matters was reasonable and procedures of decision-making were in compliance with laws and valid. The Directors and the senior management of the Company complied with the laws, regulations, the Article of Association of the Company and the resolutions passed at the Shareholders' General Meeting and Board Meeting during their performance of duty. They were devoted to performing their duties diligently and precisely and performed their duties cautiously and aggressively.

During the reporting period, Ren Yong, a supervisor of the Company, is currently under serious disciplinary and criminal investigations by authorities. The Company has resolved to remove him from his administrative roles and proposed to remove him from the position of supervisors by shareholders. The Company has published an announcement on the suspension of his supervisor duties on 19 December 2014. The suspension will be proposed to shareholders' general meeting for approval in due course in accordance with the results of the investigations.

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

The Chairman of the Supervisory Committee has attended all meetings of the Audit Committee under the Board during the reporting period, examined the financial system, financial position and internal audit of the Company and reviewed the 2013 annual report and 2014 interim report of the Company. The Supervisory Committee considers that the financial statements of the Company were prepared in accordance with the Listing Rules, Company Ordinance and International Accounting Principles and Standards. The financial system of the Company was sound and the management measures and internal control system were effective and could ensure the smooth operation and production of the Company. The Supervisory Committee also considers that the 2014 financial report gives a full, true and fair view of the operating results and financial position of the Dongfeng Motor Group for the year and that the unqualified opinion in the financial report issued by PricewaterhouseCoopers Limited, the auditors of the Company, are objective and fair.

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

The Supervisory Committee has seen the operating results and assets position of the Company in 2014 to its satisfaction. In 2015, the Supervisory Committee will strictly follow the relevant provisions, such as the Company Law, Securities Law and the Articles of Association of the Company and carry out supervision on the performance and conduct of the Board of Directors and senior management in accordance with laws. The Supervisory Committee will also supervise the Company to refine the corporate governance structure based on the requirements of modern enterprise system, in order to enhance the corporate governance level. In addition, the Supervisory Committee will carry out supervision and perform their duties diligently and attend meetings of the Board of Directors, so as to ensure the decision-making procedures of material matters of the Company to be in compliance with laws and protect the interests of our shareholders. Besides, through supervising on the financial situation of the Company, further enhancing its internal control and operational risk prevention and maintaining the communication with the internal audit department and external audit institution, the Supervisory Committee will further protect the interests of the Company and our shareholders, in order to consolidate its solid foundation for steady and sustainable development.

By Order of the Supervisory Committee

Ma Liangjie
Chairman of the Supervisory Committee

Wuhan, the PRC
25 March 2015

Corporate Governance Report

1. Overview of Corporate Governance

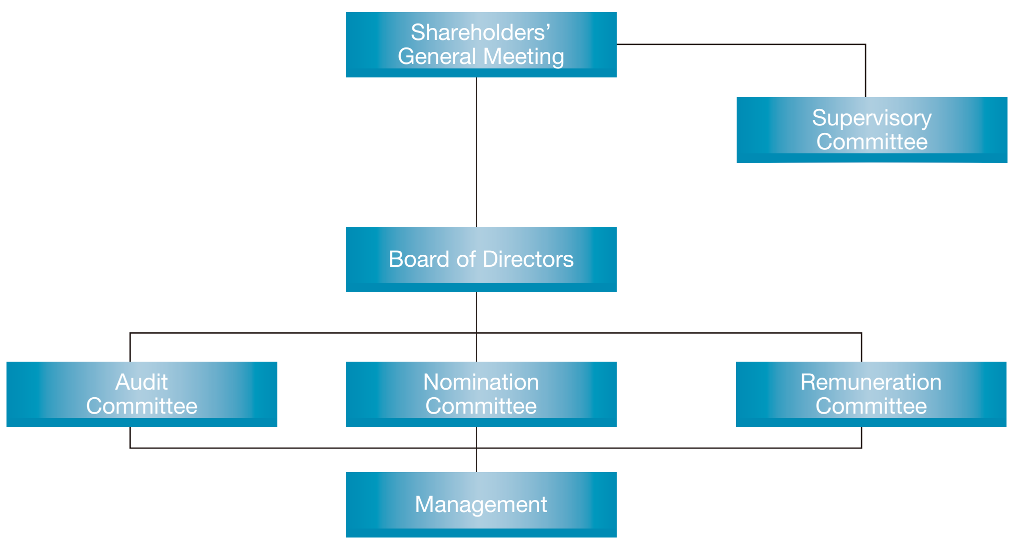
The Company has been in compliance with the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Corporate Governance Code of the Stock Exchange of Hong Kong and the Articles of the Association of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

The Board of Directors has reviewed the corporate governance practices of the Company and adopted a number of improved practices, details of which are set out in this report. During the financial year ended 31 December 2014, the Company fully complied with the code provisions as set out in the Corporate Governance Code (Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited).

2. Structure of Corporate Governance

1. General Structure of Corporate Governance

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



2. Shareholders and Shareholders' General Meeting

(1) Shareholders

As at 31 December 2014, Dongfeng Motor Corporation, controlling shareholder of the Company, held 66.86% equity interest in the Company, with a market value of RMB49,900.29 million. The remaining 33.14% equity interest in the Company was held by public shareholders, with a market value of RMB24,733.71 million.

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

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

(2) Rights of Shareholders

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

In addition to the rights provided in the Articles of Association of the Company, pursuant to the rules of procedures of shareholders' general meeting, our shareholders shall also enjoy the following rights:

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

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

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

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

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

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

(3) Communication with Shareholders and Investors/ Investor Relations

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

The full text of the Articles of Association of the Company is posted on the websites of the Company and Hong Kong Stock Exchange. In 2014, there was no amendment or change to the Articles of Association.

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

Correspondence address:
Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong;

Telephone no.:
(+852) 2862 8628

(4) Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

(5) Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Special No.1 Dongfeng Road
Wuhan Economic and
Technology Development Zone Wuhan,
Hubei 430056, The People's Republic of China
(For the attention of the Joint Company Secretary)

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

(6) Shareholders' General Meeting

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

During the reporting year, the Company held the annual general meeting at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei at 9:00 a.m. on 20 June 2014 (Friday). The resolutions considered at the meeting and the percentages of votes for and against the resolutions are as follows:

Resolution		For	%	Against	%
I.	As more than half (1/2) of the votes from the shareholders who attended and voted at the annual general meeting were cast in favour of the following resolutions, the resolutions were duly passed as ordinary resolutions:				
1.	To consider and approve the report of the Board of Directors of the Company for the year ended 31 December 2013.	7,448,614,340	99.97	2,188,000	0.03
2.	To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2013.	7,448,614,340	99.97	2,188,000	0.03
3.	To consider and approve the international auditors' report and audited financial statements of the Company for the year ended 31 December 2013.	7,442,720,396	99.89	8,081,944	0.11
4.	To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2013, and to authorize the Board of Directors to deal with all issues in relation to the Company's distribution of final dividend for the year 2013.	7,446,196,340	99.93	4,850,000	0.07
5.	To consider and approve the authorization to the Board of Directors to deal with all issues in relation to the Company's distribution of interim dividend for the year 2014 in its absolute discretion (including, but not limited to, determining whether to distribute interim dividend for the year 2014).	7,451,046,340	100	0	0
6.	To consider and approve the appointment of PricewaterhouseCoopers Limited as the international auditor of the Company, and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the year 2014 to hold office until the conclusion of the next annual general meeting for the year 2014, and to authorize the Board of Directors to fix their remunerations.	6,483,574,098	87.06	963,618,982	12.94

Resolution		For	%	Against	%
7.	To consider and approve the authorization to the Board of Directors to fix the remuneration of the directors and the supervisors of the Company for the year 2014.	7,406,116,396	99.40	44,929,944	0.60
II.	As more than two-third (2/3) of the votes from the shareholders who attended and voted at the annual general meeting were cast in favour of the following resolutions, the resolutions were duly passed as a special resolutions:				
8.	To consider and approve the amendments to the rules of procedures of shareholders' general meeting.	7,450,702,340	99.995	344,000	0.005
9.	To consider and approve the amendments to the rules of procedures of board meeting.	7,450,702,340	99.995	344,000	0.005
10.	To grant a general mandate to the Board of Directors to issue, allot and deal with additional shares in the Company not exceeding 20 percent of each of existing domestic shares and H shares in issue.	5,933,594,559	79.63	1,517,451,781	20.37

All the resolutions proposed at the 2013 annual general meeting were approved. There was no restriction on shareholders to cast votes on the resolutions proposed at the annual general meeting. Computershare Hong Kong Investor Services Limited, the share registrar of the Company, retained lawyer Guo Zhi from Commerce & Finance Law Offices as the scrutineer for the vote-taking at the annual general meeting. Poll results were announced at the meeting and on the websites of the Company and the Hong Kong Stock Exchange on the day of the meeting.

(7) Shareholders' Calendar

The following table sets out the tentative key dates for shareholders for the financial year ending 31 December 2015. The dates are subject to changes in situation. Shareholders should refer to our announcements issued from time to time.

2015 Shareholders' Calendar

25 March	Announcement of final results and final dividend for the financial year ended 31 December 2014
29 April	Upload of 2014 annual report on the websites of the Company and the Hong Kong Stock Exchange
30 April	Dispatch of 2014 annual reports to shareholders
19 June	2014 annual general meeting
Mid-August	Payment of final dividend for the financial year ended 31 December 2014
26 August	Announcement of interim results and interim dividend for the six months ending 30 June 2015, if any
Mid-September	Payment of interim dividend for the six months ending 30 June 2015, if any

3. Directors and Board of Directors

(1) Directors

1). Composition and Term of Office of Directors

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

The current session of the Board of Directors is the fourth session since the establishment of the Company, which consists of eleven directors, including Mr. Xu Ping, Mr. Zhu Fushou and Mr. Li Shaozhu as executive directors, Mr. Tong Dongcheng, Mr. Ouyang Jie, Mr. Liu Weidong and Mr. Zhou Qiang as non-executive directors, and Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei as independent non-executive directors. The term of office of all current directors is three years from 10 October 2013. All independent non-executive directors are independent persons, and are not connected with the Company and its substantial shareholders. They can serve consecutive terms not exceeding nine years.

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

Members of the Board of Directors of the Company have different industry backgrounds, having expertise and extensive experience in areas of corporate management, financial accounting, laws and investment. The Board of Directors has formulated the Board Diversification Policy and reviews its composition at least once a year. Brief biographies of each of the directors are set out on pages 49 to 53 in this annual report.

2). Chairman and President

The Chairman and President of the Company are acted by different persons with a clear division of duties. During the reporting year, the Chairman and President of the Company was Mr. Xu Ping and Mr. Zhu Fushou respectively. The Chairman is responsible for supervising the daily operation of the Board of Directors. Under the leadership of the Chairman, the President is mainly responsible for the management of daily production and operation and the implementation of the resolutions of the Board of Directors. Details of the senior management of the Company are set out on page 53 in this annual report.

3). Independent non-executive directors

Currently, the Company has four independent non-executive directors, representing more than 1/3 of the total members of the Board of Directors. The Company met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with one of whom processing appropriate professional qualifications or accounting or related financial management expertise. All the independent non-executive directors of the Company are familiar with the rights and obligations of directors and independent non-executive directors of listed companies. During the reporting period, the independent non-executive directors attended board meetings and shareholders' general meetings in a careful, responsible and active manner. They made extensive efforts to improve the Company's corporate governance and material decision-making, and expressed impartial and objective opinions to effectively safeguard the interests of shareholders. All of the four independent non-executive directors of the Company were members of the committees under the Board of Directors.

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

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

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

4). Non-executive directors

The term of the non-executive directors is in 3 years which is consistent with other board members and subject to re-election.

5). Training and Continuous Professional Development of Directors

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

During the reporting year, all directors were regularly given the newsletters for directors and supervisors prepared by the Company Secretariat to understand the industry development, current operation, financial condition and relevant information of the Company. They also actively participated in relevant trainings to understand the latest requirement of corporate governance and regulations. The records are as follows:

	Information reviewed	Training attended
Executive directors		
Mr. Xu Ping *(Chairman)*	9 issues	—
Mr. Zhu Fushou *(President)*	9 issues	—
Mr. Li Shaozhu	9 issues	—
Non-executive directors		
Mr. Tong Dongcheng	9 issues	—
Mr. Ouyang Jie	9 issues	—
Mr. Liu Weidong	9 issues	—
Mr. Zhou Qiang	9 issues	—
Independent non-executive directors		
Mr. Ma Zhigeng	9 issues	4 days
Mr. Zhang Xiaotie	9 issues	—
Mr. Cao Xinghe	9 issues	—
Mr. Chen Yunfei	9 issues	4 days

6). Securities Transaction of Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") to regulate the directors' securities transactions. During the reporting year, none of the directors had any other interest in the shares of the Company. All directors have confirmed, following enquiry by the Company, that they fully complied with the Model Code during 2014.

7). Remuneration of Directors

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

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

During the reporting year, the Company paid remuneration of RMB120,000 (after tax) to each of four independent non-executive directors of the fourth session of the Board of Directors, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei.

(2) The Board

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

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

- to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders in general meetings;
- to implement the resolutions passed by the shareholders in general meetings;
- to determine the business plans and investment proposals of the Company;
- to formulate the preliminary and final annual financial budgets of the Company;
- to formulate the profit distribution proposal and loss recovery proposal of the Company;
- to formulate the debt and financial policies, proposals for the increase or reduction of the registered capital of the Company and for the issuance of debentures;
- to draw up the material acquisition or disposal proposals and plans for the merger, division or dissolution of the Company;
- to determine the establishment of the internal management structure of the Company;
- to appoint or remove the president of the Company, to appoint or remove the vice president and the finance director of the Company based on the nominations of the president, and to decide on their remuneration;
- to decide on the establishment of the branch organizations of the Company;
- to set up the basic management system of the Company, including the financial management and human resources management systems;
- to formulate proposals for any amendment of the Articles of Association;
- to submit the proposals for application of bankruptcy of the Company;
- to determine the external guarantees of the Company under the authorization of general meetings;
- except for the matters that the Company Law and the Articles of Association require to be resolved by the shareholders in general meeting, to decide on other important and administrative matters of the Company and to execute other important agreements;
- to receive and inspect the minutes of board meetings and meetings of board committees;
- to review the compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report;

- to exercise such other authorities as conferred at general meetings and the Articles of Association.

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

1) The Board Meeting

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

	The Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive directors					
Mr. Xu Ping *(Chairman)*	10/10 (100%)	—	—	2/2 (100%)	1/1 (100%)
Mr. Zhu Fushou *(general manager)*	10/10 (100%)	—	—	—	1/1 (100%)
Mr. Li Shaozhu	10/10 (100%)	—	2/2 (100%)	—	0/1 (0%)
Non-executive directors					
Mr. Tong Dongcheng	9/10 (90%)	—	—	—	1/1 (100%)
Mr. Ouyang Jie	9/10 (90%)	2/3 (66.7%)	—	—	1/1 (100%)
Mr. Liu Weidong	9/10 (90%)	—	—	—	1/1 (100%)
Mr. Zhou Qiang	9/10 (90%)	—	—	—	1/1 (100%)
Independent Non-executive directors					
Mr. Ma Zhigeng	9/10 (90%)	—	1/2 (50%)	1/2 (50%)	1/1 (100%)
Mr. Zhang Xiaotie	10/10 (100%)	3/3 (100%)	—	2/2 (100%)	1/1 (100%)
Mr. Cao Xinghe	9/10 (90%)	—	1/2 (50%)	—	0/1 (0%)
Mr. Chen Yunfei	10/10 (100%)	3/3 (100%)	—	—	1/1 (100%)

The chairman also holds meetings with the non-executive directors (including independent non-executive directors) without the executive directors presented every year.

2) Committees under the Board

The Company has established three committees under the Board, including Audit Committee, Remuneration Committee and Nomination Committee. The members of these committees are mainly Independent Non-executive Directors. Each of the committees carries out its duties in accordance with its term of reference.

On 10 October 2013, the Company revised the rules of procedures for the three committees as approved by the extraordinary general meeting for 2013.

The full texts of the rules of procedures of these committees were revised by the Company and posted on the websites of the Company and the Hong Kong Stock Exchange. Copies of the rules of procedures shall be requested from the company secretary in written.

Audit Committee

Committee members

The members of the Audit Committee are mainly Independent Non-executive Directors, including Mr. Zhang Xiaotie (the convener), Mr. Chen Yunfei and Mr. Ouyang Jie. Mr. Zhang Xiaotie has professional experience in financial management.

Major duties

- to advice the Board on the appointment or replacement of intermediary firms such as auditor and their remuneration;
- reviewing the financial reports of the Company, accounting policy of the Company and its changes, and other financial documents that required approval of the Board, and making suggestions to the Board;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- meeting with the auditor at least twice a year to discuss about the auditing fee, issues arising from the auditing work and other matters suggested by the auditor;
- reviewing the systems for financial control, internal control and risk management of the Company, and discussing the internal control system with the management to ensure the management has performed their duties to establish an effective internal control system;
- coordinating the communication and work of internal and external auditors;
- ensuring sufficient resources provided to and appropriate standing for the internal auditing department within the Company, and reviewing and monitoring the efficiency of the internal auditing department;
- reviewing the following arrangements of the Company which the employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for a fair and independent investigation of such matters and for appropriate follow-up actions;
- to comply with any new requirements on the duties and authorities of the Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;
- other duties as authorized by the Board.

The major works in 2014

The Audit Committee held three meetings in 2014 and the attendance of its members was set out in this report. In addition to reviewing the report from external auditors for the reviewing of annual report and interim report, the Audit Committee held a meeting with external auditors in Beijing on 29 September 2014. None of the Executive Directors attended the meeting.

The major works of the Audit Committee in 2014 included:

- reviewing the annual financial report for 2013;
- reviewing the engagement of chief auditor for 2014;
- reviewing the interim financial report for 2014;
- receiving report on the conclusion of internal audit work for 2013 and report on audit work plan for 2014;
- considering and approving the work plan of Audit Committee of the Board for 2015;
- receiving the analysis report on capital management, financing channels and costs.

Remuneration Committee

Committee members

The members of the Remuneration Committee are mainly Independent Non-executive Directors, including Mr. Ma Zhigeng (the convener), Mr. Cao Xinghe and Mr. Li Shaozhu.

Major duties

- to formulate the remuneration structure and strategy of senior management, and submit the same to the Board for approval;
- to formulate the remuneration proposal of Directors, Supervisors and senior management and medium and long term incentive schemes and submit the same to the Board for approval, and conduct performance appraisal for senior management;
- to make suggestion on the remuneration of particular Directors and senior management to the Board;
- to review and approve the compensation (if any) payable to the Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and is also fair and not excessive for the Company;
- to review and approve compensation arrangements (if any) relating to the dismissal or removal of the Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and compensation payment is reasonable and appropriate;
- to ensure that no Director or any of his/her associates are involved in determining his/her own remuneration. The remuneration of a Non-executive Director who is a member of the Remuneration Committee shall be determined by other committee members;
- to comply with any new requirements on the duties and authorities of the Remuneration Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;
- other duties authorized by the Board.

The major works in 2014

The Remuneration Committee held two meetings in 2014 and the attendance of its members was set out in this report.

The major works of the Remuneration Committee in 2014 included:

- reviewing the remuneration scheme of the Directors and Supervisors of the Company for 2014;
- reviewing and considering the work plan of the Remuneration Committee of the Board for 2015.

Nomination Committee

Committee members

The members of the Nomination Committee are mainly Independent Non-executive Directors, including Mr. Xu Ping (the convener), Mr. Ma Zhigeng and Mr. Zhang Xiaotie.

Major duties

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

The major works in 2014

The Nomination Committee held two meetings in 2014 and the attendance of its members was set out in this report.

The major works of the Nomination Committee in 2014 included:

- reviewing the remuneration scheme of Directors and Supervisors of the Company for 2014;
- reviewing the composition of the Board;
- considering and approving the work plan of the Nomination Committee of the Board for 2015.

4. Supervisors and the Supervisory Committee

(i) Supervisors

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

The current Supervisory Committee is the fourth session of Supervisory Committee since the establishment of the Company and comprises five Supervisors, namely, Mr. Ma Liangjie, chairman of the Supervisory Committee, Mr. Ren Yong, supervisor, Mr. Feng Guo and Mr. Zhao Jun, independent supervisors and Mr. Zhong Bing, the Supervisor representing employees. All Supervisors were appointed for a term of three years commencing from 10 October 2013.

Mr. Ren Yong, a supervisor, is currently under serious disciplinary and criminal investigations by the authorities. The Company has resolved to remove him from his administrative roles and proposed to remove him from the position of supervisor by shareholders' general meeting. The Company has published an announcement on the suspension of his supervisor duties on 19 December 2014. The suspension will be proposed to shareholders' general meeting for approval in due course in accordance with the results of the investigations.

(ii) Supervisory Committee

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

	The Supervisory Committee	The regular meeting of the Board	Annual general meeting	remarks
Supervisor				The supervisor duties of Ren Yong was suspended on 19 December 2014. The suspension will be proposed to shareholders' general meeting for approval in due course.
Mr. Ma Liangjie *(the chairman)*	2/2 (100%)	4/4 (100%)	1/1 (100%)	
Mr. Ren Yong	0/2 (0%)	1/4 (25%)	0/1 (0%)	
Independent Supervisor				
Mr. Feng Guo	1/2 (50%)	2/4 (50%)	1/1 (100%)	
Mr. Zhao Jun	2/2 (100%)	3/4 (75%)	1/1 (100%)	
Supervisor representing employees				
Mr. Zhong Bing	2/2 (100%)	4/4 (100%)	1/1 (100%)	

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

The Supervisory Committee reviewed the annual and interim financial reports and relevant information of the Company. Upon the audit, accountants have issued an unqualified auditors' report on the 2013 annual financial report and are of the view that the report objectively, correctly and fairly reflects the financial position and operation results of the Company.

The disciplinary and criminal investigations of a senior officer reflected that there are weakness in the internal management and corruption prevention of the Company, causing adverse effect on the Company. In response, the Company will establish a strict and comprehensive internal control system to prevent risks. The Company will also carry out probity trainings to regulate the behavior of its employees. The Company will strictly implement a system that all major decisions shall be made collectively and will regulate the decision-making process. The Company will also establish an effective supervision mechanism to detect and eliminate any deficiencies in management. The Company emphasizes the importance of integrity in its operation and development so as to achieve remarkable operation results and to protect the interests of its shareholders.

5. Accountability and Auditing

(i) Financial Reporting

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

The statement of the auditor of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 77 to 78 of this annual report.

(ii) Auditors and their Remuneration

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

The Company retained PricewaterhouseCoopers as the international auditor of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the reporting period. The total remuneration paid to the primary auditors for the audit of annual report amounted to RMB9.8 million.

The Audit Committee has discussed and evaluated the professional qualification and the audit works of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP for 2014.

(iii) Internal Control

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

In accordance with the Corporate Governance Code of the Hong Kong Stock Exchange, the Company has set up a strict internal control system in relation to financial reporting and refined internal control management system.

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

During the Reporting Period, under the authorization of the Board and the Audit Committee, the Audit Department of the Company carried out self-evaluation on the structure and operation of internal control in respects of the comprehensiveness, significance, control, adaptability and cost effectiveness to ensure the operation of the Company is in compliance with laws, to prevent risks and to enhance the management of the Company. The Company further refined and improved risk prevention mechanism and internal control system so as to ensure the sound operation of the Company.

The evaluation on the internal control covered the entire business chain and value chain from technology development, procurement management, production management to marketing. The evaluation focused on the following major risks: innovation risk, strategy management risk, human resources risk, brand management risk, reformation and restructuring risk, risk on establishment of information system, investment risk, information security management risk, overseas operation risk, macroeconomic policy risk, performance management risk, risk on business planning, internal control management and compliance risk, quality management risk, crisis management risk, development risk, environmental protection and energy conservation risk and corporate culture risk. The businesses and matters under evaluation included five major elements of the Company, namely the internal environment of the Company, risk assessment, control activity, information and communication and internal control. The evaluation covered 26 aspects, including governance structure and rules of procedures, organizations, duties and authorities division, corporate culture, social responsibility, developmental strategies, risk assessment, information and communication, internal control, marketing management, procurement management, logistics management, production management, project management, fixed asset management, intangible asset management, fund management, security management, investment business, tax management, human resource management, technology and R&D management, connected transaction, financial reporting management, comprehensive budget management, contract management, information system management. The evaluation was carried out by collecting evidence on the effectiveness of the structure and operation of internal control by way of interview, questionnaire, walk through testing, sampling, on-site inspection and comparison analysis and other methods. All findings were correctly reflected in the evaluation sheets for the Company to analyze and identify the deficiencies of internal control and to prepare evaluation report on internal control.

The internal control of the Company covered major aspects of the management of the Company. During the reporting period, the Company has established internal control system for all businesses and issues which were included in the evaluation and the system was implemented effectively, meeting the objectives of internal control of the Company. The internal control of the Company did not have any material deficiencies. As such, the Board considered that the internal control system of the Company was proper and effective and was able to meet the objectives of the internal control of the Company. The Company analyzed the control system objectively and improved the system in a timely manner, so as to fulfill and adapt to the needs for the development of the Company.

6. Company Secretaries

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

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

7. Other Stakeholders

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

8. Strengthening of Corporate Governance

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

Independent Auditor's Report

pwc 羅兵咸永道

To the shareholders of Dongfeng Motor Group Company Limited

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 79 to 190, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2015

Consolidated Income Statement

Year ended 31 December 2014

		Year ended 31 December	
		2014	2013
	Notes	**RMB million**	RMB million
Revenue	4	**80,954**	37,263
Cost of sales		**(70,244)**	(32,582)
Gross profit		**10,710**	4,681
Other income	5	**1,541**	1,281
Selling and distribution expenses		**(4,134)**	(2,268)
Administrative expenses		**(3,281)**	(2,179)
Other expenses		**(3,408)**	(2,062)
Finance income/(costs)	7	**504**	(170)
Share of profits and losses of:			
Joint ventures	18	**10,662**	11,176
Associates	19	**2,089**	253
PROFIT BEFORE TAX	6	**14,683**	10,712
Income tax expense	10	**(1,365)**	(109)
PROFIT FOR THE YEAR		**13,318**	10,603
Profit attributable to:			
Equity holders of the parent	11	**12,845**	10,528
Non-controlling interests		**473**	75
		13,318	10,603
Earnings per share attributable to ordinary equity holders of the parent:	13		
Basic for the year		**149.08 cent**	122.19 cent
Diluted for the year		**149.08 cent**	122.19 cent

Details of dividends proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	Year ended 31 December 2014 RMB million	2013 RMB million
PROFIT FOR THE YEAR	**13,318**	10,603
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified subsequently to profit or loss		
Share of other comprehensive income of investments accounted for using the equity method	**(88)**	—
Others	**(9)**	—
	(97)	—
Items that may be reclassified to profit or loss		
Reclassification adjustments for losses included in the consolidation income statement — gain on disposal	**—**	15
Currency translation differences	**(1,100)**	—
Share of other comprehensive income of interests accounted for using the equity method	**262**	—
	(838)	15
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	**1**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(934)**	15
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**12,384**	10,618
Total comprehensive income attributable to:		
Equity holders of the parent	**11,917**	10,542
Non-controlling interests	**467**	76
	12,384	10,618

Consolidated Statement of Financial Position

31 December 2014

	Notes	31 December 2014 RMB million	2013 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	14	**11,285**	9,418
Lease prepayments		**938**	924
Intangible assets	15	**2,622**	2,432
Goodwill	16	**1,789**	1,587
Investments in joint ventures	18	**40,055**	34,541
Investments in associates	19	**9,360**	1,362
Available-for-sale financial assets	26	**190**	286
Other non-current assets	20	**8,378**	7,107
Deferred income tax assets	10	**1,699**	719
Total non-current assets		**76,316**	58,376
Current assets			
Inventories	21	**9,735**	4,245
Trade receivables	22	**3,787**	3,335
Bills receivable	23	**12,084**	11,403
Prepayments, deposits and other receivables	24	**12,536**	10,528
Due from joint ventures	25	**2,456**	3,712
Pledged bank balances and time deposits	27	**3,347**	2,543
Cash and cash equivalents	27	**25,212**	21,739
		69,157	57,505
Assets classified as held for sale		**—**	117
Total current assets		**69,157**	57,622
TOTAL ASSETS		**145,473**	115,998

Consolidated Statement of Financial Position

31 December 2014

	Notes	31 December 2014 RMB million	31 December 2013 RMB million
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	28	8,616	8,616
Reserves	29	8,778	8,115
Retained profits	29	54,712	44,853
Proposed final dividend	12	1,723	1,551
		73,829	63,135
Non-controlling interests		1,623	899
Total equity		75,452	64,034
Non-current liabilities			
Interest-bearing borrowings	30	350	—
Other long term liabilities		698	166
Government grants	32	261	124
Due to joint ventures	25	1,265	2,838
Deferred income tax liabilities	10	764	147
Total non-current liabilities		3,338	3,275

	Notes	31 December 2014 RMB million	31 December 2013 RMB million
Current liabilities			
Trade payables	33	16,034	13,480
Bills payable	34	11,896	11,722
Other payables and accruals	35	12,304	9,548
Due to joint ventures	25	6,457	6,197
Interest-bearing borrowings	30	17,360	5,875
Income tax payable		1,375	837
Provisions	31	1,257	1,014
		66,683	48,673
Liabilities directly associated with the assets classified as held for sale		—	16
Total current liabilities		66,683	48,689
TOTAL LIABILITIES		70,021	51,964
TOTAL EQUITY AND LIABILITIES		145,473	115,998
Net current assets		2,474	8,933
Total assets less current liabilities		78,790	67,309

Xu Ping
Director

Zhou Qiang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Notes	Attributable to equity holders of the parent						Non-controlling interests	Total equity
		Issued capital	Capital reserve	Statutory reserves	Retained profits	Proposed final dividend	Total		
		RMB million	RMB million	RMB million	RMB million (Notes 29)	RMB million	RMB million	RMB million	RMB million
As at 1 January 2013		8,616	1,512	5,358	37,140	1,292	53,918	85	54,003
Profit for the year		–	–	–	10,528	–	10,528	75	10,603
Other comprehensive income for the year		–	14	–	–	–	14	1	15
Total comprehensive income for the year		–	14	–	10,528	–	10,542	76	10,618
Transfer to reserves		–	–	1,216	(1,216)	–	–	–	–
Gain of control in subsidiaries		–	–	–	–	–	–	702	702
Acquisition of non-controlling interests		–	15	–	(48)	–	(33)	(60)	(93)
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	113	113
Final 2012 dividend declared and paid		–	–	–	–	(1,292)	(1,292)	(17)	(1,309)
Proposed final dividend	12	–	–	–	(1,551)	1,551	–	–	–
As at 31 December 2013		8,616	1,541*	6,574*	44,853	1,551	63,135	899	64,034

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Notes	Attributable to equity holders of the parent						Non-controlling interests RMB million	Total equity RMB million
		Issued capital RMB million	Capital reserve RMB million	Statutory reserves RMB million	Retained profits RMB million (Notes 29)	Proposed final dividend RMB million	Total RMB million		
As at 1 January 2014		8,616	1,541	6,574	44,853	1,551	63,135	899	64,034
Profit for the year		–	–	–	12,845	–	12,845	473	13,318
Other comprehensive income for the year		–	(928)	–	–	–	(928)	(6)	(934)
Total comprehensive income for the year		–	(928)	–	12,845	–	11,917	467	12,384
Transfer to reserves		–	–	1,263	(1,263)	–	–	–	–
Capital transaction with non-controlling Interests		–	277	–	–	–	277	264	541
Share of capital reserve of investments accounted for using the equity method		–	51	–	–	–	51	–	51
Final 2013 dividend declared and paid		–	–	–	–	(1,551)	(1,551)	(7)	(1,558)
Proposed final dividend	12	–	–	–	(1,723)	1,723	–	–	–
As at 31 December 2014		8,616	941*	7,837*	54,712	1,723	73,829	1,623	75,452

* These reserve accounts comprise the consolidated reserves of RMB8,778 million (2013: RMB8,115 million) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	Year ended 31 December 2014 RMB million	2013 RMB million
Cash flows from operating activities			
Profit before tax		**14,683**	10,712
Adjustments for:			
Share of profits and losses of joint ventures and associates		**(12,751)**	(11,429)
Gain on disposal of items of property, plant and equipment, net	6	**(35)**	(48)
Gain on disposal of land lease prepayment		**—**	(75)
Gain on remeasurement of previously held interests	5	**—**	(40)
Gain on disposal of available-for-sale financial assets		**—**	(13)
Provision/(reversal of provision) against inventories	6	**61**	(20)
Impairment of trade and other receivables	6	**168**	62
Exchange losses/(gains), net	6	**41**	(5)
Depreciation	6	**1,250**	728
Impairment of items of property, plant and equipment	6	**33**	2
Amortisation of intangible assets	6	**206**	35
Finance (income)/costs	7	**(504)**	170
Interest income	5	**(685)**	(544)
Government grants	5	**(345)**	(48)
		2,122	(513)
(Increase)/Decrease in trade and bills receivables and prepayments,deposits and other receivables		**(1,096)**	3,514
(Increase)/Decrease in inventories		**(5,551)**	130
Increase in amounts due from joint ventures		**(1,220)**	(270)
Increase in trade and bills payables, and other payables and accruals		**6,401**	1,056
Decrease in loans and receivables from financing services		**(2,756)**	(3,975)
Increase/(Decrease) in cash deposits received from financing services		**2,484**	(9,619)
Increase in a mandatory reserve with the People's Bank of China		**(613)**	(688)
Increase in amounts due to joint ventures		**465**	908
Increase in provisions		**243**	119
Cash generated from/(used in) operations		**479**	(9,338)
Interest paid		**(320)**	(150)
Income tax paid		**(1,144)**	(206)
Net cash flows used in operating activities		**(985)**	(9,694)

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	Year ended 31 December 2014 RMB million	2013 RMB million
Cash flows from investing activities			
Purchases of items of property, plant and equipment		(3,011)	(750)
Increase in lease prepayments and other long term assets		(94)	(64)
Purchases of intangible assets		(396)	(518)
Purchases of available-for-sale financial assets		—	(32)
Acquisition of subsidiaries	17	(1,356)	8,779
Investments in joint ventures	18	(2,075)	(235)
Investments in associates	19	(6,801)	(203)
Proceeds from disposal of items of property, plant and equipment		49	108
Proceeds from disposal of intangible assets		—	75
Proceeds from disposal of available-for-sale financial assets		4	89
Dividends from joint ventures and associates		9,871	8,937
Government grants received		119	77
Interest received		729	540
Increase in pledged bank balances and time deposits	27	(804)	(1,404)
Decrease in non-pledged time deposits with original maturity of three months or more when acquired	27	3,069	2,583
Net cash flows from/(used in) investing activities		(696)	17,982
Cash flows from financing activities			
Proceeds from borrowings		22,372	3,614
Repayment of borrowings		(12,668)	(3,759)
Decrease in cash deposits received from DMC by a subsidiary		—	(260)
Capital contribution from non-controlling shareholders		101	113
Acquisition of non-controlling interests		—	(93)
Dividends paid to non-controlling shareholders		(31)	(17)
Dividends paid		(1,551)	(1,504)
Net cash flows from/(used in) financing activities		8,223	(1,906)
Net increase in cash and cash equivalents		6,542	6,382
Cash and cash equivalents at beginning of year		16,670	10,288
Cash and cash equivalents at end of year	27	23,212	16,670

Company Statement of Financial Position

31 December 2014

	Notes	Year ended 31 December 2014 RMB million	2013 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	14	3,364	2,392
Lease prepayments		309	298
Intangible assets	15	869	642
Investments in subsidiaries	17	15,939	13,413
Investments in joint ventures	18	15,141	13,066
Investments in associates	19	595	595
Available-for-sale financial assets	26	68	177
Total non-current assets		36,285	30,583
Current assets			
Inventories	21	677	442
Trade receivables	22	807	568
Bills receivable	23	934	1,427
Prepayments, deposits and other receivables	24	620	2,039
Due from joint ventures	25	554	3,128
Pledged bank balances	27	1,177	—
Cash and cash equivalents	27	18,527	17,009
Total current assets		23,296	24,613
TOTAL ASSETS		59,581	55,196
EQUITY AND LIABILITIES			
Equity			
Issued capital	28	8,616	8,616
Reserves	29	8,339	7,477
Retained profits	29	24,853	22,703
Proposed final dividend	12	1,723	1,551
Total equity		43,531	40,347

Company Statement of Financial Position

31 December 2014

	Notes	Year ended 31 December 2014 RMB million	2013 RMB million
Non-current liabilities			
Interest-bearing borrowings	30	**280**	2,705
Other non-current liabilities		**57**	57
Government grants		**30**	—
Due to joint ventures	25	**1,265**	—
Total non-current liabilities		**1,632**	2,762
Current liabilities			
Trade payables	33	**3,559**	4,121
Bills payable	34	**523**	686
Other payables and accruals	35	**2,381**	2,323
Due to joint ventures	25	**1,341**	158
Interest-bearing borrowings	30	**6,201**	4,431
Income tax payable		**211**	211
Provisions	31	**202**	157
Total current liabilities		**14,418**	12,087
TOTAL LIABILITIES		**16,050**	14,849
TOTAL EQUITY AND LIABILITIES		**59,581**	55,196
NET CURRENT ASSETS		**8,878**	12,526
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,163**	43,109

Xu Ping
Director

Zhou Qiang
Director

Notes to Financial Statements

31 December 2014

1. General information

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

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

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

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32). These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

These financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain available-for-sale financial assets.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

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

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

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

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

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

For the business combination under common control, the financial information of the Group and that of the acquired businesses have been combined, as if the Group acquired such businesses from the beginning of the earliest financial period presented. The net assets of the Group and the acquired business are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of the acquired business's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consolidation and book value of the acquired business at the time of common control combination is deducted in the reserves of the Group.

2.2 Change in accounting policies and disclosures

(i) New and amended standards adopted by the Group

The following new standards and amendments to standards relevant to the Group are mandatory adopted for the first time for the financial year beginning on 1 January 2014:

Amendment to IAS 32 'Financial instruments: Presentation' on assets and liabilities offsetting is effective for annual periods beginning on or after 1 January 2014. It clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group assessed the adoption of this standard and concluded that it did not have a significant impact on the Group's results and financial position, except that certain new disclosures are introduced.

2.2 Change in accounting policies and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' — 'Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Group assessed the adoption of this standard and concluded that it did not have a significant impact on the Group's results and financial position, except that certain new disclosures are introduced.

IFRIC 21 'Levies' is effective for annual periods beginning on or after 1 January 2014. It is an interpretation of IAS 37 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Group assessed the adoption of this standard and concluded that it did not have a significant impact on the Group's results and financial position, except that certain new disclosures are introduced.

Annual improvements 2012 include changes from the 2010–2012 cycle of the annual improvements project, that affect 7 standards, only the below are effective for relevant transactions on or after 1 July 2014:

- Amendment to IFRS 2 clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

- Amendments to IFRS 3 'Business combinations', and consequential amendments to IFRS 9 'Financial instruments', IAS 37 'Provisions, contingent liabilities and contingent assets', and IAS 39 'Financial instruments — Recognition and measurement' clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 'Financial instruments: Presentation'. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

The Group assessed the adoption of this standard and concluded that it did not have a significant impact on the Group's results and financial position, except that certain new disclosures are introduced.

2.2 Change in accounting policies and disclosures (continued)

(ii) New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted

A number of new standards and amendments to standards and interpretations are not effective for annual periods beginning after 1 January 2014, and have not been early adopted in preparing these consolidated financial statements. The Group has started assessing the full impact of the amendments and standards and intents to adopt the amendments no later than the respective effective dates of the amendments. The new standards and amendments to standards and interpretations are set out below:

Amendment to IAS19 regarding defined benefit plans, effective for annual periods beginning on or after 1 July 2014.

Annual improvements 2012 that affect following standards: IFRS 8 'Operating segments', IAS 16 'Property, plant and equipment', IAS 38 'Intangible assets' and IAS 24 'Related Party Disclosures', effective for annual periods beginning on or after 1 July 2014.

Annual improvements 2013 that affect following standards: IFRS 3 "Business combinations', IFRS 13 'Fair value measurement' and IAS 40 'Investment property', effective for annual periods beginning on or after 1 July 2014.

IFRS 14 'Regulatory Deferral Accounts', effective for annual periods beginning on or after 1 January 2016.

Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations, effective for annual periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization, effective for annual periods beginning on or after 1 January 2016.

Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture, effective for annual periods beginning on or after 1 January 2016.

Amendment to IAS 27 on equity method in separate financial statements, effective for annual periods beginning on or after 1 January 2016.

Annual improvements 2014 that affect following standards: IFRS 5, 'Non-current assets held for sale and discontinued operations', IFRS 7 'Financial instruments: Disclosures', IAS 19 'Employee benefits' and IAS 34 'Interim financial reporting', effective for annual periods beginning on or after 1 January 2016.

2.2 Change in accounting policies and disclosures (continued)

(ii) New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted (continued)

Amendments to IAS 1 for the disclosure initiative, effective for annual periods beginning on or after 1 January 2016.

IFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2017.

IFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.

(iii) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on 1 January 2015 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622).

2.3 Summary of significant accounting policies

Subsidiaries

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

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

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

(ii) rights arising from other contractual arrangements; and

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

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

2.3 Summary of significant accounting policies (continued)

Investments in associates and joint ventures

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

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

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

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

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

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

2.3 Summary of significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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

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

Business combinations and goodwill

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

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

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

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

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

2.3 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

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

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

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

Fair value measurement

The Group measures its stock appreciation rights each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.3 Summary of significant accounting policies (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

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

2.3 Summary of significant accounting policies (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

Or

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

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

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

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

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

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

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

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

2.3 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.3 Summary of significant accounting policies (continued)

Intangible assets (other than goodwill)

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

(i) Patents and licences

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

(ii) Research and development costs

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

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

(iii) Customer relationships

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

Lease prepayments

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

2.3 Summary of significant accounting policies (continued)

Operating leases

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

Investments and other financial assets

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial investments

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

2.3 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

(ii) Subsequent measurement (continued)

Available-for-sale financial investments (continued)

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

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

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

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

2.3 Summary of significant accounting policies (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

2.3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

(i) Financial assets carried at amortised cost (continued)

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

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

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

(ii) Assets carried at cost

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

(iii) Available-for-sale financial instruments

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

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

2.3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

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

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

Financial liabilities

(i) Initial recognition and measurement

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

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

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

(ii) Subsequent measurement

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

(iii) Loans and borrowings

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

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

2.3 Summary of significant accounting policies (continued)

Financial liabilities (continued)

(iv) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

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

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

2.3 Summary of significant accounting policies (continued)

Inventories (continued)

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

Trade and other receivables

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

Cash and cash equivalents

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

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

Provisions

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

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

Provision for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

2.3 Summary of significant accounting policies (continued)

Income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

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

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

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

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

2.3 Summary of significant accounting policies (continued)

Income tax (continued)

(ii) Deferred income tax (continued)

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

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

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

Government grants

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

Revenue recognition

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

(i) Sale of goods

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

2.3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

(ii) Rendering of services

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

(iii) Interest income

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

(iv) Dividend income

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

Employee benefits

(i) Retirement benefits

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

(ii) Medical benefits

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

(iii) Cash housing subsidies

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

2.3 Summary of significant accounting policies (continued)

Employee benefits (continued)

(iv) Termination and early retirement benefits

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

(v) Share-based payments

The Company operates share-based payment schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group are granted share appreciation rights, which can only be settled in cash ("cash-settlement transactions").

The cost of cash-settlement transactions is measured initially at fair value at the grant date using a binomial model, taking into account the terms and conditions upon which the instruments were granted (note 6(e)). The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is measured at the end of each reporting period up to and including the settlement date with changes in fair value recognised in the income statement.

Borrowing costs

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

Dividends

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

2.3 Summary of significant accounting policies (continued)

Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

2.3 Summary of significant accounting policies (continued)

Foreign currencies (continued)

(iii) Group companies (continued)

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income.

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

(iv) Disposal of foreign operation and partial disposal

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

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

3 Significant accounting estimates

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

Estimation uncertainty

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

(i) Impairment of goodwill

Management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are set out in note 16.

(ii) Impairment of long-lived assets

Management determines whether long-lived assets are impaired at least on an annual basis. This requires an estimation of the value in use of the assets. Estimating the value in use requires the management to make estimates of the level of sales volume, sales revenue and operating costs for the preparation of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Warranty provisions

Provisions for product warranties granted by the Group to certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

(iv) Deferred tax assets

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

3 Significant accounting estimates (continued)

Estimation uncertainty (continued)

(v) Income tax

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

(vi) Fair value of associate's identifiable assets and liabilities

During the year ended 31 December 2014, the Group acquired an associated company (Note 19). Upon the acquisition, the Group initially recognised the investments in associates as the Group's share of the net fair value of the associate's identifiable assets and liabilities. The fair value of associate's identifiable assets and liabilities is determined by using certain valuation techniques. Significant judgement is required in determining the fair value of the associate's identifiable assets and liabilities.

4. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2014, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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

Year ended 31 December 2014

	Commercial vehicles RMB million	Passenger vehicles RMB million	Financing service RMB million	Corporate and others RMB million	Elimination RMB million	Total RMB million
Segment revenue						
Sales to external customers	42,627	36,671	1,565	91	–	80,954
Sales to internal customers	45	30	28	26	(129)	–
	42,672	36,701	1,593	117	(129)	80,954
Results						
Segment results	1,037	204	721	(1,698)	479	743
Interest income	404	233	–	598	(550)	685
Finance income, net						504
Share of profits and losses of:						
Associates	–	46	234	1,809	–	2,089
Joint ventures	464	11,314	48	(1,164)	–	10,662
Profit before tax						14,683
Income tax expense						(1,365)
Profit for the year						13,318
Other segment information						
Capital expenditure:						
— Property, plant and equipment	2,114	888	4	5	–	3,011
— Intangible assets	203	169	16	8	–	396
— Lease prepayments	35	15	–	–	–	50
Depreciation of items of property, plant and equipment	663	485	2	100	–	1,250
Amortisation of intangible assets	184	22	–	–	–	206
Provision against inventories	59	2	–	–	–	61
Impairment losses recognised in the income statement	54	35	112	–	–	201
Warranty provisions	569	195	–	–	–	764

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

Year ended 31 December 2013

	Commercial vehicles RMB million	Passenger vehicles RMB million	Financing service RMB million	Corporate and Others RMB million	Elimination RMB million	Total RMB million
Segment revenue						
Sales to external customers	24,527	11,905	777	54	—	37,263
Sales to internal customers	30	—	17	7	(54)	—
	24,557	11,905	794	61	(54)	37,263
Results						
Segment results	506	(1,071)	444	(1,174)	204	(1,091)
Interest income	165	108	—	492	(221)	544
Finance costs						(170)
Share of profits and losses of:						
Associates	—	39	197	17	—	253
Joint ventures	2,624	9,290	44	(782)	—	11,176
Profit before tax						10,712
Income tax expense						(109)
Profit for the year						10,603
Other segment information						
Capital expenditure:						
— Property, plant and equipment	509	153	1	87	—	750
— Intangible assets	45	469	3	1	—	518
— Lease prepayments	66	184	—	—	—	250
Depreciation of items of property, plant and equipment	412	194	1	121	—	728
Amortisation of intangible assets	28	4	2	1	—	35
Provision against inventories	7	(26)	—	(1)	—	(20)
Impairment losses recognised in the income statement	22	(2)	18	26	—	64
Warranty provisions	303	202	—	—	—	505

5. OTHER INCOME

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

		Group	
		2014	2013
	Notes	RMB million	RMB million
Net income from disposal of other materials		**74**	82
Government grants and subsidies	32	**345**	48
Rendering of services		**107**	122
Interest income		**685**	544
Gain on remeasurement of previously held interests		**—**	40
Management dispatch fee received from joint ventures		**211**	314
Others		**119**	131
		1,541	1,281

6. PROFIT BEFORE TAX

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

	Notes	Group 2014 RMB million	Group 2013 RMB million
Cost of inventories recognised as expense		**69,934**	32,480
Interest expense for financing services (included in cost of sales)		**134**	102
Provision/(reversal of provision) against inventories		**61**	(20)
Depreciation	14	**1,250**	728
Amortisation of intangible assets	15	**206**	35
Amortisation of lease prepayments		**54**	19
Auditors' remuneration		**13**	25
Lease payments under operating leases in respect of land and buildings		**128**	75
Staff costs (excluding directors' and supervisors' remuneration (note 8)):			
— Wages and salaries		**4,336**	2,857
— Pension scheme costs	(a)	**644**	306
— Medical benefit costs	(b)	**266**	161
— Cash housing subsidy costs	(c)	**3**	8
— Stock appreciation rights expense	(e)	**40**	24
		5,289	3,356
Included in other expenses			
Gain on disposal of items of property, plant and equipment, net		**(35)**	(48)
Gain on disposal of lease prepayments		**—**	(75)
Impairment of items of property, plant and equipment	14	**33**	2
Impairment of trade and other receivables		**168**	62
Warranty provisions	31	**764**	505
Research costs		**2,350**	1,634
Other exchange losses/(gains), net		**41**	(5)

6. PROFIT BEFORE TAX (continued)

(a) Retirement benefits

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

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

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

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

(b) Medical benefits

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

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

6. PROFIT BEFORE TAX (continued)

(b) Medical benefits (continued)

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

(c) Cash housing subsidies

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

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

(d) Termination and early retirement benefits

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

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

6. PROFIT BEFORE TAX (continued)

(e) Stock appreciation rights

The shareholders of the Company have adopted a plan of stock appreciation rights ("SARs") for the senior management of the Group. The plan is designed to link the financial interests of the Group's senior management with the Group's future results of operations and the performance of the Company's 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.

On 16 July 2013, the Company's board of directors approved a plan of SARs for the senior management of the Group. 40,198,000 SAR units were granted with a term of five years with effect from 16 July 2013 (the "SAR"). The rights to the SAR units will have an exercise period of two years from the date of grant (i.e., 16 July 2013) and can be exercised in the third, fourth and fifth years following the date of grant and the total number of the rights exercised by an individual shall not in aggregate exceed 33%, 66% and 100%, respectively, of the total rights granted to the individual, respectively. The exercise price of the SARs as approved by the board of directors on 27 March 2012 was HK$9.67 per unit, being the higher of the closing share price of the date of grant and the average share price at the close of trading over the five business days preceding the date of grant.

Upon exercise of the rights, the exercising individual will, subject to the restrictions under the plan, receive a payment in RMB, after deducting any applicable withholding tax, equal to the product of the number of rights exercised and the difference between the exercise price and the market price of the H shares of the Company at the time of exercise.

As at 31 December 2014, the carrying amount of the liability relating to the SARs stated on the basis as described in the preceding paragraph was RMB67 million (2013: RMB24 million) and the compensation expense recognised for the year ended 31 December 2014 was RMB43 million (2013: RMB24 million).

6. PROFIT BEFORE TAX (continued)

(e) Stock appreciation rights (continued)

The following SARs were outstanding during the year:

	2014		2013	
	Weighted average exercise price HK$ per share	Number of SAR units '000	Weighted average exercise price HK$ per share	Number of SAR units '000
At 1 January	**9.67**	**40,198**		—
Granted during the year		**—**	9.67	40,198
At 31 December		**40,198**		40,198

The exercise price and exercise period of the SARs outstanding as at the end of the reporting period are as follows:

	Number of SAR units '000	Exercise price HK$ per share	Exercise period
At 31 December 2014	40,198	9.67	16-07-2015 to 16-07-2017
At 31 December 2013	40,198	9.67	16-07-2015 to 16-07-2017

The fair value of SARs is measured using the binomial option pricing model. Measurement inputs include share price on the measurement date, exercise price of the SARs, expected dividends, expected volatility (based on the weighted average historical volatility), weighted average expected life of the SARs (based on the expected nil SAR holder resignation rate and the expected exercise behavior when the share price exceeds 240% of the exercise price of HK$9.67 per share), and the risk-free interest rate (based on Hong Kong Exchange Fund Note). Changes in the subjective input assumptions could materially affect the fair value estimate of the SARs.

6. PROFIT BEFORE TAX (continued)

(e) Stock appreciation rights (continued)

The following table lists the inputs to the binomial option pricing model used for the measurement of the fair value of the SARs as at 31 December 2014:

Dividend yield (%)	0
Expected volatility (%)	50
Risk-free interest rate (%)	1.03
Expected life of options (years)	3.12
Share price on measurement date (HK$ per share)	10.98

7. FINANCE (INCOME)/COSTS

	Group	
	2014 RMB million	2013 RMB million
Interest on bank loans and other borrowings wholly repayable within five years	**236**	23
Interest on short term notes and discounted bills	**120**	109
Exchange net gains of financing activities	**(860)**	—
Interest on medium term notes	**—**	38
Net finance (income)/costs	**(504)**	170

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group			
	Directors		Supervisors	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Fees	**697**	681	**104**	120
Other emoluments:				
— Salaries, allowances and benefits in kind	**2,047**	2,141	**536**	1,705
— Bonuses	**8,108**	3,024	**1,445**	3,467
— Pension scheme costs	**520**	545	**139**	345
	11,372	6,391	**2,224**	5,637
Stock appreciation right expenses recognised in the income statement	**2,631**	1,463	**553**	824
Total charged to the income statement	**14,003**	7,854	**2,777**	6,461

Certain directors and supervisors were granted stock appreciation rights, in respect of their services to the Group, further details of which are set out in note 6(e) to the financial statements.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

The names of the directors and the supervisors and their remuneration for the year ended 31 December 2014 are as follows:

2014	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme costs RMB'000	Total RMB'000	Stock appreciation right expenses recognised in the income statement RMB'000
Executive directors:						
Xu Ping	–	317	1,281	78	1,676	408
Zhu Fushou	–	316	1,239	78	1,633	408
Li Shaozhu	–	283	1,122	73	1,478	365
	–	916	3,642	229	4,787	1,181
Non-executive directors:						
Tong Dongcheng	–	283	1,118	73	1,474	365
Ouyang Jie	–	283	1,122	73	1,478	365
Liu Weidong	–	283	1,128	73	1,484	365
Zhou Qiang	–	282	1,098	72	1,452	355
	–	1,131	4,466	291	5,888	1,450
Independent non-executive directors:						
Ma Zhigeng (appointed on 23 January 2013)	170	–	–	–	170	–
Zhang Xiaotie (appointed on 10 October 2013)	189	–	–	–	189	–
Cao Xinghe (appointed on 10 October 2013)	173	–	–	–	173	–
Chen Yunfei (appointed on 10 October 2013)	165	–	–	–	165	–
	697	–	–	–	697	–
	697	2,047	8,108	520	11,372	2,631

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

2014	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme costs RMB'000	Total RMB'000	Stock appreciation right expenses recognised in the income statement RMB'000
Supervisors:						
Ma Liangjie	–	291	1,104	82	1,477	354
Zhong Bing	–	245	341	57	643	199
	–	536	1,445	139	2,120	553
Independent supervisors:						
Feng Guo (appointed on 10 October 2013)	51	–	–	–	51	–
Zhao Jun (appointed on 10 October 2013)	53	–	–	–	53	–
	104	–	–	–	104	–
	104	536	1,445	139	2,224	553

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

The names of the directors and the supervisors and their remuneration for the year ended 31 December 2013 are as follows:

2013	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme costs RMB'000	Total RMB'000	Stock appreciation right expenses recognised in the income statement RMB'000
Executive directors:						
Xu Ping	–	297	418	75	790	227
Zhu Fushou	–	297	406	71	774	227
Li Shaozhu	–	265	368	69	702	203
Zhou Wenjie (resigned on 23 January 2013)	–	23	–	3	26	–
Fan Zhong (resigned on 10 October 2013)	–	204	368	52	624	–
	–	1,086	1,560	270	2,916	657
Non-executive directors:						
Tong Dongcheng	–	265	368	69	702	203
Ouyang Jie	–	265	368	69	702	203
Liu Weidong	–	265	368	69	702	203
Zhou Qiang	–	260	360	68	688	197
	–	1,055	1,464	275	2,794	806
Independent non-executive directors:						
Ma Zhigeng (appointed on 23 January 2013)	171	–	–	–	171	–
Zhang Xiaotie (appointed on 10 October 2013)	16	–	–	–	16	–
Cao Xinghe (appointed on 10 October 2013)	16	–	–	–	16	–
Chen Yunfei (appointed on 10 October 2013)	37	–	–	–	37	–
Yang Xianzu (resigned on 10 October 2013)	147	–	–	–	147	–
Sun shuyi (resigned on 10 October 2013)	147	–	–	–	147	–
Ng Lin-fung (resigned on 10 October 2013)	147	–	–	–	147	–
	681	–	–	–	681	–
	681	2,141	3,024	545	6,391	1,463

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

2013	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme costs RMB'000	Total RMB'000	Stock appreciation right expenses recognised in the income statement RMB'000
Supervisors:						
Ma Liangjie	–	251	360	77	688	197
Ren Yong	–	779	1,623	113	2,515	149
Li Chunrong (resigned on 10 October 2013)	–	176	245	39	460	110
Chen Binbo (resigned on 10 October 2013)	–	170	696	28	894	122
Huang Gang (resigned on 10 October 2013)	–	165	244	43	452	122
Kang Li (resigned on 10 October 2013)	–	164	299	45	508	122
	–	1,705	3,467	345	5,517	824
Independent supervisors:						
Feng Guo (appointed on 10 October 2013)	12	–	–	–	12	–
Zhao Jun (appointed on 10 October 2013)	12	–	–	–	12	–
Wen Shiyang (resigned on 10 October 2013)	48	–	–	–	48	–
Deng Mingran (resigned on 10 October 2013)	48	–	–	–	48	–
	120	–	–	–	120	–
	120	1,705	3,467	345	5,637	824

During the year, no emoluments were paid by the Group to any directors or supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2013.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2013: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2013: four) highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	2,079	2,837
Bonuses	2,972	5,983
Pension scheme contributions	275	427
	5,326	9,247

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

	Number of employees	
	2014	2013
Nil–RMB1,500,000	—	—
RMB1,500,001–RMB2,000,000	3	3
RMB2,000,0001–RMB2,500,000	—	1
	3	4

During the year, the SARs were granted to the three (2013: four) non-director and non-supervisor, highest paid employees in respect of their services to the Group, further details of which are included in note 6(e) to the financial statements.

10. INCOME TAX EXPENSE

	Group	
	2014 RMB million	2013 RMB million
Current income tax	**1,727**	770
Deferred income tax	**(362)**	(661)
Income tax expense for the year	**1,365**	109

(a) Corporate income tax

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

(b) Hong Kong profits tax

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

(c) Deferred income tax

Deferred tax assets are mainly 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 period when the assets are realised or the liabilities are settled.

10. INCOME TAX EXPENSE (continued)

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

	Group			
	2014		2013	
	RMB million	%	RMB million	%
Profit before tax	**14,683**		10,712	
At the PRC statutory corporate income tax rate of 25% (2013: 25%)	**3,671**	**25.0**	2,678	25.0
Tax concessions and lower tax rates for specific provinces or locations	**(134)**	**(0.9)**	(178)	(1.7)
Profit attributable to joint ventures and associates	**(2,649)**	**(18.0)**	(2,857)	(26.7)
Income not subject to corporate income tax	**(26)**	**(0.2)**	(22)	(0.4)
Expenses not deductible for corporate income tax	**19**	**0.1**	25	0.2
Tax losses not recognised	**484**	**3.3**	463	4.3
Income tax expense at the Group's effective income tax rate	**1,365**	**9.3**	109	1.0

The share of tax attributable to associates and joint ventures amounting to RMB72 million (2013: RMB69 million) and RMB3,854 million (2013: RMB3,913 million), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated income statement.

10. INCOME TAX EXPENSE (continued)

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

Group

	Consolidated statement of financial position As at 31 December		Consolidated income statement and statement of comprehensive income Year ended 31 December	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
Deferred tax assets:				
Assets impairment	**86**	25	**(61)**	(25)
Accrued expenses	**1,107**	376	**(731)**	(372)
Warranty provision	**136**	121	**(15)**	(120)
Wages payable	**277**	151	**(126)**	(149)
Others	**93**	46	**(47)**	(39)
Gross deferred tax assets	**1,699**	719	**(980)**	(705)
Deferred tax liabilities:				
Fair value adjustments arising from gain of controls in subsidiaries	**(134)**	(147)	**(13)**	147
Unremitted earnings of oversea subsidiaries	**(630)**	—	**630**	—
Gross deferred tax liabilities	**(764)**	(147)		
			(363)	(558)
Represented by:				
Deferred tax credit to consolidated income statement			**(362)**	(661)
Deferred tax credit to consolidated other comprehensive income			**(1)**	—
Gain of control in subsidiaries			**—**	103
			(363)	(558)

10. INCOME TAX EXPENSE (continued)

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

	Group		Company	
	2014 RMB Million	2013 RMB Million	**2014 RMB Million**	2013 RMB Million
Deferred income tax assets:				
— Deferred income tax assets collected over 12 months	**148**	52	**—**	—
— Deferred income tax assets collected within 12 months	**1,551**	667	**—**	—
	1,699	719	**—**	—
Deferred income tax liabilities:				
— Deferred income tax liabilities collected over 12 months	**(691)**	(132)	**—**	—
— Deferred income tax liabilities collected within 12 months	**(73)**	(15)	**—**	—
	(764)	(147)	**—**	—
	935	572	**—**	—

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2014 includes a profit of RMB4,735 million (2013: RMB6,855 million) which has been dealt with in the financial statements of the Company (note 29).

12. DIVIDEND

	Group	
	2014	2013
	RMB million	RMB million
Proposed final — RMB0.20 (2013: RMB0.18) per ordinary share	**1,723**	1,551

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

The dividends paid in 2014 amounted to RMB1,551 million (RMB0.18 per share).

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

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

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

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

12. DIVIDEND (continued)

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

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

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

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

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

The calculation of basic earnings per share is based on:

	2014 RMB million	2013 RMB million
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	**12,845**	10,528

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

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB million	Plant and equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2014				
At 31 December 2013 and 1 January 2014:				
Cost	734	12,392	2,245	15,371
Accumulated depreciation and impairment	(285)	(5,668)	—	(5,953)
Net carrying amount	449	6,724	2,245	9,418
At 1 January 2014, net of accumulated depreciation and impairment	449	6,724	2,245	9,418
Additions	89	748	2,327	3,164
Disposals	—	(14)	—	(14)
Reclassification	109	2,252	(2,361)	—
Depreciation provided during the year	(72)	(1,208)	(3)	(1,283)
At 31 December 2014, net of accumulated depreciation and impairment	575	8,502	2,208	11,285
At 31 December 2014:				
Cost	931	15,202	2,211	18,344
Accumulated depreciation and impairment	(356)	(6,700)	(3)	(7,059)
Net carrying amount	575	8,502	2,208	11,285

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings RMB million	Plant and equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2013				
At 31 December 2012 and 1 January 2013:				
Cost	306	2,764	505	3,575
Accumulated depreciation and impairment	(115)	(1,029)	(1)	(1,145)
Net carrying amount	191	1,735	504	2,430
At 1 January 2013, net of accumulated depreciation and impairment	191	1,735	504	2,430
Additions	6	178	566	750
Disposals	(10)	(51)	—	(61)
Gain of control in subsidiaries	247	4,365	2,417	7,029
Reclassifications	42	1,200	(1,242)	—
Impairment	—	(2)	—	(2)
Depreciation provided during the year	(27)	(701)	—	(728)
At 31 December 2013, net of accumulated depreciation and impairment	449	6,724	2,245	9,418
At 31 December 2013:				
Cost	734	12,392	2,245	15,371
Accumulated depreciation and impairment	(285)	(5,668)	—	(5,953)
Net carrying amount	449	6,724	2,245	9,418

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings RMB million	Plant and equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2014				
At 31 December 2013 and 1 January 2014:				
Cost	288	2,788	576	3,652
Accumulated depreciation and impairment	(120)	(1,140)	—	(1,260)
Net carrying amount	168	1,648	576	2,392
At 1 January 2014, net of accumulated depreciation and impairment	168	1,648	576	2,392
Additions	—	174	1,117	1,291
Disposals	—	(2)	—	(2)
Reclassification	9	791	(800)	—
Depreciation provided during the year	(11)	(306)	—	(317)
At 31 December 2014, net of accumulated depreciation and impairment	166	2,305	893	3,364
At 31 December 2014:				
Cost	297	3,742	893	4,932
Accumulated depreciation and impairment	(131)	(1,437)	—	(1,568)
Net carrying amount	166	2,305	893	3,364

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings RMB million	Plant and equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2013				
At 31 December 2012 and 1 January 2013:				
Cost	288	2,413	483	3,184
Accumulated depreciation and impairment	(109)	(926)	(1)	(1,036)
Net carrying amount	179	1,487	482	2,148
At 1 January 2013, net of accumulated depreciation and impairment	179	1,487	482	2,148
Additions	—	20	454	474
Disposals	—	(3)	—	(3)
Reclassifications	1	359	(360)	—
Depreciation provided during the year	(12)	(215)	—	(227)
At 31 December 2013, net of accumulated depreciation and impairment	168	1,648	576	2,392
At 31 December 2013:				
Cost	288	2,788	576	3,652
Accumulated depreciation and impairment	(120)	(1,140)	—	(1,260)
Net carrying amount	168	1,648	576	2,392

15. INTANGIBLE ASSETS

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Cost:				
At 1 January	3,076	403	845	387
Additions	396	518	236	458
Gain of control in subsidiaries	—	2,157	—	—
Disposals	—	(2)	—	—
At 31 December	3,472	3,076	1,081	845
Accumulated amortisation:				
At 1 January	532	89	91	82
Amortisation	206	35	9	9
Gain of control in subsidiaries	—	410	—	—
Disposals	—	(2)	—	—
At 31 December	738	532	100	91
Impairment:				
At 1 January	112	112	112	112
Additions	—	—	—	—
At 31 December	112	112	112	112
Net book value:				
At 1 January	2,432	202	642	193
At 31 December	2,622	2,432	869	642

16. GOODWILL

Group

	2014 RMB million	2013 RMB million
At 1 January	**1,587**	212
Additions	**202**	1,375
At 31 December	**1,789**	1,587

The recoverable amounts of the cash-generating units, to which the goodwill is allocated, have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 13%–15%. No growth rate has been projected beyond the five-year period.

17. INVESTMENTS IN SUBSIDIARIES

Company

	2014 RMB million	2013 RMB million
Unlisted investments, at cost	**15,939**	13,413

17. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2014 were as follows:

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Commercial Vehicles Co., Ltd.	PRC	RMB9,200,000,000	100	—	Manufacturing and sale of commercial vehicles
Dongfeng Liuzhou Motor Co., Ltd.	PRC	RMB1,224,700,000	75	—	Manufacture and sale of automobiles, automotive, parts and components
Dongfeng Motor Finance Co., Ltd. ("DFF")	PRC	RMB3,500,000,000	100	—	Provision of finance services
China Dongfeng Motor Industry Import and Export Co., Ltd.	PRC	RMB200,000,000	95	2.6	Marketing and sale of automobiles
Dongfeng Electric Vehicle Co., Ltd.	PRC	RMB90,580,000	90.07	—	Manufacturing and sale of electric vehicles, parts and components
Dongfeng Off-road Vehicle Co., Ltd.	PRC	RMB155,000,000	100	—	Manufacturing and sale of off-road vehicles, parts and components
Dongfeng Peugeot Citroën Automobile Sales Co., Ltd.	PRC	RMB100,000,000	50	—	Sale of automobiles, automotive, parts and components

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

18. INVESTMENTS IN JOINT VENTURES

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Unlisted investments, at cost	—	—	15,141	13,066
Joint ventures, at carrying value	40,055	34,541	—	—
	40,055	34,541	15,141	13,066

Particulars of the principal joint ventures of the Group as at 31 December 2014 were as follows:

Name	Place of establishment and business	Paid-up Registered capital	Percentage of equity interest attributable to the Company	Principal activities
Dongfeng Motor Co., Ltd. ("DFL")	PRC	RMB16,700,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Automobile Company Ltd. ("DPCA")	PRC	RMB7,000,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Automobile Co., Ltd. ("DHAC")	PRC	USD560,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Engine Co., Ltd.	PRC	USD121,583,517	50.00	Manufacture and sale of automotive parts and components

18. INVESTMENTS IN JOINT VENTURES (continued)

Name	Place of establishment and business	Paid-up Registered capital	Percentage of equity interest attributable to the Company	Principal activities
Dongfeng Honda Auto Parts Co., Ltd.	PRC	USD37,500,000	44.00	Manufacture and sale of automotive parts and components
Dongvo (Hangzhou) Truck Co., Ltd.	PRC	RMB289,900,700	50.00	Manufacture and sale of automotive parts and components
Dongfeng Renault Automotive Co., Ltd.	PRC	RMB4,706,303,466	50.00	Manufacture and sale of automotive parts and components
Wuhan Schmitz Trailer Co., Ltd.	PRC	RMB200,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Finance Co., Ltd.	PRC	RMB1,000,000,000	37.50	Provision of Finance services
Schmitz Dongfeng SPV Co., Ltd.	PRC	RMB100,000,000	50.00	Manufacture and sale of automotive parts and components

18. INVESTMENTS IN JOINT VENTURES (continued)

The financial information of material joint ventures

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

(i) Statement of financial position of material joint ventures

	DFL		DPCA		DHAC	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million	**2014 RMB million**	2013 RMB million
Cash and cash equivalents	**15,156**	14,750	**12,793**	6,932	**6,583**	6,701
Other current assets (excluding cash)	**48,591**	47,493	**9,986**	14,108	**13,637**	17,603
Total current assets	**63,747**	62,243	**22,779**	21,040	**20,220**	24,304
Non-current assets	**40,661**	39,284	**19,285**	19,802	**7,884**	6,701
Total assets	**104,408**	101,527	**42,064**	40,842	**28,104**	31,005
Current financial liabilities (excluding account payable)	**(448)**	(419)	**(2,220)**	(1,885)	**—**	—
Other current liabilities (including account payable)	**(52,401)**	(51,038)	**(23,283)**	(23,700)	**(13,899)**	(20,674)
Total current liabilities	**(52,849)**	(51,457)	**(25,503)**	(25,585)	**(13,899)**	(20,674)
Non-current financial liabilities (excluding account payable)	**(1,091)**	(1,076)	**(1,620)**	(1,567)	**—**	—
Other non-current liabilities (including account payable)	**(2,090)**	(2,865)	**—**	—	**(737)**	(42)
Total non-current liabilities	**(3,181)**	(3,941)	**(1,620)**	(1,567)	**(737)**	(42)
Total liabilities	**(56,030)**	(55,398)	**(27,123)**	(27,152)	**(14,636)**	(20,716)
Non-controlling interests	**(7,835)**	(7,548)	**—**	—	**—**	—
Net assets	**40,543**	38,581	**14,941**	13,690	**13,468**	10,289

18. INVESTMENTS IN JOINT VENTURES (continued)

The financial information of material joint ventures (continued)

(ii) Statement of comprehensive income of material joint ventures

	DFL		DPCA		DHAC	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Revenue	128,296	135,834	64,657	52,980	41,087	48,188
Depreciation and amortisation	(3,669)	(3,044)	(2,413)	(1,507)	(947)	(936)
Interest income	485	321	741	421	181	201
Interest expenses	(62)	(61)	(82)	(90)	—	—
Profit before tax	18,004	18,528	4,460	3,827	5,763	7,386
Income tax expenses	(4,318)	(4,373)	(1,131)	(926)	(1,531)	(1,835)
Profit after tax	13,686	14,155	3,329	2,901	4,232	5,551
Non-controlling interests	(1,330)	(1,764)	—	—	—	—
Other comprehensive income	(40)	(25)	—	—	—	—
Total comprehensive income	12,316	12,366	3,329	2,901	4,232	5,551
Dividend received	5,177	4,652	1,039	906	527	2,370

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not before equity method was applied to account for the Group's share of those amounts.

18. INVESTMENTS IN JOINT VENTURES (continued)

Reconciliation of financial information

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

Summarised financial information	DFL 2014 RMB million	DFL 2013 RMB million	DPCA 2014 RMB million	DPCA 2013 RMB million	DHAC 2014 RMB million	DHAC 2013 RMB million
Opening net assets at 1 January	38,581	35,472	13,690	12,600	10,289	9,476
Profit after tax	13,686	14,155	3,329	2,901	4,232	5,551
Other comprehensive income	(40)	(25)	—	—	—	—
Dividend received	(10,353)	(9,303)	(2,078)	(1,811)	(1,053)	(4,738)
Non-controlling interests	(1,330)	(1,764)	—	—	—	—
Other charges in equity	(1)	46	—	—	—	—
Closing net assets at 31 December	40,543	38,581	14,941	13,690	13,468	10,289
Interest in joint ventures (50%)	20,271	19,291	7,471	6,845	6,734	5,145
Goodwill	—	—	277	277	—	—
Carrying amount of investments in material joint ventures	20,271	19,291	7,748	7,122	6,734	5,145

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

	2014 RMB million	2013 RMB million
Share of joint ventures' results		
Profit after tax	848	769
Other comprehensive income	(3)	—
Total comprehensive income	845	769
Aggregate carrying amount of the Group's investments in the joint ventures	5,302	2,983

19. INVESTMENTS IN ASSOCIATES

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Unlisted investments, at cost	**—**	—	**595**	595
Associates, at carrying value	**9,360**	1,362	**—**	—
	9,360	1,362	**595**	595

Particulars of the principal associates as at 31 December 2014 were as follows:

Name	Place of establishment and business	Percentage of ownership interest attributable to the Group	Principal activities
Dongfeng Nissan Auto Finance Co., Ltd.#	PRC	35%	Provision of finance services
Shenzhen DFS Industrial Group Co., Ltd.#	PRC	47.5%	Marketing and sale of automobiles
Wuhan Lear-DFM Auto Electric Co. Ltd.#	PRC	25%	Manufacture and sale of automotive parts and components
PSA Peugeot Citroën Group ("PSA")	France	14.1%	Manufacture and sale of automotive parts and components

Sino-foreign equity joint venture

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

19. INVESTMENTS IN ASSOCIATES (continued)

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

	Group	
	2014	2013
	RMB million	RMB million
Associates — Share of profits	**2,089**	253

The movements in investments in associates are as follows:

	Group	
	2014	2013
	RMB million	RMB million
1 January	**1,362**	983
New investments	**6,801**	203
Share of profits	**2,089**	253
Other comprehensive income	**194**	—
Other changes in equity	**51**	—
Dividend received	**(39)**	(77)
Translation reserve	**(1,098)**	—
31 December	**9,360**	1,362

In the year ended 31 December 2014, the Group acquired 14.1% of the equity interests in the PSA Peugeot Citroën Group ("PSA"), a company listed on the Paris Bourse Stocks Exchange, for a consideration of EUR800 million (approximately RMB6,801 million). The investment in PSA is accounted for as an investment in associates using equity method. Since the Group has significant influence over PSA as the Group has the power to participate in the financial and operating policy decisions of PSA mainly by virtue of the fact that the Group is one of the three equal largest shareholders of PSA and the Group has certain representation on the governing body.

A gain before taxation amounting to RMB2,290 million arising from the excess of the fair value of the net identifiable assets and liabilities in PSA as at the date of acquisition over the cost of investment was recognised in the share of profits and losses of associates.

20. OTHER NON-CURRENT ASSETS

		Group	
		2014	2013
	Note	RMB million	RMB million
Loans and receivables from financing services	24(ii)	**5,054**	4,323
Mandatory reserve deposits with the People's Bank of China (the "PBOC") *		**3,232**	2,619
Others		**92**	165
		8,378	7,107

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

21. INVENTORIES

	Group		Company	
	2014	2013	2014	2013
	RMB million	RMB million	RMB million	RMB million
Raw materials	**1,288**	910	**254**	165
Work in progress	**715**	388	**83**	111
Finished goods	**7,732**	2,947	**340**	166
	9,735	4,245	**677**	442

22. TRADE RECEIVABLES

Sales of the Group's commercial and passenger vehicles are normally settled on an advance receipt basis, whereby the dealers are required to pay in advance either in cash or by bank acceptance drafts. However, in the case of long-standing customers with bulk purchases and a good repayment history, the Group may offer these customers credit terms that are generally between 30 and 180 days. For sales of engines and other automotive parts, the Group generally offers its customers credit terms that are generally between 30 and 180 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Within three months	2,773	1,784	690	402
More than three months but within one year	856	1,502	108	157
More than one year	158	49	9	9
	3,787	3,335	807	568

22. TRADE RECEIVABLES (continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
At 1 January	160	45	11	9
Gain of control in subsidiaries	—	72	—	—
Net impairment loss recognised	57	43	7	2
Amount written off as uncollectible	(30)	—	—	—
At 31 December	187	160	18	11

As at 31 December 2014, trade receivables of the Group with an aggregate nominal value of RMB31 million (2013: RMB39 million) were impaired and fully provided for. The remaining individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Neither past due nor impaired	2,773	1,784	690	402
Less than three months past due	285	255	36	88
	3,058	2,039	726	490

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

22. TRADE RECEIVABLES (continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
DMC, its subsidiaries and joint ventures	237	331	1	2
A non-controlling shareholder of a subsidiary	26	8	—	—
Subsidiaries	—	—	241	114
	263	339	242	116

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

23. BILLS RECEIVABLE

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Within three months	3,606	2,577	678	1,139
More than three months but within one year	8,478	8,826	256	288
	12,084	11,403	934	1,427

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2014	2013	2014	2013
	Notes	RMB million	RMB million	RMB million	RMB million
Prepayments		1,778	1,612	346	465
Deposits and other receivables	(i)	534	793	274	1,574
Loans and receivables from financing services	(ii)	10,224	8,123	—	—
		12,536	10,528	620	2,039

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

	Group		Company	
	2014	2013	2014	2013
	RMB million	RMB million	RMB million	RMB million
At 1 January	41	3	—	—
Gain of control in subsidiaries	—	36	—	—
Net impairment loss recognised	11	2	1	—
At 31 December	52	41	1	—

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

(ii) Loans and receivables from financing services represented loans granted by DFF, which is involved in the provision of financing services, to individuals and entities when they purchased commercial and passenger vehicles from dealers at an interest rate of 3.96%–15.00% per annum. These loans and receivables from financing services were secured by the vehicle licenses together with guarantees provided by these dealers.

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

	2014 RMB million	2013 RMB million
Gross loans and receivables from financing services	15,536	12,627
Less: impairment allowances	258	181
	15,278	12,446
Less: current portion	10,224	8,123
Non-current portion	5,054	4,323

Movements of impairment allowances are as follows:

	2014 RMB million	2013 RMB million
At 1 January	181	—
Gain of control in subsidiaries	—	166
Impairment allowances charged	100	17
Amount written off as uncollectible	(23)	(2)
At 31 December	258	181

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
DMC, its subsidiaries and associates	35	505	19	147
A non-controlling shareholder of a subsidiary	—	5	—	—
Associates	27	15	—	—
Subsidiaries	—	—	244	1,465
	62	525	263	1,612

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

25. BALANCES WITH JOINT VENTURES

		Group		Company	
		2014	2013	2014	2013
	Notes	RMB million	RMB million	RMB million	RMB million
Due from joint ventures					
Interest-bearing loans to joint ventures		—	215	—	—
Dividends receivable from joint ventures		554	3,029	554	3,029
Others	(a)	1,902	468	—	99
		2,456	3,712	554	3,128
Due to joint ventures					
Cash deposits in DFF	(b)	2,201	2,425	—	—
Arising from acquisition of CV businesses	(c)	2,606	3,904	2,606	—
Others	(a)	2,915	2,706	—	158
		7,722	9,035	2,606	158
Less: current portion		(6,457)	(6,197)	(1,341)	(158)
Non-current portion		1,265	2,838	1,265	—

Notes:

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

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

(c) The amount due to joint ventures arising from the acquisition of the CV businesses is unsecured, and bears interest at 1.5%–2.2% per annum.

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2014	2013	2014	2013
	RMB million	RMB million	RMB million	RMB million
Unlisted investments at cost less impairment:				
Non-current	190	286	68	177

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

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Cash and bank balances	**15,006**	12,682	**4,724**	5,249
Time deposits*	**13,553**	11,600	**14,980**	11,760
	28,559	24,282	**19,704**	17,009
Less: Pledged bank balances and time deposits for securing general banking facilities	**(3,347)**	(2,543)	**(1,177)**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**25,212**	21,739	**18,527**	17,009
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(2,000)**	(5,069)	**(12,700)**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows	**23,212**	16,670	**5,827**	17,009

* Time deposits included RMB2,000 million (2013: RMB2,000 million) placed by the Company in an associate which is involved in the provision of financing services.

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

28. SHARE CAPITAL

Group and Company

	2014 RMB million	2013 RMB million
Registered, issued and fully paid:		
— 5,760,388,000 (2013: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
— 2,855,732,000 (2013: 2,855,732,000) H shares of RMB1.00 each	**2,856**	2,856
	8,616	8,616

29. RESERVES AND RETAINED PROFITS

Group

The amounts of the Group's reserves and retained profits and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 84 and 85 of these consolidated financial statements.

29. RESERVES AND RETAINED PROFITS (continued)

Company

	*Capital reserve RMB million	*Statutory reserves RMB million note(a)	Retained profits RMB million	Proposed final dividend RMB million	Total RMB million
At 1 January 2013	1,363	5,168	18,345	1,292	26,168
Final 2012 dividend declared	—	—	—	(1,292)	(1,292)
Total comprehensive income for the year	—	—	6,855	—	6,855
Transfer to reserves	—	946	(946)	—	—
Proposed final 2013 dividend	—	—	(1,551)	1,551	—
At 31 December 2013 and 1 January 2014	1,363	6,114	22,703	1,551	31,731
Final 2013 dividend declared	—	—	—	(1,551)	(1,551)
Total comprehensive income for the year	—	—	4,735	—	4,735
Transfer to reserves	—	862	(862)	—	—
Proposed final 2014 dividend	—	—	(1,723)	1,723	—
At 31 December 2014	1,363	6,976	24,853	1,723	34,915

* The total of these reserves amounted to RMB8,339 million (2013: RMB7,447 million).

29. RESERVES AND RETAINED PROFITS (continued)

Company (continued)

(a) Statutory reserves

In accordance with the PRC Company Law, the Company, its subsidiaries and associates established in the PRC are required to allocate 10% of their profits after tax (determined under the PRC Generally Accepted Accounting Principles (PRC GAAP)) to their respective statutory surplus reserves (the "SSR"). No allocation to the SSR is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the respective companies.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises and the memorandum and articles of association of the relevant companies, the Group's Sino-foreign joint ventures are also required to make appropriations of certain of their profits after tax thereof to their enterprise expansion funds and reserve funds, which are restricted as to use.

(b) Distributable reserves

As set out in note 12, for dividend distribution purposes, the Company's distributable profit is based on the lower of the net profit after tax as determined under PRC GAAP and IFRSs following its restructuring into a joint stock limited liability company on 12 October 2004. The amounts that the Company's subsidiaries and joint ventures can legally distribute by way of dividend are determined by reference to their profits as reflected in their financial statements prepared in accordance with PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

In accordance with the PRC Company Law, the net profits after transfers to the SSR can be distributed as dividends by the companies comprising the Group as set out above.

Under the relevant laws and regulatory requirements, the net profits of the Group's Sino-foreign joint ventures after transfers to the enterprise expansion fund and the reserve funds can be distributed as dividends by the Group's Sino-foreign joint ventures.

30. INTEREST-BEARING BORROWINGS

Group

	2014			2013		
	Effective interest rate (%)	Maturity	RMB million	Effective interest rate (%)	Maturity	RMB million
Current						
Bank loans — secured			—	1.52	2014	5
Bank loans — unsecured	0.59-8	2015	8,198	1.62-2.15	2014	303
Short term notes — unsecured	4.88	2015	4,111	3.80	2014	3,000
Other loans — unsecured*		2015	5,051		2014	2,567
			17,360			5,875
Non-Current						
Bank loans — secured	2.19-3.9	2017	350			—
			17,710			5,875

* Other loans represented cash deposits placed by DMC, its joint ventures and subsidiaries amounting to RMB217 million (2013: 330 million) and other unrelated third parties with a subsidiary of the Group which is involved in the provision of financing services. These loans bear interest at the prevailing saving interest rate published by the PBOC.

30. INTEREST-BEARING BORROWINGS (continued)

Company

	2014			2013		
	Effective interest rate (%)	Maturity	RMB million	Effective interest rate (%)	Maturity	RMB million
Current						
Bank loans — unsecured	5.0-6.0	2015	2,090			—
Loan from a subsidiary — unsecured			—	1.58-3	2014	1,431
Short term notes — unsecured	4.88	2015	4,111	3.8	2014	3,000
			6,201			4,431
Non-current						
Loan from a subsidiary — secured			—	1.98-2.25	2016	2,705
Bank loans — secured	3.9	2017	280			—
			6,481			7,136

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

Group

	2014 RMB million	2013 RMB million
Time deposits and bank balances	2,109	2,543

30. INTEREST-BEARING BORROWINGS (continued)

On 5 June 2014, short term notes with a principal amount of RMB4,000 million were issued to investors. The short term notes were issued at a face value of RMB100 each with the term of maturity of 270 days. The short term notes carried a fixed interest rate of 4.88% per annum and will be fully settled on 3 March 2015.

Details of the short term notes at 31 December 2014 are as follows:

	2014 RMB million	2013 RMB million
Principal amount	**4,000**	3,000
Notes issuance cost	**(6)**	(3)
Proceeds received	**3,994**	2,997
Accumulated amortised amounts of notes issuance cost	**6**	3
Interest	**111**	—
	4,111	3,000

30. INTEREST-BEARING BORROWINGS (continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Bank loan repayable:				
Within one year	8,198	308	2,090	—
One year to two year	20	—	20	—
Two year to three year	330	—	260	—
	8,548	308	2,370	—
Short term notes repayable:				
Within one year	4,111	3,000	4,111	3,000
Other loans repayable:				
Within one year	5,051	2,567	—	—
Loan from a subsidiary repayable:				
Within one year or on demand	—	—	—	1,431
In the second year	—	—	—	1,352
In the third to fifth years, inclusive	—	—	—	1,353
	—	—	—	4,136
	17,710	5,875	6,481	7,136

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

30. INTEREST-BEARING BORROWINGS (continued)

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
RMB	**11,451**	5,875	**6,481**	7,136
Euro dollar	**6,222**	—	**—**	—
US dollar	**37**	—	**—**	—
	17,710	5,875	**6,481**	7,136

31. PROVISIONS

The movements of the Group's and the Company's provisions are analysed as follows:

	Group			Company
	Environmental restoration costs	**Warranty expenses**	**Total**	**Warranty expenses**
	RMB million	RMB million	RMB million	RMB million
At 1 January 2013	—	97	97	92
Gain of control in subsidiaries	87	711	798	—
Provision during the year	(3)	505	502	108
Utilised	—	(383)	(383)	(43)
At 31 December 2013 and 1 January 2014	84	930	1,014	157
Provision during the year	30	764	794	81
Utilised	—	(551)	(551)	(36)
At 31 December 2014	114	1,143	1,257	202

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

31. PROVISIONS (continued)

(a) Environmental restoration costs

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

(b) Warranty expenses

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

32. GOVERNMENT GRANTS

The movements of the government grants are analysed as follows:

	RMB million
At 1 January 2013	2
Received during the year	77
Gain of control in subsidiaries	93
Recognised as other income during the year (note 5)	(48)
At 31 December 2013 and 1 January 2014	124
Received during the year	482
Recognised as other income during the year (note 5)	(345)
At 31 December 2014	261

33. TRADE PAYABLE

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Within three months	**14,412**	11,005	**3,073**	2,505
More than three months but within one year	**1,372**	1,642	**418**	872
More than one year	**250**	833	**68**	744
	16,034	13,480	**3,559**	4,121

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
DMC, its subsidiaries and associates	**209**	333	**43**	132
Associates	**76**	59	**50**	50
Subsidiaries	**—**	—	**1,246**	2,612
	285	392	**1,339**	2,794

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

34. BILLS PAYABLE

The maturity profile of the bills payable is as follows:

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Within three months	**1,059**	5,629	**364**	395
More than three months but within one year	**10,837**	6,093	**159**	291
	11,896	11,722	**523**	686

35. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Advances from customers	**4,318**	2,514	**620**	490
Accrued salaries, wages and benefits	**1,553**	1,726	**508**	457
Other payables	**6,433**	5,308	**1,253**	1,376
	12,304	9,548	**2,381**	2,323

35. OTHER PAYABLES AND ACCRUALS (continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
DMC, its subsidiaries and associates	154	599	15	46
A non-controlling shareholder of a subsidiary	44	8	—	—
Associates	—	3	—	3
Subsidiaries	—	—	43	403
	198	610	58	452

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

36. COMMITMENTS

(a) Operating lease commitments as lessee

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Within one year	122	149	26	26
After one year but not more than five years	585	590	105	105
More than five years	5,000	5,007	881	907
	5,707	5,746	1,012	1,038

36. COMMITMENTS (continued)

(b) Capital commitments

In addition to the operating lease commitments detailed in note 36(a) above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Contracted, but not provided for:				
— Property, plant and equipment	**838**	674	**175**	14
— Capital contribution to a joint venture	**—**	373	**—**	373
Authorised, but not contracted for:				
Property, plant and equipment	**433**	239	**—**	—
	1,271	1,286	**175**	387

37. CONTINGENT LIABILITIES

On 16 January 2014, a Brazilian company (the "Claimant") filed an arbitration at the London Court of International Arbitration against the Company and its subsidiary in respect of a dispute (the "Dispute") arising out of an agreement and other relevant agreement (the "Agreements") entered into by the Claimant and the Company and its subsidiary. The Claimant seeks, among other things, damages totally approximately Brazilian Real 1.67 billion (equivalent to approximately RMB3.9 billion with the average middle rate of RMB to BRL as announced by the PBOC of 31 December 2014) for the alleged breach of certain agreements together with the costs.

A hearing as to the scope of jurisdiction in reference to arbitration was held on 28 and 29 September 2014, and the award on jurisdiction is presently awaited from the Tribunal. The Company and its subsidiary defend the claim initially on the basis of a challenge to the jurisdiction of the Tribunal and in any event deny that they are in breach of the subject contracts as alleged. As at the date of this report, the Claimant has yet to present a full statement of claim.

As the outcome of the preliminary phase may be to discharge the Company from the proceedings, after taking into consideration of the legal advice obtained, the directors of the Company believe that the outcome of the Dispute will not give rise to a significant loss to the Group.

38. RELATED PARTY TRANSACTIONS

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

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

	Note	2014 RMB million	2013 RMB million
Purchases of automotive parts/raw materials from:	(i)		
— DMC and its subsidiaries and associates		**709**	391
— A subsidiary's joint venture		**3,082**	838
— An associate		**128**	126
— Joint ventures		**18,384**	3,911
		22,303	5,266
Purchases of automobiles from:	(i)		
— DMC's subsidiary and associates		**—**	4
— Joint ventures		**10,943**	448
		10,943	452
Purchases of water, steam and electricity from DMC	(i)	**541**	316

38. RELATED PARTY TRANSACTIONS (continued)

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

	Note	2014 RMB million	2013 RMB million
Purchases of items of property, plant and equipment from:	(i)		
— DMC and its subsidiaries and associates		191	83
— Joint ventures		158	20
		349	103
Rental expenses to DMC and its subsidiaries		164	99
Purchases of services from:	(i)		
— DMC and its subsidiaries		233	130
— Joint ventures		115	13
— A minority shareholder of a subsidiary		44	7
		392	150
Payment of royalty fee and other expenses to:	(i)		
— DMC and its subsidiaries		10	52

38. RELATED PARTY TRANSACTIONS (continued)

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

	Note	2014 RMB million	2013 RMB million
Sales of automotive parts/raw materials to:	(i)		
— DMC and its subsidiaries, a Joint ventures		155	67
— Joint ventures		3,286	2,381
— A subsidiary's joint venture		149	55
— Associates		—	—
		3,590	2,503
Sales of automobiles to:	(i)		
— DMC's subsidiaries		2,695	690
— Joint ventures		420	715
— A minority shareholder of a subsidiary		564	292
		3,679	1,697
Provision of services to:	(i)		
— Joint ventures		62	39
— A subsidiary's joint venture		4	3
		66	42
Interest expense paid to:	(i)		
— DMC and its subsidiaries		45	7
— Joint ventures		103	103
		148	110
Interest income from:	(i)		
— DMC, its subsidiaries and joint venture		14	3
— Joint ventures		15	29
		29	32
Fee and commission income from:	(i)		
— DMC, its subsidiaries and joint venture		2	1
— Joint ventures		13	16
		15	17

38. RELATED PARTY TRANSACTIONS (continued)

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

	Note	2014 RMB million	2013 RMB million
Rental income from:	(i)		
— DMC's subsidiary		12	12

Note:

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

(b) Outstanding balances with related parties:

(i) Details of the Group's balances with its related parties as at the end of the reporting period are disclosed in notes 22, 24, 27, 30, 33 and 35 to the financial statements.

(ii) Details of the Group's balances with joint ventures as at the end of the reporting period are disclosed in note 25 to the financial statements.

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

	2014 RMB'000	2013 RMB'000
Short term employee benefits	12,937	11,138
Post-employment benefits	659	890
Stock appreciation right expenses recognised in the income statement	3,184	2,287
Total compensation paid to key management personnel	16,780	14,315

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

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

2014

Group

Financial assets

	Loans and receivables RMB million	Avaible-for-sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	190	190
Trade receivables	3,787	—	3,787
Bills receivable	12,084	—	12,084
Financial assets included in prepayments, deposits and other receivables	10,758	—	10,758
Due from joint ventures	2,456	—	2,456
Pledged bank balances and time deposits	3,347	—	3,347
Other non-current asset	8,286	—	8,286
Cash and cash equivalents	25,212	—	25,212
	65,930	190	66,120

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	16,034
Bills payable	11,896
Financial liabilities included in other payables and accruals	6,433
Due to joint ventures	7,722
Interest-bearing borrowings	17,710
	59,795

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2013

Group

Financial assets

	Loans and receivables RMB million	Avaible-for-sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	286	286
Trade receivables	3,335	—	3,335
Bills receivable	11,403	—	11,403
Financial assets included in prepayments, deposits and other receivables	8,916	—	8,916
Due from joint ventures	3,712	—	3,712
Pledged bank balances and time deposits	2,543	—	2,543
Other non-current asset	6,942	—	6,942
Cash and cash equivalents	21,739	—	21,739
	58,590	286	58,876

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	13,480
Bills payable	11,722
Financial liabilities included in other payables and accruals	5,308
Due to joint ventures	9,035
Interest-bearing borrowings	5,875
	45,420

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2014

Company

Financial assets

	Loans and receivables RMB million	Avaible-for sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	68	68
Trade receivables	807	—	807
Bills receivable	934	—	934
Financial assets included in prepayments, deposits and other receivables	274	—	274
Due from joint ventures	554	—	554
Pledged bank balances and time deposits	1,177	—	1,177
Cash and cash equivalents	18,527	—	18,527
	22,273	68	22,341

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	3,559
Bills payable	523
Financial liabilities included in other payables and accruals	1,253
Due to joint ventures	2,606
Interest-bearing borrowings	6,481
	14,422

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2013

Company

Financial assets

	Loans and receivables RMB million	Avaible-for sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	177	177
Trade receivables	568	—	568
Bills receivable	1,427	—	1,427
Financial assets included in prepayments, deposits and other receivables	1,574	—	1,574
Due from joint ventures	3,128	—	3,128
Cash and cash equivalents	17,009	—	17,009
	23,706	177	23,883

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	4,121
Bills payable	686
Financial liabilities included in other payables and accruals	1,376
Due to joint ventures	158
Interest-bearing borrowings	7,136
	13,477

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. The directors review and agree policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its non-current interest-bearing borrowings with the floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate borrowings.

As at 31 December 2014, all the Group's interest-bearing borrowings bear fixed interest rate and not subject to interest rate risk.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk

The businesses of the Group are principally located in the PRC. While most of the sales of the Group are conducted in RMB, certain of the Group's purchases and borrowings were denominated in other currency such as euro dollars (EUR).

As at 31 December 2014 and 2013, the carrying amounts in RMB equivalent of the Group's liabilities denominated in foreign currencies are summarised below:

	2014 RMB million	2013 RMB million
Interest-bearing borrowings	6,222	—

Fluctuations in the exchange rates of RMB against these foreign currency can affect the Group's results of operations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the euro dollars (EUR), exchange rates, with all other variables held constant, of the Group's post tax profit (due to changes in the fair values of monetary liabilities).

	Increase/(decrease) in post tax profit	
	2014 RMB million	2013 RMB million
If RMB strengthens against EUR by 5%	233	—
If RMB weakens against EUR by 5%	(233)	—

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

The cash and bank balances and time deposits of the Group are mainly deposited with state-owned banks in the PRC, such as Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not have a significant exposure to any individual customer.

The Group's financing services are primarily focused on supporting the sale of the commercial and passenger vehicles of the Group. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as vehicle licences. Scoring systems are applied for the assessment of the default risk of individual customers. All loans and receivables from financing services are reviewed for objective evidence of impairment and classified based on a ten-tier classification system. Customers' loans that are classified as substandard, doubtful or loss are assessed individually for impairment.

The carrying amount of each financial asset included in these financial statements represents the maximum exposure of the Group to credit risk in relation to its financial assets. In addition, the guarantees given by the Group to banks in favour of banking facilities granted to the Group's joint ventures represent the Group's other exposure to credit risk. The Group has no other financial assets carrying significant exposure to credit risk and has no significant concentration of credit risk.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, and other available sources of financing.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2014				
	Within one year or on demand RMB million	In the second year RMB million	In the third to fifth years RMB million	Beyond five years RMB million	Total RMB million
Interest-bearing borrowings	17,360	20	330	—	17,710
Trade payables	16,034	—	—	—	16,034
Bills payable	11,896	—	—	—	11,896
Other payables	6,456	1	32	—	6,489
Due to joint ventures	6,457	1,265	—	—	7,722
Guarantees given to banks in connection with facilities granted to joint ventures	117	—	—	—	117
	58,320	1,286	362	—	59,968

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

Group (continued)

	2013				
	Within one year or on demand RMB million	In the second year RMB million	In the third to fifth years RMB million	Beyond five years RMB million	Total RMB million
Interest-bearing borrowings	5,875	—	—	—	5,875
Trade payables	13,480	—	—	—	13,480
Bills payable	11,722	—	—	—	11,722
Other payables	5,308	—	—	—	5,308
Due to joint ventures	6,197	2,838	—	—	9,035
Guarantees given to banks in connection with facilities granted to joint ventures	804	—	—	—	804
	43,386	2,838	—	—	46,224

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by equity. Net debt includes interest-bearing borrowings, less cash and cash equivalents. Equity represents equity attributable to equity holders of the parent. The net debt to equity ratio as at the end of the reporting period was as follows:

Group

	2014 RMB million	2013 RMB million
Interest-bearing borrowings	**17,710**	5,875
Less: Cash and cash equivalents	**(25,212)**	(21,739)
Net debt	**(7,502)**	(15,864)
Equity attributable to equity holders of parent	**73,829**	63,135
Net debt to equity ratio	**(10.16%)**	(25.13%)

41. EVENTS AFTER THE REPORTING PERIOD

(a) The transfer of 45% equity interest in Commercial Vehicles Co., Ltd. held by the Company to AKTIEBOLAGET VOLVO ("Volvo") (the "Equity Transfer Transaction") was approved and consented to by the Ministry of Commerce of the PRC on 17 November 2014 and was completed on 5 January 2015. Determined in accordance with certain price adjustment mechanism, the consideration for the Equity Transfer Transaction is RMB5,510,000,000 (equivalent to approximately HK$6,887,500,000). Following completion of the Equity Transfer Transaction, the Company and Volvo hold 55% and 45% of the equity interest in Commercial Vehicles Co., Ltd. respectively.

(b) Profit distribution

A final dividend in respect of the year ended 31 December 2014 of RMB0.20 per share, amounting to a total dividend of RMB1,723 million, was proposed by the Board of Directors at a meeting held on 25 March 2015, subject to the final approval by the shareholders of the Company at the Annual General Meeting. These financial statements do not reflect this dividend payable.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2015.

Five Year Financial Summary

31 December 2014

A summary of published results and the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 December				
	2014 RMB million	2013 RMB million	2012 RMB million	2011 RMB million	2010 RMB million
RESULTS					
Revenue	80,954	37,263	6,090	4,642	4,499
Cost of sales	(70,244)	(32,582)	(5,736)	(4,560)	(4,299)
Gross profit	10,710	4,681	354	82	200
Other income	1,541	1,281	1,123	656	296
Selling and distribution expenses	(4,134)	(2,268)	(812)	(517)	(486)
Administrative expenses	(3,281)	(2,179)	(706)	(507)	(476)
Other expenses	(3,408)	(2,062)	(693)	(502)	(472)
Finance income/(costs)	504	(170)	(178)	(205)	(174)
Share of profits and losses of:					
Joint ventures	10,662	11,176	9,873	11,391	12,022
Associates	2,089	253	191	115	120
PROFIT BEFORE TAX	14,683	10,712	9,152	10,513	11,030
Income tax expense	(1,365)	(109)	(45)	(25)	(42)
PROFIT FOR THE YEAR	13,318	10,603	9,107	10,488	10,988
Profit attributable to:					
Equity holders of the parent	12,845	10,528	9,092	10,481	10,981
Non-controlling interests	473	75	15	7	7
	13,318	10,603	9,107	10,488	10,988

Five Year Financial Summary

31 December 2014

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB million	RMB million	RMB million	RMB million	RMB million
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**145,473**	115,998	62,366	56,511	46,705
Total liabilities	**(70,021)**	(51,964)	(8,363)	(10,084)	(9,175)
Non-controlling interests	**(1,623)**	(899)	(85)	(33)	(36)
	73,829	63,135	53,918	46,394	37,494

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

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Hubei 430056, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY WEBSITE

www.dfmg.com.cn

COMPANY SECRETARIES

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

Auditor

PricewaterhouseCoopers

HONG KONG H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

00489

NOTICE OF ANNUAL GENERAL MEETING AND RELATING INFORMATION

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2014

NOTICE IS HEREBY GIVEN that an Annual General Meeting (the "AGM") of Dongfeng Motor Group Company Limited (the "Company") for the year 2014 will be held at 9:00 a.m. on Friday, 19 June 2015 at Special No.1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China (the "PRC") for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions:

I. As ordinary resolutions:

1. To consider and approve the report of the board of directors for the year ended 31 December 2014.

2. To consider and approve the report of the supervisory committee for the year ended 31 December 2014.

3. To consider and approve the international auditors' report and audited financial statements for the year ended 31 December 2014.

4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2014, and authorize the Board to deal with all issues in relation to the Company's distribution of final dividend for the year 2014.

5. To consider and approve the authorization to the Board to deal with all issues in relation to the Company's distribution of interim dividend for the year 2015 at its absolute discretion (including, but not limited to determining whether to distribute interim dividend for the year 2015).

6. To consider and approve the appointments of PricewaterhouseCoopers as the international auditors of the Company, and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditors of the Company for the year 2015 to hold office until the conclusion of annual general meeting for the year 2015, and to authorize the Board to determine their remunerations.

7. To consider and approve the authorization of the Board to determine the remuneration of the directors and the supervisors of the Company determined by the Board for the year 2015.

8. To consider and approve the removal of Ren Yong as a Supervisor.

II. As special resolutions:

9. For the purpose of increasing the flexibility and efficiency of operation, to grant a general mandate to the Board to issue, allot and deal with additional Domestic Shares not exceeding 20 percent of the total number of Domestic Shares in issue and additional H Shares not exceeding 20 percent of the total number of H Shares in issue, and authorize the Board to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares.

"**THAT**

(A) (a) subject to paragraph (c) and in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of the Company and the applicable laws and regulations of the PRC, the exercise by the Board during the Relevant Period of all the powers of the Company to allot, issue and deal with, either separately or concurrently, additional Domestic Shares and H shares and to make or grant offers, agreements, options and powers of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorize the Board during the Relevant Period to make or grant offers, agreements, options and powers of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

(c) each of the aggregate nominal amounts of Domestic Shares and H shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board pursuant to the approval granted in paragraph (a) shall not exceed 20 percent of each of the total number of Domestic Shares and H shares in issue as at the date of passing this resolution, otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; and

(d) for the purposes of this resolution:

"**Relevant Period**" means the period from (and including) the date of passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of a period of 12 months from the date of passing of the special resolution granting the general mandate; or

(iii) the date of revocation or variation of the authority given under this resolution by a special resolution of the Company in a general meeting.

"**Rights Issue**" means an offer of shares open for a period fixed by the directors to the holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or the requirements, of any recognized regulatory body or any stock exchange in any territory outside Hong Kong) and an offer, allotment or issue of shares by way of rights shall be construed accordingly.

(B) The Board shall be authorized to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares as provided in subparagraph (a) of paragraph (A) of this resolution."

By order of the Board
Xu Ping
Chairman

29 April 2015, Wuhan, the PRC

As at the date of this notice, Mr. Xu Ping, Mr. Zhu Fushou and Mr. Li Shaozhu are the executive directors of the Company; Mr. Tong Dongcheng, Mr. Ouyang Jie, Mr. Liu Weidong and Mr. Zhou Qiang are the non-executive directors of the Company and Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei are the independent non-executive directors of the Company.

Notes:

1. Eligibility for attending the general meeting and closure of register of members for H shares

   In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday 19 June 2015, both days inclusive, during which period no registration of shareholders and transfer of shares will be effected. In order to attend and vote at the AGM, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Tuesday, 19 May 2015.

2. Eligibility for receiving final dividend and closure of register of members for H shares

   The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. If such proposed dividend distribution is approved by the shareholders, the final dividend will be distributed to those shareholders whose names appear on the register of members of the Company on Tuesday, 7 July 2015. The Register of Members will be closed from Wedsday, 1 July 2015 to Tuesday, 7 July 2015 (both days inclusive). In order to be entitled to the final dividend, H shares shareholders who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Tuesday, 30 June 2015.

3. Proxy

   (1) A shareholder entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on his behalf. A proxy needs not be a shareholder of the Company. Where a shareholder appoints more than one proxy, his proxies may vote in a poll.

   (2) The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand(s) of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.

   (3) In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the Secretariat of the Board at the Company's principal place of business in the PRC for holders of the Domestic Shares and at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for holders of the H Shares not later than 9:00 a.m. on 18 June 2015.

   (4) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the AGM.

4. Registration for attending the AGM

(1) A shareholder or his proxy shall produce proof of identity when attending the AGM. If a shareholder is a corporation, its legal representative or other person authorized by the board of directors or other competent body of such shareholder may attend the AGM by producing a copy of the resolution of the board of directors or other competent body of such shareholder appointing such person to attend the meeting.

(2) In accordance with the Articles of Association of the Company, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting rights attached to such share at the AGM, and this notice shall be deemed to be given to all joint holders of such share.

(3) For information purpose only, shareholders who intend to attend the AGM in person or by proxy shall return the reply slip to the Secretariat of the Board at the Company's principal place of business in the PRC for the holders of the domestic shares or to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for the holders of the H shares on or before Friday, 29 May 2015 by hand, by post or by fax.

4. Miscellaneous

(1) The AGM is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the AGM are responsible for their own transportation and accommodation expenses.

(2) The address and contact details of the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:

Address: shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2865 0990

(3) The address and contact details of the Company's principle place of business in the PRC are as follows:

Address: Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China
Tel: (8627) 8428 5274
Fax: (8627) 8428 5057

The 16th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolutions on the Issuance and Allotment of Shares

To: Annual General Meeting

According to the resolutions on the issuance and allotment of Shares passed by the 16th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the following resolutions to the Annual General Meeting of the Company:

1. To approve and authorize the Board of Directors to issue, allot and deal with, either separately or concurrently, additional domestic shares not exceeding 20 per cent of the total number of domestic shares in issue and/or additional H shares not exceeding 20 per cent of total number of H shares in issue.

2. To approve and authorize the Board of Directors to make corresponding amendments to the Articles of Association of the Company to reflect the new capital structure upon the allotment, issue and dealing of the additional domestic shares and/or additional H shares and the increase of registered capital of the Company.

The above resolutions will be submitted to the Annual General Meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

25 March 2015

NOTICE OF ANNUAL GENERAL MEETING AND RELATING INFORMATION

The 16th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolutions in relation to Annual Report

To: Annual General Meeting

The following resolutions in relation to annual report have been approved at the 16th meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company") and will be proposed at the annual general meeting of the Company for consideration:

1. To consider and approve the 2014 financial report audited by PricewaterhouseCoopers Zhong Tian LLP and the 2014 auditors' report audited by PricewaterhouseCoopers.

2. To consider and approve the report of the board of directors of the Company of 2014.

3. To consider and approve the results announcement of the Company of 2014.

4. To consider and approve the profit distribution proposed of the Company for the year ended 31 December 2014, and authorize the Board to deal with all issues in relation to the Company's distribution of final dividend for the year 2014.

5. To authorize the board of directors to deal with any matters in relation to the distribution of the interim dividends for 2015 as they thing fit, including but not limited to the determination of distribution of interim dividends for 2015.

6. To approve the reappointments of PricewaterhouseCoopers as the international auditors of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditors of the Company for 2015 to hold office until the conclusion of Annual General Meeting for 2015, and to authorize the Board of Directors to determine the remunerations of the chief auditors.

The above resolutions will be submitted to the Annual General Meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

25 March 2015

The 16th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolutions on the Remuneration of Directors and Supervisors

To: Annual General Meeting

According to the resolution on the remuneration of Directors and Supervisors of the Company for 2015 passed by the 16th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the resolution on the remuneration of Directors and Supervisors for 2015 to the Annual General Meeting of the Company:

I. To consider and approve the proposed remuneration of Directors and Supervisors for 2015 as follows:

1. Annual Remuneration

Positions	Cash	Medium to Long Term Incentives
Executive Directors Non-executive Directors	Nil Nil	Shares appreciation rights granted under the Share Appreciation Scheme of Dongfeng Motor Group Company Limited
Independent Non-executive Directors	Allowance of RMB120,000, net of tax	Nil
Supervisors	Nil	Nil
Independent Supervisors	Allowance of RMB40,000, net of tax	Nil

Notes:

- The Executive Directors and Non-executive Directors receive salaries in their capacities of employees of the Company rather than directors.
- Executive Directors and the Non-executive Directors participate in the Stock Appreciation Scheme in their capacities of directors.
- Independent Directors and Independent Supervisors are not entitled to participate in the Stock Appreciation Scheme according to the applicable regulations of the SASAC.
- Internal Supervisors receive salaries in their capacities of employees of the Company rather than supervisors.
- Internal Supervisors participate in the Stock Appreciation Scheme in their capacities of employees of the Company rather than supervisors.

2. *Allowance of Meetings*

Positions	Allowance of Board meetings	Allowance of meetings of special committees	Allowance of meetings of Supervisory Committee
Executive Directors Non-executive Directors	Nil	Nil	Nil
Independent Non-executive Directors	RMB3,000/meeting	RMB2,000/meeting	Nil
Supervisors	Nil	Nil	Nil
Independent Supervisors	Nil	Nil	RMB3,000/meeting

The above resolutions will be submitted to the Annual General Meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

25 March 2015

The 4th Meeting of the Fourth Session of the Supervisory Committee of Dongfeng Motor Group Company Limited

Resolution on the Removal of Ren Yong as a Supervisor

To: Annual General Meeting

Dongfeng Motor Group Company Limited (the "Company") received a written proposal for the removal of Ren Yong as a Supervisor on 19 December 2014 from Dongfeng Motor Corporation, a shareholder of the Company. As Ren Yong is currently under the investigations by the relevant authorities for suspected serious disciplinary violations, Dongfeng Motor Corporation has removed him from his administrative roles and duties, and proposed to the Company to remove him from the position as Supervisor in accordance with the relevant procedures. Hence, the Company hereby proposes to the Annual General Meeting for the approval of the removal of Ren Yong as a Supervisor.

The above resolution will be submitted to the Annual General Meeting for shareholders' consideration.

The Supervisory Committee
Dongfeng Motor Group Company Limited

25 March 2015

Definitions

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

"Company"	東風汽車集團股份有限公司 (Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment
"Dongfeng Joint Venture Companies"	Jointly-controlled Entities in which the Company, its subsidiaries or Jointly-controlled Entities (including their respective subsidiaries and Jointly-controlled Entities) have equity interests as at 31 December 2014
"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
"Dongfeng Motor Group" or "Group"	the Company and its subsidiaries, the Dongfeng Joint Venture Companies and theirrespective subsidiaries and associates
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Joint Venture Company"	A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Macau"	the Macau Special Administrative Region of the PRC.
"Parent 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 annual report to the PRC or China exclude Hong Kong, Macau or Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time