This announcement is for information purposes only, and does not constitute an invitation or an offer to acquire, purchase or subscribe for securities. No public offer of the securities referred to herein will be made in Hong Kong, the United States or any other jurisdiction.

Neither this announcement nor anything herein constitutes an offer of securities for sale or solicitation of an offer to buy securities in the United States. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the Company making the offer and its management and financial statements. The Company has not registered and does not intend to register, any of the securities in the United States. This announcement is not for distribution, directly or indirectly, in or into the United States.

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

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 489)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Reference is made to the announcement of Dongfeng Motor Group Company Limited (the "Company") dated 20 October 2015 in relation to the Notes Issue (the "Announcement"). Unless otherwise defined, capitalised terms used herein have the same meanings as ascribed to them in the Announcement.

Please refer to the attached offering circular dated 20 October 2015 in relation to the Notes Issue (the "Offering Circular"), which was published in printed form at the offices of the Irish Stock Exchange on 28 October 2015.

The posting of the Offering Circular on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities. The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Circular.

By order of the Board of Directors
ZHU YANFENG
Chairman

Wuhan, the PRC, 28 October 2015

As at the date of this announcement, Mr. Zhu Yanfeng, Mr. Zhu Fushou, Mr. Li Shaozhu are the executive directors of the Company, Mr. Tong Dongcheng, Mr. Ouyang Jie and Mr. Liu Weidong 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.

* *For identification purposes only*

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to Bank of China Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BNP Paribas, CCB International Capital Limited, Deutsche Bank AG, London Branch, The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and Société Générale (the "**Joint Lead Managers**") that you and any customers you represent are not, and the electronic mail address that you gave the Joint Lead Managers to which this e-mail has been delivered is not, located in the United States and that you consent to delivery of such Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached document is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (each as defined in the attached Offering Circular) to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents, nor any person who controls any of them, nor their respective directors, officers, employees, representatives nor agents, nor affiliates of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

Dongfeng Motor (Hong Kong) International Co., Limited
東風汽車(香港)國際有限公司

(incorporated with limited liability in Hong Kong)

EUR500,000,000 1.60 per cent. Guaranteed Notes due 2018
unconditionally and irrevocably guaranteed by

Dongfeng Motor Group Company Limited
東風汽車集團股份有限公司

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

Issue Price: 99.945 per cent.

The 1.60 per cent. guaranteed notes due 2018 (the "**Notes**") will be issued in the aggregate principal amount of EUR500,000,000 by Dongfeng Motor (Hong Kong) International Co., Limited (the "**Issuer**") and are in registered form in the denomination of EUR100,000 each and integral multiples of EUR1,000 in excess thereof. The Notes will be unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") by Dongfeng Motor Group Company Limited (the "**Guarantor**"). The Issuer is an indirect, wholly-owned subsidiary of the Guarantor.

The Notes will bear interest from 28 October 2015 at the rate of 1.60 per cent. per annum. Interest on the Notes is payable annually in arrear on 28 October in each year, commencing with the first Interest Payment Date (as defined in Terms and Conditions of the Notes (the "**Terms and Conditions**")) falling on 28 October 2016.

The Notes will constitute direct, general, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") on or around 28 October 2015 (the "**Issue Date**"). The Guarantor will be required to register or cause to be registered with the Hubei Branch of the State Administration of Foreign Exchange ("**SAFE**") the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE. The Guarantor intends to complete the registration for the execution of the Deed of Guarantee with SAFE as soon as practicable and in any event before the Registration Deadline (being 60 PRC Business Days (as defined in the Terms and Conditions) after the Issue Date).

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by National Development and Reform Commission ("**NDRC**") on 14 September 2015 which came into effect on the same day, the Guarantor has registered the issuance of the Notes with the NDRC and obtained a certificate from NDRC on 25 September 2015 evidencing such registration and intends to provide information on the issuance of the Notes to the NDRC as soon as practicable and in any event within 10 PRC Business Days after the Issue Date.

The Guarantee of the Notes will constitute direct, general, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Payments on the Notes will be made without withholding or deduction for taxes of Hong Kong or the PRC to the extent described in "*Terms and Conditions of the Notes – Taxation*".

Unless previously redeemed, or purchased and cancelled as provided herein, the Issuer will redeem each Note at its principal amount on 28 October 2018 (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (as defined in the Terms and Conditions) (which notice shall be irrevocable), the Issuer may redeem the Notes in whole, but not in part, at their principal amount together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that the Issuer or the Guarantor has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC (as the case may be) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such law or regulation and such obligation cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it. At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of such Noteholder's Notes on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. (in the case of redemption for a Change of Control (as defined in the Terms and Conditions) or 100 per cent. (in the case of redemption for a No Registration Event) of their principal amount together with accrued interest to such Put Settlement Date. See "*Terms and Conditions of the Notes – Redemption and Purchase*". The Notes may also be redeemed at the option of the Issuer in whole but not in part at any time at a price equal to their Make Whole Amount together with accrued interest (collectively, the "**Make Whole Redemption Price**") on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders. See "*Terms and Conditions of the Notes – Redemption and Purchase – Make whole redemption*".

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented Directive 2003/71/EC, as amended (the "**Prospectus Directive**") (each, a "**Relevant Member State**") must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes.

Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer, the Guarantor or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer, the Guarantor or any Joint Lead Manager has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, the Guarantor or any Joint Lead Manager to publish or supplement a prospectus for such offer.

Application has been made to the Irish Stock Exchange plc (the "**ISE**") for the approval of this Offering Circular as listing particulars ("**Listing Particulars**"). Application has been made to the ISE for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the ISE. The Global Exchange Market of the ISE is not a regulated market for the purposes of Directive 2004/39/EC, as amended.

Each of the Issuer and the Guarantor accepts full responsibility for the information contained in this Listing Particulars. To the best of knowledge of each of the Issuer and the Guarantor, having taken all reasonable care to ensure that such is the case, the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 16 for a description of certain factors to be considered in connection with an investment in the Notes.

The Notes and the Guarantee of the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of these and certain restrictions on offers and sales of the Notes and the Guarantee of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Notes will be represented by beneficial interests in the global note certificate (the "**Global Note Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 28 October 2015 (the "**Issue Date**") with a common depositary for, Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream, Banking, *société anonyme* ("**Clearstream**", together with Euroclear, the "**Clearing Systems**"). Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, individual certificates for Notes will not be issued in exchange for interests in the Global Note Certificate.

The Notes are expected to be rated "A1" by Moody's Investors Service, Inc. ("**Moody's**"), "A" by Standard & Poor's Rating Services ("**S&P**") and "A" by Fitch Ratings Ltd. ("**Fitch**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Global Coordinators
(in alphabetical order)

Bank of China **BNP PARIBAS** **Deutsche Bank** **HSBC** **Société Générale Corporate & Investment Banking**

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

Bank of China **BOCOM HK Branch** **BNP PARIBAS** **CCBI** **Deutsche Bank**

HSBC **ICBC (Asia)** **Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch** **Société Générale Corporate & Investment Banking**

Offering Circular dated 20 October 2015

IMPORTANT NOTICE

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries taken as a whole (the "**Group**"), the Notes and the Guarantee of the Notes which is material in the context of the issue and offering of the Notes, (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Notes and the Guarantee of the Notes are in every material respect true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) the financial, operational, statistical, industry and market-related data included in this Offering Circular has been accurately extracted from the various sources, (v) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Notes or the Guarantee of the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement, opinion or intention expressed in this Offering Circular misleading in any respect, (vi) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain all facts in relation to the Issuer, the Guarantor and the Group to verify the accuracy of all such information and statements in this Offering Circular, and (vii) this Offering Circular does not contain any untrue statement of a fact or omit to state a fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading or inaccurate.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents (as defined in the Terms and Conditions) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Notes in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

No person has been or is authorised in connection with the issue, offer or sale of the Notes to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Notes or the Guarantee of the Notes, other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group, or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the

Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates to subscribe for or purchase, any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Notes exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Notes. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer, the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Notes offered by this Offering Circular is prohibited. Each offeree of the Notes, by accepting delivery of this Offering Circular, agrees to the foregoing.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Notes or the Guarantee of the Notes and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents or advisers accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Notes or the giving of the Guarantee of the Notes. Each of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, directors, employees, agents or advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents or advisers undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates.

Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisors as it deems necessary.

Any of the Joint Lead Managers and their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the Group.

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her advisor.

IN CONNECTION WITH THE ISSUE OF THE NOTES, EACH OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILISING MANAGER (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

Listing of the Notes on the ISE is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group, the Notes or the Guarantee of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the offering of the Notes, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. The Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates are not making any representation to any purchaser of the Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates in connection with its investigation of the accuracy of such information or its investment decision.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Guarantor believe this information to be reliable, this information has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, employees, agents or advisers, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, employees, agents or advisers makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2013, which were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") and have been audited by Ernst & Young, Certified Public Accountants. This Offering Circular contains the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2014, which were prepared in accordance with IFRS and have been audited by PricewaterhouseCoopers, Certified Public Accountants and the unaudited interim condensed consolidated financial statements as of and for the six months ended 30 June 2015, which were prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" and have been reviewed by PricewaterhouseCoopers, Certified Public Accountants in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". This Offering Circular contains the audited financial statements of the Issuer as at 31 December 2014 and for the period from 24 March 2014 (the date of incorporation) to 31 December 2014, which were prepared in accordance with Hong Kong Financial Reporting Standards and have been audited by PricewaterhouseCoopers, Certified Public Accountants.

In 2013, the Group adopted certain new and revised IFRSs. The Group's investments which were previously classified as jointly-controlled entities under IAS 31 "Interests in Joint Ventures" ("**IAS 31**") and were accounted for using the proportionate consolidation method, are classified as joint ventures under IFRS 11 "Joint Arrangements" ("**IFRS 11**") and accounted for using the equity method. The change in accounting for investments in joint ventures has been applied retrospectively. Accordingly, the financial information for the year ended 31 December 2012 has been restated in the consolidated financial statements of the Guarantor for the year ended 31 December 2013. See Note 2.2 "*Changes In Accounting Policies And Disclosures*" of the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2013 for details of the restatement aforesaid.

In March 2015, we acquired certain businesses from Dongfeng Motor Corporation and its subsidiaries (the "**2015 Acquisitions**"). For this business combination under common control, the financial information of the Group and that of the acquired businesses have been combined, by using the pooling of interests method, as if the Group acquired such businesses from the beginning of the earliest financial period presented and the effect of the 2015 Acquisitions has been disclosed in the Guarantor's unaudited interim condensed consolidated financial statements as of and for the six months ended 30 June 2015. We accounted for the 2015 Acquisitions retrospectively by restating the financial information as of 31 December 2014 and for the six months ended 30 June 2014 contained in the unaudited interim condensed consolidated financial statements as of and for the six months ended 30 June 2015, and presented such restated financial information throughout this Offering Circular (except for the audited consolidated financial statements as of and for the year ended 31 December 2014 appearing on pages F-29 to F-140 which have not been restated). See Note 1.2 "*Significant Events*" of the unaudited interim condensed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2015 for details of the restatement aforesaid.

The unaudited interim condensed consolidated financial information of the Guarantor as at and for the six months ended 30 June 2015 and related comparatives for the six months ended 30 June 2014 and as at 31 December 2014 appearing on pages F-5 to F-26 of this Offering Circular have been prepared with the abovementioned impact of the 2015 Acquisitions.

As the consolidated financial information of the Guarantor as at 31 December 2012 and 2013 and for the years ended 31 December 2012, 2013 and 2014 presented in this Offering Circular has not been restated to reflect the impact of the 2015 Acquisitions, such financial information is not directly comparable to the consolidated financial information of the Guarantor as at 31 December 2014 and 30 June 2015 and for the six months ended 30 June 2014 and 2015 presented in this Offering Circular. Potential investors must exercise caution when using the consolidated financial information of the Guarantor as at 31 December 2012 and 2013 and for the years ended 31 December 2012, 2013 and 2014 to evaluate the our Group's financial condition.

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. References to information in billions of units are to the equivalent of a thousand million units.

CERTAIN DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless otherwise indicated or the context otherwise requires, references to:

- "we", "us", "our company", the "Group", "our", "DFG" and words of similar import refers to Dongfeng Motor Group Company Limited (東風汽車集團股份有限公司) itself, or to Dongfeng Motor Group Company Limited and its consolidated subsidiaries, as the context requires;
- the "Issuer" refers to Dongfeng Motor (Hong Kong) International Co., Limited (東風汽車(香港)國際有限公司), our wholly-owned subsidiary;
- "China" or the "PRC" refers to the People's Republic of China, excluding, for purposes of this Offering Circular only, Taiwan, Hong Kong and the Macau Special Administrative Region;
- "Hong Kong" refers to Hong Kong Special Administrative Region of the PRC;
- "MIIT" refers to the Ministry of Industry and Information Technology of the PRC;
- "MOFCOM" refers to the Ministry of Commerce of the PRC;
- "NDRC" refers to the National Development and Reform Commission of the PRC;
- "PBOC" refers to the People's Bank of China, the central bank of the PRC;
- the "PRC government" refers to the central government of China and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- "SAFE" refers to the State Administration of Foreign Exchange of the PRC or its competent local counterpart;

- “SASAC” refers to the State-owned Assets Supervision and Administration Commission of the PRC;

- “SAT” refers to the State Administration of Taxation of the PRC;

- “CNY”, “RMB” or “Renminbi” refers to the legal currency of the PRC;

- “HK$” refers to the legal currency of Hong Kong;

- “US$” or “U.S. dollars” refers to the legal currency of the United States;

- “EUR,” “Euro” or “€” refers to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union; and

- “SGD” or “S$” refers to the legal currency of Singapore.

As used in this Offering Circular, total aggregated revenue, total aggregated gross profit, total aggregated cash flows from operations and total aggregated debt represent the revenue, the gross profit, the cash flows from operations and total debt of the Group as well as the Group’s share of the revenue, gross profit, cash flows from operations and total debt of joint ventures during the respective financial year/period. Information concerning total aggregated revenue, gross profit, cash flows from operations and total debt has been included in the Group’s financial information and is used by many industries and investors as one measure of results from operations. The Group considers total aggregated revenue, gross profit, cash flows from operations and total debt to be an important performance measure which is used in the Group’s internal financial and management reporting to monitor business performance. Total aggregated revenue, gross profit, cash flows from operations and total debt are not measures of financial performance under generally accepted accounting principles and total aggregated revenue, gross profit, cash flows from operations and total debt measures used by the Group may not be comparable to other similarly titled measures of other companies. Total aggregated revenue, gross profit, cash flows from operations and total debt should not necessarily be construed as an alternative to results from operations, cash flows or total debt as determined in accordance with generally accepted accounting principles.

EBITDA represents EBITDA of the Group during the respective financial year/period. EBITDA is defined as net profit before taxation, finance costs, depreciation and amortisation of intangible assets, and include dividends from joint ventures and associates but exclude share of profits and losses of joint ventures and associates. Information concerning EBITDA has been included in the Group’s financial information and is used by many industries and investors as one measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. The Group considers EBITDA to be an important performance measure which is used in the Group’s internal financial and management reporting to monitor business performance. EBITDA is not a measure of liquidity or financial performance under generally accepted accounting principles and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows or results of operations as determined in accordance with generally accepted accounting principles.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.2046 to US$1.00, the noon buying rate in New York City for cable transfers payable in

Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 31 December 2014, and all translations from Euro into U.S. dollars were made at the rate of €1.00 to US$1.2101, the noon buying rate in New York City for cable transfers payable in Euro as certified for customs purposes by the Federal Reserve Bank of New York on 31 December 2014. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see "*Exchange Rate Information*".

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

FORWARD-LOOKING STATEMENTS

We have made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to our company discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by us or by any third party) involve known and unknown risks, including those disclosed under the caption "Risk Factors", assumptions, uncertainties and other factors that may cause the actual results, performance or achievements of our company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as at the date of this Offering Circular. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause our actual results, performance and achievements of to be materially different include, among others:

- risks associated with our business activities;
- general economic and political conditions, including those related to the PRC;
- our ability to implement our business strategy and plan of operation;
- our ability to expand and manage our growth;
- our financial condition and results of operations;
- fluctuations in foreign currency exchange rates; and
- those other risks identified in the "Risk Factors" section of this Offering Circular.

We do not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should, therefore, read this Offering Circular in its entirety.

Overview

We are a leading automobile manufacturer in China. Our parent company, Dongfeng Motor Corporation ("**DFM**"), is a state-owned enterprise directly administrated by the central SASAC and one of the three largest auto manufacturers in China. According to China Association of Automobile Manufacturers ("**CAAM**"), DFM ranked second in terms of sales volume among all PRC automobile manufacturers in 2014 with leading market positions in various sub-categories of both commercial vehicles and passenger vehicles. DFM also ranked 113th on the 2014 "Fortune Global 500" list, rising from 182nd as on the "Fortune Global 500" in 2010. As DFM's largest subsidiary, we contributed approximately 71.8 per cent. of vehicle sales volume to DFM for the year ended 31 December 2014. We were listed on the Stock Exchange of Hong Kong in 2005 and, as of 30 June 2015, we had a total market capitalisation of approximately HK$89.6 billion.

Our main businesses consist of the manufacture and sale of commercial vehicles, passenger vehicles, engine and auto parts. We also engage in finance and other automobile-related businesses. We produced approximately 2.8 million units and sold approximately 2.7 million units of automobiles during the year ended 31 December 2014. According to CAAM, since 2003, we ranked first for 11 consecutive years in the PRC medium and heavy trucks market in terms of sales volume.

We primarily conduct our operations in the following four business segments:

- **Commercial Vehicles** – Through our commercial vehicles subsidiaries we manufacture and sell vehicles, including heavy, medium and light trucks, large and medium sized buses, special purpose vehicles and military vehicles, and engines and auto parts for commercial vehicles. For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our revenue generated from sales of commercial vehicles was approximately RMB2,784 million*, RMB24,527 million*, RMB42,672 million, RMB24,235 million and RMB20,350 million, respectively. According to CAAM, for the three years ended 31 December 2012, 2013 and 2014, we commanded a market share of approximately 10.9 per cent., 11.1 per cent. and 10.4 per cent., respectively, in the PRC commercial vehicle market in terms of sales volume.

- **Passenger Vehicles** – Through our passenger vehicle subsidiaries, we manufacture and sell vehicles, including basic passenger cars, multi-purpose vehicles ("**MPVs**"), sport utility vehicles ("**SUVs**") and crossover passenger vehicles, and engines and auto parts for passenger vehicles. For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the revenue generated from sales of passenger vehicles was approximately RMB3,254 million*, RMB11,905 million*, RMB36,701 million, RMB7,516 million and RMB44,371 million, respectively. According to CAAM, for the three years ended 31 December 2012, 2013 and 2014, we commanded a market share of approximately 11.2 per cent., 11.8 per cent. and 11.9 per cent., respectively, in the PRC passenger vehicle market in terms of sales volume.

- **Finance** – Through our finance business subsidiaries we provide automotive industry related financial services, including intra-group collective fund management, intra-group loans and entrusted loans, acceptance and discounting of bills, intra-group settlement, inter-group loans, distributors financing, sales credit, buyer credit and financial leasing. For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, revenue generated from our finance segment was approximately nil, RMB777 million*, RMB1,593 million, RMB727 million and RMB964 million, respectively.

- **Others** – We are also engaged in other automobile-related businesses, including the production of vehicle manufacturing equipment, equipment maintenance services, import and export of vehicles and equipment, insurance agency and used car trading businesses. For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our revenue generated from the automobile-related businesses segment amounted to approximately RMB52 million*, RMB54 million*, RMB117 million, RMB90 million and RMB203 million, respectively.

  * excluding intersegment sales

Our total consolidated revenue for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 was approximately RMB6,090 million, RMB37,263 million, RMB80,954 million, RMB32,537 million and RMB65,853 million, respectively. Our total consolidated gross profit for the same periods was approximately RMB354 million, RMB4,681 million, RMB10,710 million, RMB4,539 million and RMB8,426 million, respectively.

Our total aggregated revenue, including share of the revenue of joint ventures, for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 was approximately RMB124,036 million, RMB161,253 million, RMB195,211 million, RMB95,008 million and RMB109,212 million, respectively. Our total aggregated gross profit, including share of gross profit of joint ventures for the same periods was approximately RMB23,876 million, RMB31,900 million, RMB38,321 million, RMB19,977 million and RMB20,255 million, respectively.

Our Competitive Strengths

- Strategically important enterprise within the PRC with strong and continued support from the PRC central and local governments.

- Well-established leading position in the PRC automobile industry.

- Comprehensive product portfolio with an optimal mix of product offerings and strategically located manufacturing facilities allowing for the development of a well-balanced business.

- Strong brand recognition coupled with highly competitive strengths throughout the production chain to support robust growth of our proprietary brand.

- Highly diversified long-term joint-venture projects with leading worldwide auto manufacturers allowing us to expand in both domestic and international markets.

- Excellent financial performance with highly sustainable profitability and strong operating cash flows.

- Highly experienced management team and outstanding corporate culture.

Our Strategies

We seek to become a world-class integrated automobile manufacturing group with world-leading technologies and international recognition. In order to achieve this goal, we intend to pursue the following strategies:

- Further expand our proprietary brand and offer new vehicle models.

- Expand our global operation and explore oversea markets.

- Enhance strategic cooperation with our partners and explore new cooperation opportunities.

- Improve our own R&D capabilities and collaborate with international research institutions to form a strong and integrated R&D system.

Recent Development – The Export-Import Bank of China Loan Agreement

The Issuer's EUR830 million bridge loan, the proceeds of which were used to finance the PSA Peugeot Citroën Group acquisition project, will become due on 23 October 2015. In order to meet its obligation to repay such bridge loan, the Issuer entered into a loan agreement, dated 19 October 2015, with The Export-Import Bank of China to obtain a loan in the amount of EUR825 million (the "**Exim Bank of China Loan**"). The proceeds of the Exim Bank of China Loan will be used to refinance the EUR830 million bridge loan. The Exim Bank of China Loan is guaranteed by Dongfeng Motor Group Company Limited in accordance with the terms and conditions contained in the loan agreement. The loan accrues interest at a semi-annual rate of 2.0% plus 6 month EURIBOR. The loan is repayable in 13 semi-annual installments of EUR5 million, with the remaining EUR760 million repayable on 21 October 2022.

The loan agreement contains customary covenants restricting the incurrence of additional guarantees. The agreement also includes covenants, among others, that restrict the Issuer's ability to:

- change its capital structure;

- undertake any scheme of amalgamation or demerger;

- enter into other financing arrangements for the PSA Peugeot Citroën Group acquisition project;

- undertake guarantee obligations on behalf of any other company; and

- amend its memorandum and/or articles of association.

The loan agreement also contains customary events of default, including the failure to pay principal or interest, certain events of insolvency and material adverse changes that affect the ability of the Issuer to repay the loan. The loan agreement also includes customary conditions relating to the acceleration of the repayment of the outstanding loan amount at the occurrence of an event of default.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

The following tables set forth the selected consolidated financial information of the Guarantor as at and for the periods indicated. The consolidated financial information of the Guarantor as at and for the years ended 31 December 2012 and 2013 set forth below has been extracted from the Guarantor's audited consolidated financial statements for the year ended 31 December 2013, which were prepared in accordance with IFRS and audited by Ernst & Young, Certified Public Accountants. The consolidated financial information of the Guarantor for the year ended 31 December 2014 set forth below has been extracted from the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2014, which were prepared in accordance with IFRS and audited by PricewaterhouseCoopers, Certified Public Accountants. The consolidated financial information of the Guarantor as at 31 December 2014 and for the six months ended 30 June 2014 and 2015 set forth below has been extracted from the Guarantor's unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2015 which were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and have been reviewed by PricewaterhouseCoopers, Certified Public Accountants in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

In 2013, the Group adopted certain new and revised IFRSs. The Group's investments which were previously classified as jointly-controlled entities under IAS 31 and were accounted for using the proportionate consolidation method, are classified as joint ventures under IFRS 11 and accounted for using the equity method. The change in accounting for investments in joint ventures has been applied retrospectively. Accordingly, the financial information as at and for the year ended 31 December 2012 has been restated in the consolidated financial statements of the Guarantor for the year ended 31 December 2013. See Note 2.2 "Changes In Accounting Policies And Disclosures" of the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2013 for details of the restatement aforesaid.

In March 2015, we acquired certain businesses from DFM and its subsidiaries. For this business combination under common control, the financial information of the Group and that of the acquired business have been combined, by using the pooling of interests method, as if the Group acquired such businesses from the beginning of the earliest financial period presented and the effect of the 2015 Acquisitions has been disclosed in the Guarantor's unaudited interim condensed consolidated financial statements as of and for the six months ended 30 June 2015. We accounted for the 2015 Acquisitions retrospectively by restating the financial information as of 31 December 2014 and for the six months ended 30 June 2014 contained in the unaudited interim condensed consolidated financial statements as of and for the six months ended 30 June 2015, and have presented such restated financial information throughout this Offering Circular (except for the audited consolidated financial statements as of and for the year ended 31 December 2014 appearing on pages F-29 to F-140 which have not been restated). See Note 1.2 "Significant Events" of the unaudited interim condensed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2015 for details of the restatement aforesaid.

The unaudited interim condensed consolidated financial information of the Guarantor as at and for the six months ended 30 June 2015 and related comparatives for the six months ended 30 June 2014 and as at 31 December 2014 appearing on pages F-5 to F-26 of this Offering Circular have been prepared with the abovementioned impact of the 2015 Acquisitions.

As the financial information as at 31 December 2012 and 2013 and for the years ended 31 December 2012, 2013 and 2014 presented in this Offering Circular has not been restated to reflect the impact of the 2015 Acquisitions, such financial information is not directly comparable to the *financial information as at 31 December 2014 and 30 June 2015 and for the six months ended 30 June 2014 and 2015. Potential investors must exercise caution when using the consolidated financial information of the Guarantor as at 31 December 2012 and 2013 and for the years ended 31 December 2012, 2013 and 2014 to evaluate our Group's financial condition.*

Summary Consolidated Income Statements of the Guarantor

	Year Ended 31 December			Six Months Ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	(Restated)	**(Audited)**	**(Audited)**	**(Restated)**	**(Unaudited)**
			(RMB in million)		
Revenue	6,090	37,263	80,954	32,537	65,853
Cost of sales	(5,736)	(32,582)	(70,244)	(27,998)	(57,427)
Gross profit	354	4,681	10,710	4,539	8,426
Other income	1,123	1,281	1,541	632	844
Selling and distribution costs	(812)	(2,268)	(4,134)	(1,217)	(3,581)
Administrative expenses	(706)	(2,179)	(3,281)	(1,453)	(1,601)
Other expenses, net	(693)	(2,062)	(3,408)	(1,227)	(2,283)
Finance income/(costs)	(178)	(170)	504	(236)	357
Share of profits and losses of:					
Joint ventures	9,873	11,176	10,662	6,179	5,181
Associates	191	253	2,089	2,209	685
PROFIT BEFORE TAX	9,152	10,712	14,683	9,426	8,028
Income tax expense	(45)	(109)	(1,365)	(877)	(709)
PROFIT FOR THE YEAR/PERIOD	9,107	10,603	13,318	8,549	7,319
Profit attributable to:					
Owners of the company	9,092	10,528	12,845	8,500	6,885
Non-controlling interests	15	75	473	49	434
	9,107	10,603	13,318	8,549	7,319
Earnings per share attributable to ordinary equity holders of the company					
Basic for the year/period	105.52 cent	122.19 cent	149.08 cent	98.65 cent	79.91 cent
Diluted for the year/period[(1)]	N/A	N/A	N/A	N/A	N/A

(1) The Guarantor did not have any dilutive potential ordinary shares outstanding during the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015. Diluted earnings per share is equal to the basic earnings per share.

Summary Consolidated Statements of Financial Position of the Guarantor

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	(Restated)	(Audited)	(Restated)	(Unaudited)
	(RMB in million)			
ASSETS				
Non-current assets				
Property, plant and equipment	2,430	9,418	11,862	12,350
Lease prepayments	329	924	984	980
Intangible assets	202	2,432	2,622	2,757
Goodwill	212	1,587	1,792	1,792
Investments in joint ventures	31,136	34,541	40,146	39,393
Investments in associates	983	1,362	9,360	9,795
Available-for-sale financial assets	128	286	190	189
Other non-current assets	32	7,107	8,378	7,126
Deferred tax assets	14	719	1,703	1,658
Total non-current assets	35,466	58,376	77,037	76,040
Current assets				
Inventories	1,198	4,245	9,874	8,615
Trade receivables	397	3,335	3,883	5,332
Bills receivables	2,802	11,403	12,273	15,177
Prepayments, deposits and other receivables	868	10,528	12,588	13,312
Due from joint ventures:	3,470	3,712	2,463	1,508
Pledged bank balances and time deposits	108	2,543	3,625	3,504
Cash and cash equivalents	17,940	21,739	25,233	33,984
	26,783	57,505	69,939	81,432
Assets classified as held for sale	117	117	–	–
Total current assets	26,900	57,622	69,939	81,432
TOTAL ASSETS	62,366	115,998	146,976	157,472
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the company				
Issued capital	8,616	8,616	8,616	8,616
Reserves	6,870	8,115	9,213	10,193
Retained profits	37,140	44,853	54,262	61,106
Proposed final dividend	1,292	1,551	1,723	–
	53,918	63,135	73,814	79,915
Non-controlling interests	85	899	1,621	6,131
Total equity	54,003	64,034	75,435	86,046

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	(Restated)	(Audited)	(Restated)	(Unaudited)
	(RMB in million)			
Non-current liabilities				
Interest-bearing borrowings	–	–	350	173
Other non-current liabilities	104	166	698	647
Government grants	2	124	261	252
Due to joint ventures	–	2,838	1,265	–
Deferred income tax liabilities	–	147	764	994
Total non-current liabilities	106	3,275	3,338	2,066
Current liabilities				
Trade payables	1,964	13,480	16,279	16,611
Bills payable	395	11,722	12,821	12,555
Other payables and accruals	1,584	9,548	12,640	15,470
Due to joint ventures	1,680	6,197	6,477	8,774
Interest-bearing borrowings	2,302	5,875	17,354	14,019
Income tax payables	219	837	1,375	301
Provisions	97	1,014	1,257	1,630
	8,241	48,673	68,203	69,360
Liabilities directly associated with the assets classified as held for sale	16	16	–	–
Total current liabilities	8,257	48,689	68,203	69,360
TOTAL LIABILITIES	8,363	51,964	71,541	71,426
TOTAL EQUITY AND LIABILITIES	62,366	115,998	146,976	157,472
Net current assets	18,643	8,933	1,736	12,072
Total assets less current liabilities	54,109	67,309	78,773	88,112

EBITDA Data of the Guarantor

	Year Ended 31 December			Six Months Ended 30 June	
	2012	2013	2014	2014	2015
	(RMB in millions, except percentages)				
EBITDA[(1)]	7,248	9,153	12,755	7,269	8,474
EBITDA margin[(2)]	119.0%	24.6%	15.8%	22.3%	12.9%
EBITDA to total interest expense ratio	4,071.9%	5,384.1%	3,582.9%	3,080.1%	6,569.0%
Ratio of EBITDA to total debt[(3)]	314.9%	155.8%	72.0%	34.8%	59.7%

(1) EBITDA for any period is calculated as net profit, adding back taxation, finance costs, depreciation and amortization of intangible assets, and includes dividends from joint ventures and associates but excludes share of profits and losses of joint ventures and associates. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as selling and distribution costs and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented in this Offering Circular may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. The following table reconciles our EBITDA to our profit for the period, which is the most directly comparable IFRS measure:

	Year Ended 31 December			Six Months Ended 30 June	
	2012	2013	2014	2014	2015
	(Restated)	(Audited)	(Audited)	(Restated)	(Unaudited)
	(RMB in millions)				
Net Profit	9,107	10,603	13,318	8,549	7,319
Adjustments:					
Add:					
Taxation	45	109	1,365	877	709
Finance costs	178	170	(504)	236	(357)
Depreciation	194	728	1,250	507	668
Amortization of intangible assets	10	35	206	119	101
Shares of profits and losses of:					
Joint ventures	(9,873)	(11,176)	(10,662)	(6,179)	(5,181)
Associates	(191)	(253)	(2,089)	(2,209)	(685)
Dividends from joint ventures and associates	7,778	8,937	9,871	5,369	5,900
EBITDA	7,248	9,153	12,755	7,269	8,474

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

(3) Total debt is the sum of current and non-current interest-bearing borrowings.

SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following tables set forth the selected financial information of the Issuer as at and for the periods indicated. The financial information of the Issuer as at 31 December 2014 and for the period from 24 March 2014 (the date of incorporation) to 31 December 2014 set forth below has been extracted from the Issuer's audited financial statements as at 31 December 2014 and for the period from 24 March 2014 (the date of incorporation) to 31 December 2014.

Income Statement of the Issuer

	For the period from 24 March 2014 (incorporation date) to 31 December 2014
	(Audited)
	(RMB)
Turnover	–
Administrative expenses	(70,149,738)
Other income	6,314
Other loss – net	(14,442,999)
Operating loss	(84,586,423)
Finance income – net	835,054,632
Profit from investment accounted for using the equity method	1,773,426,081
Profit before income tax	2,523,894,290
Income tax expense	–
Profit for the period	2,523,894,290

Statement of Financial Position of the Issuer

	As at 31 December 2014
	(Audited)
	(RMB)
Assets	
Non-current assets	
Investment accounted for using the equity method	7,721,634,582
	7,721,634,582
Current assets	
Cash and cash equivalents	1,000,343
Restricted cash	137,796,581
	138,796,924
Total assets	7,860,431,506
Equity and liabilities	
Equity attributable to owners of the company	
Share capital	1,000,000
Other reserves	(852,610,784)
Retained earnings	2,523,894,290
Total equity	1,672,283,506
Liabilities	
Current liabilities	
Borrowings	6,188,148,000
Total liabilities	6,188,148,000
Total equity and liabilities	7,860,431,506

THE OFFERING

The following summary contains some basic information about the Notes and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this summary. For a complete description of the terms of the Notes, see "Terms and Conditions of the Notes" in this Offering Circular.

Issuer	Dongfeng Motor (Hong Kong) International Co., Limited
Guarantor	Dongfeng Motor Group Company Limited
Notes	EUR 500,000,000 1.60 per cent. Guaranteed Notes due 2018.
Guarantee of the Notes	Payment of all sums from time to time payable by the Issuer in respect of the Notes is irrevocably and unconditionally guaranteed by the Guarantor.
Issue Price	99.945 per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of EUR100,000 each and integral multiples of EUR1,000 in excess thereof.
Interest	The Notes will bear interest from and including 28 October 2015 at the rate of 1.60 per cent. per annum, payable annually in arrear on 28 October in each year.
Issue Date	28 October 2015.
Maturity Date	28 October 2018
Status of the Notes	The Notes will constitute direct, general, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Status of the Guarantee of the Notes	The Guarantee of the Notes will constitute direct, general, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

See “*Risk Factors – Risks relating to the Notes and the Guarantee of the Notes*”.

Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 3(a) (*Negative Pledge*) of the Terms and Conditions.
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on the Maturity Date at their principal amount.
Taxation	All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong, the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. Where such withholding or deduction is made by the Issuer or (as the case may be) the Guarantor by or within the PRC at the rate of up to and including 10 per cent. (the “**Applicable Rate**”), the Issuer or the Guarantor, as the case may be, will pay such additional amounts as will result in receipt by the Noteholder after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required. In the event that the Issuer or (as the case may be) the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate; or (ii) by or within Hong Kong, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the “**Additional Tax Amounts**”) as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note in the circumstances set out in Condition 7 (*Taxation*) of the Terms and Conditions.

Redemption for Taxation Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with the Terms and Conditions (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that (A) the Issuer or the Guarantor has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC (as the case may be) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 October 2015, and (B) such obligation cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.
Redemption for Relevant Event	At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Put Settlement Date at 101 per cent. (in the case of a Change of Control) or 100 per cent. (in the case of a No Registration Event) of their principal amount, together with accrued interest to such Put Settlement Date, as further described in Condition 5(c) (*Redemption for Relevant Event*) of the Terms and Conditions.
Make Whole Redemption	The Notes may be redeemed at the option of the Issuer, in whole, but not in part, at any time at a price equal to their Make Whole Amount together with interest accrued but unpaid to the date fixed for redemption, on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders. See "*Terms and Conditions of the Notes – Redemption and Purchase – Make whole redemption*".

Events of Default	Upon the occurrence of certain events as described in Condition 8 (*Events of Default*) of the Terms and Conditions, the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution (as defined in the Terms and Conditions), shall (subject to the Trustee having been indemnified and/or provided with security and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.
Cross-Default	The Notes will contain a cross-default provision as further described in Condition 8(c) (*Events of Default – Cross-default of Issuer, Guarantor or Subsidiaries*) of the Terms and Conditions.
Clearing Systems	The Notes will be represented by beneficial interests in the Global Note Certificate in registered form, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Note Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Note Certificate.
Clearance and Settlement	The Notes have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS1303743105 Common Code: 130374310
Governing Law	English law.
Trustee, Principal Paying Agent, Paying Agent, Registrar and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited

Listing	Application has been made to the ISE for the approval of this Offering Circular as Listing Particulars. Application has been made to the ISE for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the ISE. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.
Rating	The Notes are expected to be rated "A1" by Moody's, "A" by S&P and "A" by Fitch. Security ratings are not recommendations to buy, sell or hold the Notes. Ratings are subject to revision or withdrawal at any time by the rating agencies.
Use of Proceeds	See "*Use of Proceeds*".

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to us or that we currently deem immaterial may also adversely affect the value of the Notes. We believe that the risk factors described below represent the principal risks inherent in investing in the Notes, but we may not be able to pay interest, principal or other amounts on or in connection with any Notes or to satisfy our obligations under the Notes or transaction documents in connection with the Notes for reasons which we may not consider as significant risks based on information currently available to us, which we may not currently be able to anticipate or which we may currently deem immaterial. All of these factors are contingencies which may or may not occur and we are not in a position to express a view on the likelihood of any such contingency occurring.

We do not represent that the statements below regarding the risk factors of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Risks Relating to Our Business

If our products are unable to gain market acceptance, our sales and profitability may be adversely affected, which will have a negative impact on our market position, financial condition and results of operations.

Introducing products that appeal to customers is critical to our success. We must modify our existing products and develop new models which meet our customers' preferences in a timely manner. We develop new products through upgrading and modifying existing models and introducing new models. If any of our new products are not well received by the market, or if we are unable to develop and manufacture competitive products in a timely manner, our market position and financial situation could be significantly undermined. In particular, we have significant investment in the development of our own proprietary brands. The development of a new brand is highly dependent on the success of our marketing strategies which we believe will require our consistent monitoring and of which we need to react with flexibility to accommodate changes to our customers' preferences. The benefits of our efforts are likely to be realised only in the long term. If our proprietary brands of vehicles fail to achieve the expected sales, we may be unable to recover our development, production and marketing costs, thereby leading to a decline in our profitability.

The expansion of our production capacity may exceed the demand for our products if the anticipated growth in the automobile markets fails to materialise or if our products do not achieve satisfactory sales. Conversely, our expansion of production capacity may fail to meet the increasing demand for our products, in which case, our market share may be eroded by other vehicle manufacturers who provide competitive products. Any failure to properly align production capacity with customer demand could result in an adverse effect on our market position and financial results. If the demand for any of our products is lower than anticipated or if there are unforeseen changes to consumer preferences, our sales and profitability could suffer, we may not achieve satisfactory or sustainable returns from our investments in the expansion of production capacity and our development of new products and we could incur higher production costs, all of which could have a material adverse effect on our market position, financial condition and results of operations.

If we fail to market and distribute our products successfully through our sales and service stations, our results of operations and market position could be adversely affected.

Our success in selling automobiles depends on our ability to market and distribute our products effectively through our distribution networks. We have established a strong sales network with a presence in 31 provinces, autonomous regions and municipalities in the PRC. We have more than 8,000 dealers and 8,000 service stations. We cannot assure you that all such dealers and service stations will comply with our services level and other specifications and the contractual obligations imposed on them. In addition, we cannot assure you that we will be able to effectively manage our rapidly growing distribution network. Sales of our passenger vehicles may be adversely affected if any of these sales and service stations fails to meet our requirements or provide quality services to our customers, or if we fail to adequately manage such sales and service stations. If we are unable to build or maintain well-developed, well-managed distribution networks, our market position, financial condition and results of operations may be adversely affected.

If we fail to protect or cultivate our brand image, or if our joint venture partners fail to protect their brands or corporate images, our financial results and market position may be adversely affected.

We rely heavily on the cultivation and maintenance of brand image, including our proprietary brand and the brands owned by our joint venture partners, in the development of our business. The success of our brand and corporate image depends in part on a number of factors that are beyond our control, such as evolving customer demands and changing market trends. In addition, our joint venture partners' businesses involve extensive production and sales on a global basis and are, therefore, exposed to a wide range of product liability and other claims or disputes on a global basis over which we may not have control. Any major claim or dispute against any of our brands or those of our joint venture partners or any significant adverse change to the operations or financial condition of our Group or our joint venture partners may damage our brand and corporate image, which in turn could adversely affect the market acceptance, sales and profitability of our vehicles. If our joint venture partners fail to protect their brands or corporate image or if we are unable to protect our own brand image, our market position, financial condition and results of operations may be adversely affected.

The operations of our principal joint venture companies may be adversely affected if our Company and its subsidiaries fail to reach consensus on important decisions with our joint venture partners.

We operate some of our business through jointly-controlled entities ("**JCEs**"), such as Dongfeng Motor Co., Ltd (a joint venture with Nissan Motor Co., Ltd), Dongfeng Peugeot Citroën Automobile Company Ltd ("**DPCA**") (a joint venture with the PSA Peugeot Citroën Group ("**PSA**")), Dongfeng Honda Automobile Co., Ltd (a joint venture with Honda Motor Co., Ltd), and Dongfeng Renault Automobile Company Limited (a joint venture with Renault S.A.). These JCEs were jointly established by our Company and joint venture partners that are not under our control.

Under the joint venture agreements governing our JCEs, the number of directors appointed by us and the relevant joint venture partner are proportionate to our respective equity interests the relevant JCE. Important decisions, including those relating to production volume, the selection and introduction of new products and production capacity expansion, can only be made with the unanimous consent of the directors of each JCE. We cannot assure you that the future strategies, policies or objectives we propose will be adopted entirely by all of our JCEs. Moreover, in the event that we fail to resolve any differences with our joint venture partners in the decision-making process of the relevant JCEs, the business and results of operations of such JCEs may suffer, which may in turn delay the implementation of our business plan or adversely affect our market position. Our joint venture partners may also decide to terminate their relationships with us in any joint venture or sell their interest in any of these joint ventures and we may be unable to replace such joint venture partners or raise the necessary financing to purchase such joint venture partner's interest. Although we have not had any material disputes with our joint venture partners, we cannot assure you that material disputes will not arise in the future. Any such material dispute could have an adverse effect on our financial condition and results of operations.

Deterioration in the business performance of our principal JCEs could adversely affect our consolidated financial condition and results of operations.

Our businesses are conducted primarily through our principal JCEs, which contribute to a substantial portion of our consolidated revenue and profit on a proportionate consolidated basis. If the business operations of any principal JCE encounters serious problems, or fails to achieve expected results, our consolidated financial condition and results of operation may be materially adversely affected.

In addition, our principal JCEs rely on our joint venture partners' technical resources to upgrade our products. If our JCEs are unable to access the technical resources of our joint venture partners or if our joint venture partners provide such resources to our competitors, our JCEs' ability to upgrade existing models and launch new models may be adversely affected. Failure to update our existing models or introduce new models could negatively affect our competitiveness and sales of our products.

We may not be able to protect our intellectual property rights.

Our commercial success depends in part on our ability to obtain and maintain trade secrets, patents and other intellectual property rights for our products, technologies, designs and know-how as well as our ability to successfully protect our intellectual property rights and to defend ourselves against third-party challenges. If we fail to protect our intellectual property rights, we may lose our competitiveness, or be required to incur additional development or production costs to maintain our competitiveness. We rely on trade secret protection and confidentiality and non-competition agreements to safeguard proprietary know-how that is not patentable or for which patents are difficult to enforce, and we cannot assure you that we will be able to enter into new trade secret protection and confidentiality and non-competition agreements where necessary or desirable or renew the existing ones upon expiration.

In addition, the protection of our intellectual property rights in the PRC may not be as effective or certain as in more developed countries. Although the PRC has established laws and regulations to protect intellectual property rights, the enforcement of such laws and regulations may be insufficient to provide adequate protection of our intellectual property rights. Our business may be adversely affected if we are unable to effectively protect our patents from unauthorised use by third parties. Moreover, we cannot assure you that any patent or registered trademark owned by, or licensed to, us will be enforceable or will not be invalidated, circumvented or otherwise challenged in the PRC or foreign countries or that the rights granted thereby will provide competitive advantages to us or that any of our pending or future patent applications will be issued within the scope sought by us, if at all.

Furthermore, we have historically obtained, and may continue to obtain, technologies and other intellectual property from third parties through acquisition or licensing arrangements. We cannot assure you that there will not be any dispute between our Group and a foreign vendor of technologies, which may have a material and adverse effect on our business prospects, results of operations and financial condition. If we cannot use any of such technologies or intellectual properties as we expect, there could be a material adverse effect on our ability to keep up with technological developments. In addition, if we fail to maintain or renew any significant technology or other intellectual property licensing arrangements for any reason, our business, results of operations and financial condition could be materially and adversely affected.

In the course of our business, we may receive claims of infringement or otherwise become aware of potentially relevant patents or other intellectual property rights held by other parties. If any claims are brought against us for such infringement, irrespective of whether such claims have merit, we could be required to expend significant resources in defending against such claims. Any litigation regarding patents or other intellectual property could be costly and time consuming and could divert the attention of our management and key personnel from our business operations. If there is a successful claim of intellectual property infringement against us, we might be required to pay substantial damages to the party claiming infringement, refrain from further sales of certain products, develop non-infringing technology or enter into costly royalty or license agreements on an ongoing basis. Parties asserting infringement claims may also be able to obtain injunctions against us, our dealers or our end-user customers regarding certain products or services we offer.

Any of these events or occurrences may materially and adversely affect our business, financial condition and results of operations.

We rely on technology owned by our joint venture partners, the loss of which could adversely affect our business.

A number of our joint venture agreements contain non-competition provisions that restrict, subject to certain exceptions and limitations, our joint venture partners from engaging in the production and distribution of joint venture products in specific markets during the term of the agreement and for a limited period following the termination of such agreement. Our joint venture agreements generally contain provisions for termination under certain circumstances. If a termination were to occur, we may not be able to find an equivalent partner or achieve the affected joint venture's objectives on our own, which could have an adverse effect on our business, financial condition or results of operations.

If we fail to obtain the necessary PRC government approvals and consents in respect of our future expansion projects or new sino-foreign joint venture companies, our financial condition and results of operations may be affected.

Automobile companies in the PRC are required to obtain various permits, approvals and consents from PRC government authorities for establishing sino-foreign joint venture companies, launching new plants or increasing production capacity in existing plants. Any change to the business scope of any existing sino-foreign joint ventures must be approved by the relevant PRC government authorities. We cannot assure you that we will be able to obtain all relevant permits, approvals and consents for our future projects or our future plans for expanding our production capacity. If the required permits, approval or consents are not granted or are otherwise delayed, the establishment and operation of our new sino-foreign joint ventures or expansion of our existing businesses or production capacity may not materialise or may be delayed, which may adversely affect our future development, financial condition and results of operations.

Our operations and financial performance could be adversely affected if we fail to manage our purchase costs or obtain raw materials and auto parts on a timely basis or at reasonable prices.

In general, we reduced our costs in purchasing auto parts and raw material through the implementation of cost control policies such as streamlining the supply chain and localisation of our production. We have also adopted certain cost control measures such as technological improvement and enhancing production efficiency. As a result, we have generally been able to manage price fluctuations of raw material and auto parts without having to pass on any additional costs to our customers. Although we have been able to maintain our profit margin through implementing this cost control policy, we cannot assure you that our cost reduction measures in connection with our operations, such as managing inventory and raw material, reducing waste, and implementing energy conservation policies will be successful or sustainable. In particular, our ability to maintain cost efficiencies will depend on our ability to source raw materials and auto parts in a timely manner and at reasonable prices.

Raw materials and auto parts for our automobile manufacturing activities and operations are, and will continue to be, sourced from companies within our Group, our associated companies and third party suppliers. Although we usually source our important raw materials or components from several suppliers for each raw material or component in order to ensure a stable supply, we cannot assure you that our suppliers will always adequately serve our needs in a timely manner or at reasonable prices. If there is any significant increases in the price of raw materials or auto parts or if the supply of such raw materials or auto parts is disrupted, we may incur additional costs to maintain our production schedules, thereby decreasing our profitability. These factors could materially and adversely affect the results of our operations.

Our development of businesses such as the new energy vehicles business may not be successful, which may adversely affect our results of operations.

We have made significant investments and will continue to invest resources in the development of new technologies, such as new energy vehicles. Although the revenue and profit contributed by such new energy vehicles was not significant to our revenue and net profit, there are commercial risks associated with these vehicles. In particular, a change in favourable government policies towards new energy vehicles in China could increase the costs of investing in and reduce our revenues and profits from new energy vehicles. We cannot assure you that we will succeed in expanding into this and other business segments and realise and maintain profits in these businesses. If any of these new businesses and operations fail to meet our expectations, our financial condition and results of operations may be adversely affected.

We may not be able to obtain adequate financing for our business in the future.

Our business requires significant capital investment. We made consolidated capital expenditures of approximately RMB563 million, RMB1,518 million, and RMB3,457 million for the years ended 31 December 2012, 2013 and 2014, respectively. As we will continue to expand our existing production facilities and construct new plants and R&D facilities, we expect that our capital expenditures will continue to increase. In the future, we may be unable to obtain necessary financing or obtain such financing on favourable terms due to various factors beyond our control. Such inability to obtain financing could hinder our expansion plans which could, in turn, adversely affect our results of operations and financial condition.

We may face uncertainties associated with our growth strategy.

Our growth strategy includes organic growth and potential acquisitions. There are uncertainties and risks associated with our growth strategy, including whether we will be able to:

- obtain sufficient funding for our expansion and the enlarged operation;
- obtain necessary permits, licenses and approvals from relevant PRC government authorities on a timely basis;
- recruit, train and retain sufficient qualified personnel;
- identify attractive acquisition targets;
- negotiate acquisitions on favorable terms; and
- integrate the acquired assets or business successfully.

In addition, there are inherent risks with acquisitions and business expansions, and there can be no assurance that we will be able to achieve the strategic purpose of any organic growth or acquisition.

We may be unable to consummate or successfully integrate acquisitions and strategic alliances.

We may from time to time pursue acquisitions and strategic alliances that we believe will complement our current business by expanding into new geographic areas, diversifying our customer base and enabling us to specialise in, expand or enhance technological capabilities. We cannot assure you that we will be able to find suitable acquisition targets or partners with whom to form strategic alliances, and failure to do so in a timely manner or at all may affect our ability to realise our growth objectives. In addition, there are risks and uncertainties related to these activities, including the difficulty of integrating acquired operations, technology and products, diversion of our management's attention from other business concerns, potential unknown liabilities associated with an acquired company, undisclosed risks affecting an acquired company and potential adverse effects on existing business relationships with current customers and suppliers. In addition, any acquisitions could involve the incurrence of substantial additional indebtedness or dilution of the equity interests of our shareholders. We cannot assure you that we will be able to successfully integrate any acquisitions that we undertake or that such acquisitions will perform as planned or prove to be beneficial to our operations and cash flow. Each of these factors could have a material adverse effect on our business, results of operations and financial condition.

Any negative impact on the transportation of our products and raw materials could adversely affect our operations and our financial condition.

We depend on a combination of water and land transportation to obtain raw materials and deliver products to our customers. If we cannot secure water and land transportation necessary for the delivery of raw materials to us and our products to our customers or if we are unable to secure economically-feasible alternative methods to transport our products and raw materials during disruptions of transportation systems that are beyond our control, our results of operations may be adversely affected. Any disruption of raw material supply may interrupt our production and could have a negative effect on the competitiveness of our products and our financial conditions.

Our labour costs may increase for reasons such as the implementation of more stringent requirements regarding fixed-term employment, the minimum wage and paid annual leave.

In the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our labour costs were RMB711 million, RMB3,370 million, RMB5,306 million, RMB2,382 million and RMB2,721 million, respectively, equalling 11.7 per cent., 9.0 per cent., 6.6 per cent., 7.3 per cent. and 4.1 per cent., respectively, of our revenue for the same periods. Our labour costs include, among other things, contributions to various defined contribution pension schemes, contributions to medical benefits plans, housing subsidies, termination and early retirement benefits and share-based payments. There have been instances of shortages in the labour supply in industries, including manufacturing, in the PRC. In the event of future labour shortages, we may have difficulties recruiting or retaining labour for our production facilities or may face increasing labour costs. In such event, our business and results of operations may be adversely affected. Labour costs in the PRC are generally expected to increase. As a result of the PRC Labour Contract Law, which became effective on 1 January 2008, the requirements of employers in relation to entry into fixed and non-fixed term employment contracts, dismissal of employees and minimum wage became more stringent. In addition, the National Leisure and Tourism Outline 2013-2020 (the "**Tourism Outline**"), which became effective on 2 February 2013, sets out a timetable regarding mandatory annual leave requirements, according to which all workers in the PRC must be provided with paid annual leave by 2020. If there is a shortage of labour, or for any reason labour costs in the PRC rise significantly, our expenses are likely to increase and we may have to provide additional benefits to current and future employees, which could materially and adversely affect our business, financial condition and results of operations.

Attracting and retaining senior management and key technical experts may be a challenge for us.

We rely on experienced and talented senior managers and highly skilled technical personnel to operate our businesses and to develop our new products, including our proprietary brand of products. We expect increased competition for senior managers and skilled technical personnel from other automobile companies in the future, driven partly by strong growth in the PRC automobile industry. We cannot assure you that we will be able to recruit suitable candidates or retain our existing senior managers and technical personnel. High turnover of senior management could adversely affect our existing customer relationships, our operations and our development as well as hinder our future recruiting efforts. In addition, we must successfully integrate any new management personnel in order to achieve our operating objectives. Changes in key management positions may temporarily affect our operations as new management will need time and further effort to become familiar with our businesses and our operations. We expect to increase our effort to recruit more industry and technical experts to fulfill our future business plans. If we are unable to recruit and retain experienced senior management and key technical experts in the future, our business operations could be adversely affected.

We may be subject to fines, penalties or other actions resulting from future examinations by PRC regulatory authorities.

We are subject to a wide range of inspections by PRC regulatory authorities from time to time. Accordingly, we may incur fines, penalties or other actions as a result of examinations by PRC regulatory authorities that could adversely affect our reputation, business, financial condition and results of operations. In February 2015, the Communist Party of China's Central Commission for Discipline Inspection ("**CCDI**") announced the result of its inspection of state-owned enterprises in the PRC. In CCDI's announcement, we were named for practices by certain of our officers, including the alleged abuse of public funds and opening business by relatives of senior management staffs in violation of disciplines. While we have disciplined and/or terminated the relevant individuals and implemented management reforms, and the results of this investigation did not have a material adverse effect on our results of operations and financial condition, we cannot assure you that we will not incur any fines or penalties or be subject to similar actions in the future.

We may not be able to detect and prevent fraud, corruption or other misconduct committed by our employees or third parties. Our Group is exposed to fraud, corruption or other misconduct committed by our employees, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm its reputation. In addition, our employees, agents, customers or other third parties may be subject to investigations by PRC authorities, whose occurrence or outcome may be difficult to predict. Our management information systems and internal control procedures are designed to monitor our operations and overall compliance, and we from time to time examine our internal control and corporate governance policies and procedures in order to strengthen our ability to detect and prevent similar and other misconduct. Nevertheless, we may be unable to identify non-compliance and/or suspicious transactions in a timely manner or at all. Further, it is not always possible to detect and prevent fraud, corruption and other misconduct.

Any failure to implement and maintain effective quality control systems at our manufacturing facilities could subject us to product liability and warranty claims, which could in turn have a material adverse effect on our business and results of operations.

The manufacture and sales of our products subject us to potential product liability claims if we fail to effectively manage quality control and our products fail to perform as expected, are proven to be defective, or if they cause, result in, or are alleged to have caused or resulted in, personal injuries, or asset damages. Any product liability claim, with or without merit, could prove costly and time-consuming to defend and could potentially harm our reputation and image. Successful product liability claims may require us to pay substantial damages. Furthermore, certain product liability claims may be the result of defects from parts and components purchased from third party suppliers. Such third party suppliers may not be able to indemnify us for the losses resulting from such defects and product liability claims in full or at all. In addition, a material design, manufacturing or quality-related failure or defect in our products or other safety issues could each warrant a product recall by us and result in increased product liability claims and/or regulatory actions.

If we fail to maintain an appropriate inventory level, we could incur more inventory carrying costs or lose sales, either of which could materially and adversely affect our business, financial condition and results of operations.

Due to the number of factors affecting the demand for passenger vehicles, including macroeconomic and microeconomic factors beyond our control, it is difficult to accurately estimate market demand for our passenger vehicles and to manage our inventories accordingly. While we must maintain sufficient inventory, especially finished products, to operate our business successfully and meet market demand, we also strive to avoid excess inventory to reduce inventory carrying costs. Changing demands of end-user customers, inaccurate demand forecasts and time lag between when the raw materials are ordered from our suppliers and when our finished products are sold could expose us to inventory risk. We carry a wide variety of inventory and must maintain a reasonable inventory level of the passenger vehicles. If we do not maintain a sufficient inventory of a particular model to fulfill orders, we may lose orders. On the other hand excessive inventory levels could lead to additional inventory carrying cost. We cannot assure you that we can manage our inventories effectively and any failure to do so could materially and adversely affect our business, financial condition and results of operations.

Complaints or legal actions initiated by customers, employees and other third parties against us may have a negative impact on our reputation, the brand image of our products and our results of operations.

Given the nature of our business, which typically attracts product liability and other claims, we may become the target of complaints or legal actions. Whether or not such claims or legal actions are substantiated or even if such disputes are resolved successfully and without adverse financial consequences, such claims or legal actions could have a negative impact on our reputation and the brand image, which in turn, could have negative impact on our operation results. If resolutions of those lawsuits and claims are unfavourable to us, our financial position and operating results may be adversely affected.

Under PRC law, we may be subject to liability for losses and injury caused by any of our products if they are found to be defective. Under current PRC law, automobile manufacturers are not required to maintain product liability insurance coverage. Thus any serious incident or accident involving our products could result in financial losses to us.

Any incident of product defects could require us to recall our products, which could jeopardise our reputation and our financial performance.

Under the Provisions on the Administration of Recall of Defective Automobiles (缺陷汽車產品召回管理條例), we have voluntarily recalled an aggregate of 1,457,743 vehicles in eight batches from 1 January 2012 to 30 June 2015. In October 2014, we announced the recall of 11,055 units of Nissan (Dongfeng) Sunny, Nissan (Dongfeng) March and Nissan (Dongfeng) Patrol due to a safety hazard in the airbags. In December 2014, we announced the recall of 26,128 Honda Elysion MPVs due to defective air bags on the driver's side. The recalls initiated by Nissan and Honda may have a negative impact on our brand image, which in turn would have a negative impact on our operations and financial results. Although we have proactively sought to manage potential product liability claims, we cannot assure you that the recent recalls of automobiles manufactured by Nissan and Honda would not affect our products in the future. In addition, we cannot assure you that we will not conduct additional recalls or that there will not be any material complaints or legal actions against us regarding our products in the future. Such events may materially and adversely affect our reputation, results of operations and financial condition.

We have limited insurance coverage.

Insurance companies in China offer limited commercial insurance products. Under PRC law, we are not required to maintain business interruption insurance or litigation insurance. Accordingly, we do not maintain business interruption insurance. Any uninsured loss or damage to property, litigation or business disruption may result in us incurring substantial costs or diverting our resources, which could have an adverse effect on our results of operations. The occurrence of certain incidents, including fire, severe weather, earthquake, war, flooding, power outages and the consequences resulting from them may not be covered adequately, or at all, by our insurance policies. If we incur substantial liabilities that are not covered by our insurance policies, or if our business operations are interrupted for a significant period of time, we could incur costs and losses that could materially and adversely affect our financial condition and results of operations.

There may be defects in our title to, or rights to use, certain properties.

As of 30 June 2015, we owned the land use rights of land in the PRC with an aggregate site area of approximately 41.3 million square meters and other properties. Any dispute or claim concerning title to the properties we occupy, including any litigation involving allegations of illegal or unauthorised use of such properties, may result in us having to relocate our operations and may materially and adversely affect our operations, financial condition, reputation and future growth. In addition, there can be no assurance that the PRC government will not amend or revise existing property laws, regulations or rules to require additional approvals, licenses or permits, or to impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we occupy.

Defaults by counterparties that we do business with could adversely affect our financial position and results of operations.

We do business and enter into a wide variety of contracts with different counterparties, including our raw material and auto part suppliers, our joint venture partners and our dealers. We may lose revenue and profits and incur additional operating expenses if our counterparties default on their obligations under such contracts. In the past three years, our Group has not experienced any default by counterparties which had any material adverse effect on our Group's operations and financial condition. However, we cannot assure you that all our counterparties are reputable and creditworthy and will not default against us in the future. With the exception of our joint venture partners, there is limited financial or public information on our counterparties and as such, we are exposed to counterparty risks to the extent that our counterparties fail to fulfil their obligations under the contracts.

Furthermore, we provide credit to some of our long-standing customers with good repayment history. Although we grade our counterparties' credit risk by conducting comprehensive annual assessments of their financial condition, we have experienced payment defaults by some of our customers in the engines and automotive parts sector. If we fail to manage default risks properly, any significant default by our customers could adversely affect our financial position and results of operations.

We face litigation risks in the course of our business.

Our business is subject to the risk of litigation by customers, suppliers, intellectual property rights holders, government agencies and others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation can be difficult to assess or quantify. Plaintiffs in such lawsuits may seek recovery of large or indeterminate amounts, and the magnitude of potential losses relating to such lawsuits may remain unknown for substantial periods of time. The cost of defending future litigation may be significant and could negatively affect our operating results if changes to our business operations are required. There could also be negative publicity associated with litigation that could decrease customer acceptance of merchandise offerings regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, any significant litigation could adversely affect our business, financial condition, results of operations or liquidity.

We operate in jurisdictions that are the subject of economic and trade sanctions imposed by the United States, the European Union and other jurisdictions, which may subject us to legal and regulatory risks.

Our international operations may be affected by trade and economic sanctions or other restrictions imposed by the United States or other governments or organisations, including the United Nations, the European Union and their member countries. Some of our subsidiaries have conducted sales of goods in certain countries that are or have been the subject of various country-wide trade or economic sanctions ("**Sanctioned Countries**"). The volume of goods sold in Sanctioned Countries in the aggregate represented less than 1 per cent. of the Group's total sales volume for such goods in each of the years ended 31 December 2012, 2013 and 2014 and the six-month period ended 30 June 2015.

Although we have not been notified that any of our past activities may have violated various sanctions, and we have no present intention to undertake any future business that would cause us, our shareholders or investors to violate or become a target of sanctions laws of the United States, European Union, the United Nations or other applicable jurisdictions, we can provide no assurances that our past or future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the United States authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the government of the United States, European Union, the United Nations or any other governmental entity were to determine that any of our activities constitute a violation of the sanctions they impose or provide a basis for a sanctions designation of our Group. Furthermore, because many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed sanctionable. Any adverse finding or judgment of our business activities in or with any of the Sanctioned Countries may cause us to suspend such activities or pay an associated penalty, which may have a material adverse impact on our business, results of operations and financial condition. Further, it is possible that we may be subject to negative media or investor attention as a result of our activities or our presence in these Sanctioned Countries.

Our results of operations and manufacturing activities may be adversely affected if there are failures in or inefficient management of our information technology system.

Our information technology system forms a key part of our production, sales and marketing process and any disruptions to it could have a negative impact on our operations. In the past three years, we have not experienced any malfunction of our information technology system that led to any material disruption to our operations. However, we cannot guarantee that we will not incur any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events to the information technology system in the future. If serious damage or significant interruption occurs, our operations may be disrupted and our financial condition and results of operations may be adversely affected. Furthermore, if our operations are disrupted by the introduction of a new information technology system, including migration from an existing system, our financial condition and results of operation may be similarly adversely affected.

Foreign currency rate fluctuations may have an adverse impact upon our financial conditions and results of operations.

While our revenue is denominated in RMB, certain raw materials and key auto parts used by us are imported from Japan and other foreign countries. We have entered into purchase contracts with suppliers whereby payments for such imports will primarily be settled in U.S. dollars. As a result, depreciation of RMB against the U.S. dollar could increase our costs of raw materials and auto parts, which in turn could adversely affect our financial condition and results of operations. On the other hand, any appreciation of RMB could cause imported products which compete with our products to be relatively less expensive for Chinese consumers, which could impair our competitive advantage in the PRC automobile market. In August 2015, the PRC government devaluated RMB by about 2 per cent. against U.S. dollars and there is no assurance that the PRC government will not continue to devaluate RMB in the future. Even though substantially all of our revenue and expenses are denominated in RMB, fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets, earnings or any declared dividends. Also, any unfavourable movement in the exchange rate may lead to an increase in our costs or a decline in sales, which could materially and adversely affect our business, financial condition and results of operations.

Any loss of, or significant reduction in, preferential tax treatment and government grants in the PRC could adversely affect our financial condition.

We and some of our subsidiaries receive preferential tax treatment as high and new technology enterprises, providing us with a lower tax rate than would not otherwise be subject to. Our effective income tax rate for the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015 was 0.5 per cent., 1.0 per cent., 9.3 per cent. and 8.8 per cent., respectively. We plan to apply for extension of such preferential tax treatment, but there can be no assurance that we will be granted such extensions. The failure to receive such extensions would result in an increase to our effective income tax rate. To the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to us, our tax liability would increase correspondingly. In addition, the PRC government from time to time adjusts or changes its policies on value added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainties resulting therefrom, could have an adverse effect on our results of operations.

Furthermore, we received government grants in the amount of RMB26 million, RMB48 million, RMB345 million and RMB69 million for the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015, respectively. The amounts of and conditions (or the lack thereof) attached to such grants were determined at the sole discretion of the relevant government authorities. We cannot assure you that we will be eligible to continue to receive such government grants or that the amount of any such grant will not be reduced in the future. Even if we continue to receive such grants, we cannot assure you that the grants will be unconditional or that any conditions attached to the grants will be as favorable to us as they have been historically. Any decrease in the amounts of government grants we receive or additional conditions attached to such grants could have an adverse effect on our results of operations.

Non-compliance with PRC environmental regulations could result in significant monetary damages, fines or other liabilities as well as negative publicity and damage to our brand name and reputation.

We are subject to national and local environmental regulations applicable to us in the PRC. Our manufacturing processes generate noise, waste water, and gaseous and other industrial wastes. In the event any such processes do not comply with present or future environmental regulations, we may be subject to governmental inspections or penalties, civil liabilities or business interruptions, and our management might be subject to related liabilities. Non-compliance with relevant environmental regulations could subject us to adverse publicity and damage to our brand name and reputation. In addition, the costs of compliance with any more stringent regulations adopted in the future could be substantial and have a negative effect on our results of operations.

Risks Relating to the PRC Automobile Industry

The global economy is facing risks from the prolonged effects of the global financial crisis, which may adversely affect the PRC economy and our business and results of operations.

Our business is inherently subject to general macroeconomic conditions, governmental policies and market fluctuations in the PRC. It is expected that the pace of growth of China's economy will be slower in 2015 and future years as compared to previous years as a result of several factors, which include continued global economic volatility, geopolitical risks and the ongoing Euro zone sovereign debt crisis, which have resulted and may continue to result in downward pressure on China's economic growth. Any slowdown in the PRC economy may adversely affect consumer confidence and disposable income in China, result in a significant reduction in our potential customers and cause a significant increase in default risk of our existing customers.

Automobile production volume and sales are heavily dependent on economic policies and market sentiment. The Chinese automotive industry has experienced rapid growth in recent years. However, inflation, higher interest rates, tighter bank lending, lifting of consumer subsidies and buying restrictions in congested cities have contributed to a more modest environment, resulting in the sharp slow-down in automobile sales volume growth rate in the first half of 2015. Any significant reduction in automobile production and sales could have a material and adverse effect on our business. There can be no assurance that market conditions, government policies and other factors leading to the existing slowdown in demand for automobiles will not continue. The decline in demand for automobiles could directly and adversely affect demand for our products and hence our business, financial condition and results of operations

Increasing competition in the PRC automobile market could have an adverse impact on our ability to maintain competitiveness.

Increased consumer purchasing power in China has resulted in significant growth in the demand for automobiles. Such growth has encouraged, and is likely to continue to encourage, foreign competitors, sino-foreign equity joint ventures established in the PRC and new domestic auto companies to expand their production capacity. Our current market share and profit margin could be diluted or reduced if there are price reductions caused by increased competition. The pricing, recognition and loyalty to our brand of products and the financial and technical resources allocated to our products may be materially and adversely affected if competing automobile products, domestic or foreign, gain a competitive advantage.

Volatility in demand in China for automobiles could adversely affect our results of operations.

Demand for automobiles in China and the rest of the world is cyclical in nature and is affected by various factors, including sales and financing incentives, costs of raw materials, parts and components, cost of fuel, environmental concerns and governmental regulations, including tariffs, import regulation and other taxes. Fluctuations in demand may lead to lower vehicle sales and increased inventory, which may result in further downward price pressure which will inevitably adversely affect our financial condition and results of operations.

Over the years, we have increased our production capacities in anticipation of a continuous increase in demand for automobiles in the PRC. Any slowdown in demand for automobiles in the PRC may lead to an inventory surplus and could result in a significant under-utilisation of our production capacity, which could in turn, result in diminished returns to the substantial resources invested in the expansion of our production capacities. If these events occur, our results of operations and financial condition could be materially and adversely affected.

The production and profitability of PRC automobile manufacturers may be adversely affected by changes in the regulatory environment.

We are subject to various laws, rules and regulations in the PRC imposed at both the national and regional levels that regulate or affect the PRC automobile manufacturing industry and automobile components and parts manufacturing industry, including: (i) crash test requirements and other safety compliance standards in relation to automobile, auto parts and components; (ii) emission standards; (iii) maximum fuel consumption standards; (iv) automobile recall requirements; (v) noise, waste, discharge and other pollution controls relating to manufacturing of automobiles; and (vi) market entry requirements and/or minimum production requirements for automobile and automobile components and parts manufacturers. All models of automobiles manufactured must be submitted to, approved and announced by the MIIT. This approval process can be lengthy and may adversely impact on our ability to introduce new products in a timely manner. Accordingly, any delay in the approval process can limit our flexibility to respond to market conditions or competition in a timely manner. In addition, the expenses of complying with the relevant policies and procedures in the approval process may increase our costs.

Furthermore, existing PRC automobile industry policies impose regulations on investment by foreign vehicle manufacturers in vehicle production projects in the PRC. If these regulations were relaxed, there could be a higher level of participation by foreign vehicle manufacturers in the PRC automobile market, which in turn could increase the level of competition throughout the market. Increased competition could lead to lower vehicle prices and profits for vehicle manufacturers, which could have a material adverse effect on the financial condition and results of operations of PRC domestic automobile manufacturers like us.

Our operations are sensitive to changes in the PRC government's policies relating to all aspects of the automobile industry. The imposition of additional or more stringent requirements for product design could result in substantial increases in the cost to our automobile and/or automobile components and auto parts designs. In addition, our failure to comply with such laws and regulations may result in fines, penalties or lawsuits, which could have a material adverse effect on our financial condition and results of operations.

Volatility in fuel prices may adversely affect demand for automobiles.

Fuel prices are inherently volatile and cyclical. Increases in fuel prices may have an adverse impact on China's economy and thereby result in (i) a slowdown for automobile demand; (ii) an increase in our production costs due to the increase in costs of petrochemical products; (iii) a decrease in demand from customers for purchasing automobiles due to increased operating costs and (iv) change to our customers' preferences. If fuel prices increase or remain at high levels in the future, consumers may choose to use alternative means of transportation which may adversely affect the demand for our products and which may have a negative impact on our sales and profitability.

There has been intensified anti-trust law enforcement activities in China's automobile industry, and should we be subject to such enforcement actions, our reputation may be damaged and our results of operations may be materially and adversely affected.

The PRC government has intensified the enforcement of the Anti-Monopoly Law ("**AML**") in recent years, which has affected a broad range of industries. It has been reported in the media that in anticipation of, or in response to, potential or pending investigations, certain foreign automobile manufacturers have reduced the prices of their passenger vehicles or automobile parts and components sold in China. These and other price reductions as a result of AML enforcement actions could cause a general downward pricing trend in the market, which may in turn negatively affect the profitability of, or otherwise have a material and adverse effect on, the business automobile companies, including us. In addition, certain high-profile investigations have targeted foreign multinational companies and PRC domestic companies, resulting, in some cases, in fines of hundreds of millions of Renminbi. In September 2015, Dongfeng Nissan, our joint venture with Nissan Motor Corp, was fined RMB123 million by the NDRC for alleged price fixing with its dealers. We cannot assure you that we will not be subject to the scrutiny of, or implicated in, any AML enforcement actions in the future. Should we be subject to further investigation or enforcement actions, our reputation may be damaged and our results of operations may be materially and adversely affected.

Stricter emission standards may reduce the demand for automobiles.

In order to control the level of pollution, Chinese cities have recently begun implementing stricter emission standards. For example, on 23 January 2013, the Beijing Municipal Environmental Protection Bureau issued new emission standards for motor vehicles, effective on 1 February 2013, to reduce the city's air pollution. This emission standard is applicable to new automobiles to be sold and those that have yet to receive license plates. Stricter emission standards for automobiles sold in the PRC may also be adopted in other cities in the PRC in the future. The implementation of such standards may reduce the demand for automobiles or increase our costs of compliance and may adversely affect our business, financial condition and results of operations.

Anti-congestion regulations and ordinances in certain Chinese cities may limit local demand for automobiles. To reduce urban traffic congestion, certain Chinese cities have adopted urban regulations and ordinances that limit new automobile registration or restrict automobile use. For example, in December 2010, the Beijing municipal government issued measures limiting the number of new automobile license plates to be issued per year. Other Chinese cities, including Hangzhou, Shanghai, Guangzhou and Guiyang have also imposed similar restrictions on the issuance of automobile license plates. These and any other future anti-congestion ordinances in the markets for our passenger vehicles may limit the ability of potential customers to purchase automobiles and, in turn, could reduce our automobile sales, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the PRC

Changes in political or economic policies, and a slowdown in the PRC's economy may have an adverse effect on our results of operations and financial conditions.

The PRC economy differs from the economies of most developed countries in many aspects, including its structure, amount of government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, rate of inflation, trade balance position and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government continues to play a significant role in regulating the industry development by imposing relevant policies. It also exercises significant control over PRC economic growth through allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

The growth of our businesses depends significantly upon the continuation of economic development and growth in the PRC. The PRC has experienced rapid economic development in the last decade, but there have been signs of a slowdown in economic growth in recent years, and there is no assurance that economic growth will continue at such rates either in the PRC generally or in the particular areas in which our operations and investments are located. A sustained period of slower growth in the PRC could have a material adverse effect on our financial condition, results of operations and prospects. In the past, the PRC government has implemented various economic reforms and administrative measures to restrain economic growth rates that were considered unsustainably high and to calm inflation fears. Such actions may result in an economic slowdown which could have negative macroeconomic effects in the PRC and PRC-related markets. Specific actions taken by the PRC government in recent years include raising the deposit reserve requirements for banks, directing banks to reduce extending loans to overheating sectors of the economy such as the property industries, tightening and enforcing restrictions on land use to reduce new property investment and infrastructure projects, and taking measures to reduce speculative currency inflows which may be invested in construction and related industries. Some of these reforms and measures benefit the overall PRC economy, but may also have a material adverse effect on us.

An actual slowdown in the economy or any form of government control or newly implemented laws and regulations, depending on the nature and extent of such changes and our ability to make corresponding adjustments, could result in a material adverse effect on our business and operating results.

Currency exchange restrictions may limit our ability to receive and use our revenues effectively.

Our revenues are denominated in RMB and certain portions of our expenses are denominated in other currencies. We may need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, including payment of dividends declared, if any. Under the PRC's existing foreign exchange regulations, our Company is able to pay dividends in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements and payment of necessary withholding taxes. However, the PRC government could take further measures in the future to restrict access to foreign currencies for current account transactions.

Our foreign exchange transactions under capital accounts continue to be subject to significant foreign exchange controls and the approval of, or registration with, PRC governmental authorities. In particular, loans from foreign lenders must be registered with SAFE, and capital contributions from joint venture partners financing our joint venture companies must be approved by certain government authorities, including the Ministry of Commerce or its local counterparts. These limitations could affect our ability to obtain foreign exchange through debt or equity financing.

The PRC legal system has inherent uncertainties that could affect our business and results of operations as well as the interest of investors in the Notes.

As the majority of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China. The legal system in China is continuing to evolve. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents.

For example, on 14 September 2015, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號), the "**NDRC Circular**"), which came into effect on the same date. According to the NDRC Circular, domestic enterprises and/or their overseas controlled entities shall procure the registration of any issue of debt securities outside the PRC with the NDRC prior to such issue, and notify the particulars of such issue within 10 working days after such issue. The NDRC Circular is a recent regulation and its interpretation may involve significant uncertainty. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. On 25 September 2015, the Guarantor completed the registration with NDRC before the issue of the Notes. However, there is no assurance that the Issuer or the Guarantor will be able to comply with the NDRC requirements to provide the notification of the particulars of the issue of the Notes to the NDRC within the prescribed timeframe. The NDRC Circular does not expressly state the legal consequences of non-compliance with such post-issue notification requirements, therefore there is no assurance that the failure to comply with the NDRC requirements would not result in any adverse consequences for the Issuer, the Guarantor, the Notes or the investors in the Notes. There is also no assurance that the registration with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Notes. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties.

Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC.

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

Adverse changes in foreign relations between the PRC and the jurisdictions where the joint venture partners of our Company and its subsidiaries are incorporated could have a material adverse effect on our results of operations.

Our business may be affected by the foreign relations between the PRC and the jurisdictions in which the joint venture partners of our Company and its subsidiaries are incorporated. Customers' demand for our products can be affected by their sentiment towards jurisdictions in which the joint venture partners of our Company and its subsidiaries are incorporated. If there are adverse changes in foreign relations between the PRC and the jurisdictions where the joint venture partners of our Company and its subsidiaries are incorporated, our financial condition and results of operations can be adversely affected.

The national and regional economies in the PRC and our prospects may be adversely affected by natural disasters, acts of God and the occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God or terrorism which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC are under the threat of earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, SARS, H5N1 avian flu, human swine flu, also known as Influenza A (H1N1), H7N9, Ebola virus or Middle East Respiratory Syndrome ("**MERS**"). For instance, two serious earthquakes hit Sichuan Province in May 2008 and April 2013, respectively, and resulted in significant loss of lives and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 or the H7N9 avian flu, especially in the cities where we have operations, may result in material disruption of our business, which in turn may adversely affect our financial condition and results of operations. In the recent years, terrorist attacks have been occurred in Xinjiang Autonomous Region, Yunnan Province and Guangdong Province in the PRC. If such terrorist attack occurs in the cities where we have operations, it may result in material disruption of our business, which in turn may adversely affect our financial condition and results of operations.

Risks Relating to the Notes and the Guarantee of the Notes

The Notes and the Guarantee of the Notes are unsecured obligations.

As the Notes and the Guarantee of the Notes are unsecured obligations, their repayment may be compromised if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or, as the case may be, the Guarantor's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Notes.

If the Guarantor fails to submit the Deed of Guarantee for registration with SAFE or complete the SAFE registration in connection with the Guarantee of the Notes within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee of the Notes.

Under the Guarantee of the Notes, the Guarantor will unconditionally and irrevocably guarantee the due payment in full of all sums expressed to be payable by the Issuer under the Notes. The obligations of the Guarantor will be contained in the Deed of Guarantee.

The Guarantor is required by the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) to register the Guarantee of the Notes and will register the Deed of Guarantee with the Hubei Branch of SAFE within 15 PRC Business Days after the date of execution of the Deed of Guarantee. Although the non-registration does not render the Guarantee of the Notes ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor. The Guarantor intends to use it best endeavours to complete the registration of the Deed of Guarantee as soon as practicable and in any event within 60 PRC Business Days after the Issue Date. If the Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee of the Notes) as domestic banks would require evidence of SAFE registration in connection with the Guarantee of the Notes in order to effect such remittance, although this does not affect the validity of the Guarantee of the Notes itself.

The Provisions on the Foreign Exchange Administration of Cross-Border Guarantees is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Guarantee of the Notes in the PRC. In addition, the administration of the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the Guarantee of the Notes with SAFE can be completed by the Guarantor or will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the enforceability of the Guarantee of the Notes in the PRC.

The Notes may not be a suitable investment for all investors.

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

An active trading market for the Notes may not develop, and liquidity of the Notes may be affected if the Notes are held by or allocated to limited investors.

The Notes are a new issue of securities for which there is currently no trading market. Application has been made to the ISE for the approval of this Offering Circular as Listing Particulars. Application has been made to the ISE for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the ISE. No assurance can be given that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Notes or the price at which holders will be able to sell their Notes. Certain of the Joint Lead Managers and/or their affiliates will initially purchase a significant portion of the Notes for asset management and/or proprietary purposes but not with a view to distribution. Liquidity of the Notes will be adversely affected if the Notes are held by or allocated to limited investors. None of the Joint Lead Managers is obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to the department store industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There is no assurance that these developments will not occur in the future.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the ISE, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Notes to be listed on the ISE. The disclosure standards imposed by the ISE may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what Noteholders are accustomed to.

The ratings of the Notes may be downgraded or withdrawn.

The Notes are expected to be assigned a rating of "A1" by Moody's, "A" by S&P and "A" by Fitch.

The ratings represent only the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the Guarantee of the Notes and their credit risks in determining the likelihood that payments will be made when due under the Notes. Ratings are not recommendations to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawn at any time. Neither the Issuer or the Guarantor is obligated to inform Noteholders if the ratings are lowered or withdrawn. Each rating should be evaluated independently of the other rating. A downgrade or withdrawal of the ratings may materially and adversely affect the market price of the Notes and the Issuer's ability to access the debt capital markets.

Changes in interest rates may have an adverse effect on the price of the Notes.

The Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Investment in the Notes is subject to exchange rate risks.

Investment in the Notes is subject to exchange rate risks. The value of Euro against the Renminbi and other foreign currencies fluctuates and is affected by changes in Europe, the United States and international political and economic conditions and by many other factors. All payments of interest and principal with respect to the Notes will be made in Euro. As a result, the value of these Euro-denominated payments may vary with the prevailing exchange rates in the marketplace. If the value of Euro depreciates against the Renminbi or other foreign currencies, the value of a Noteholder's investment in Renminbi or other applicable foreign currency terms will decline.

The Issuer may be unable to redeem the Notes.

On certain dates, including the occurrence of an early redemption event and at maturity of the Notes, the Issuer may, and at maturity, will be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to redeem the Notes by the Issuer, in such circumstances, would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Guarantor and its subsidiaries.

The Notes and the Guarantee of the Notes will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes and the Guarantee of the Notes will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, whether or not secured. The Notes will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable law. Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or Guarantee of the Notes or make any funds available therefore, whether by dividends, loans or other payments.

The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Notes and the Guarantee of the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

The Notes and the Guarantee of the Notes are the Issuer's and the Guarantor's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's and the Guarantor's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders ratably with all of the Issuer's or the Guarantor's other unsecured creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

The insolvency laws of Hong Kong, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the Noteholders are familiar.

As the Issuer is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Issuer, even if brought in other jurisdictions, would likely involve the Hong Kong insolvency laws. Similarly, as the Guarantor is incorporated under the laws of the PRC, any insolvency proceeding relating to the Guarantor, even if brought in other jurisdiction, would likely involve the PRC insolvency laws. The procedural and substantive provisions of the laws of Hong Kong or the PRC may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated.

If the Issuer or the Guarantor is unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer and the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Guarantor's debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Issuer's or the Guarantor's other debt agreements. If any of these events occur, the Issuer and the Guarantor cannot assure holders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

The Notes will be represented by a Global Note Certificate and holders of a beneficial interest in a Global Note Certificate must rely on the procedures of the Clearing Systems.

The Notes will be represented by beneficial interests in a Global Note Certificate. The Global Note Certificate will be deposited with a common depositary for Euroclear and Clearstream. Except in the circumstances described in the Global Note Certificate, investors will not be entitled to receive individual Note certificates. The Clearing System will maintain records of the beneficial interests in the Global Note Certificate. While the Notes are represented by the Global Note Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by the Global Note Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their accountholders.

A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the Clearing System to receive payments under the Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in a Global Note Certificate.

Holders of beneficial interests in the Global Note Certificate will not have a direct right to vote in respect of the Notes of the relevant series. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System to appoint appropriate proxies.

The Guarantor's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly controlled entities and associated companies.

As a holding company, the Guarantor depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations, including its obligations under the Notes and the Guarantee of the Notes. The ability of the Guarantor's subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. The Guarantor cannot assure that its subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. The shareholders or the board of directors of a portfolio company (as the case may be) have the power to determine whether to pay dividends based on conditions then existing, including the company's earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant. In particular, the Guarantor does not maintain complete control over its jointly controlled entities or associates in which it might hold a minority interest. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments on the Notes. These factors could reduce the payments that the Guarantor receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Notes and the Guarantee of the Notes.

The Notes are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions, the Issuer and the Guarantor are required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Notes at any time in the event it has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC (only where such tax or withholding is in excess of 10 per cent.) or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 October 2015.

A tax for withholding may be payable under the United States Foreign Account Tax Compliance Act if an investor or custodian of the Notes is unable to receive payments free of withholding.

Whilst the Notes are in global form and held within the Clearing Systems, in all but the most remote circumstances, it is not expected that the United States Foreign Account Tax Compliance Act ("**FATCA**") will affect the amount of any payment received by the Clearing Systems (see "*Taxation – FATCA*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's and the Guarantor's obligations under the Notes and the Guarantee of the Notes are discharged once they have made payments to, or to the order of, the common depositary for the Clearing Systems (as registered holder of the Notes) and the Issuer and the Guarantor have therefore no responsibility for any amount thereafter transmitted through the Clearing Systems and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

We may issue additional Notes in the future.

We may, from time to time, and without prior consultation of the Noteholders, create and issue further Notes (see "*Terms* and *Conditions of the Notes – Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

The Trustee may request Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction.

In certain circumstances, including without limitation giving notice to the Issuer pursuant to Condition 8 (*Events of Default*) of the Terms and Conditions and taking enforcement steps pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions, the Trustee may, at its sole discretion, request Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified, secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity, security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity, security and/or pre-funding to it, in breach of the terms of the Trust Deed, the Deed of Guarantee or the Terms and Conditions and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

Decisions that may be made on behalf of all Noteholders may be adverse to the interests of individual Noteholders.

The Terms and Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Noteholders may be adverse to the interests of the individuals.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Noteholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判斷的安排), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Noteholders' ability to initiate a claim outside of Hong Kong will be limited.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Note Certificates (as defined below) issued in respect of the Notes.

The EUR500,000,000 1.60 per cent. Guaranteed Notes due 2018 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of Dongfeng Motor (Hong Kong) International Co., Limited (the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated 28 October 2015 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Dongfeng Motor Group Company Limited (東風汽車集團股份有限公司) (the "**Guarantor**") and The Hongkong and Shanghai Banking Corporation Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of (a) a deed of guarantee dated 28 October 2015 (as amended or supplemented from time to time, the "**Deed of Guarantee**") entered into by the Guarantor and (b) an agency agreement dated 28 October 2015 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agents and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Deed of Guarantee, the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Deed of Guarantee, the Trust Deed and the Agency Agreement applicable to them. Copies of the Deed of Guarantee, the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination, Status and Guarantee

(a) *Form and denomination*: The Notes are in registered form in the denomination of EUR100,000 and integral multiples of EUR1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Notes*: The Notes constitute direct, general, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) *Guarantee of the Notes*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the "**Guarantee of the Notes**") constitutes direct, general, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

*Upon issue, the Notes will be evidenced by a global note certificate (the "**Global Note Certificate**") substantially in the form scheduled to the Trust Deed. The Global Note Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), and will be exchangeable for individual Note Certificates (as defined below) only in the circumstances set out therein.*

2. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes, the Deed of Guarantee or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

Transfers of interests in the Notes evidenced by the Global Note Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) *Registration and delivery of Note Certificates*: Within seven business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available for inspection by the Registrar to any Noteholder at the Specified Offices of the Agents who requests in writing a copy of such regulations.

3. Covenants

(a) *Negative pledge*: So long as any Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness outside the PRC or guarantee of Relevant Indebtedness outside the PRC without (i) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

(b) *Registration with SAFE*: The Guarantor undertakes to file or cause to be filed with the Hubei Branch of the State Administration of Foreign Exchange ("**SAFE**"), the Guarantee of the Notes within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014, which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the SAFE

Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee of the Notes. The Guarantor shall before the SAFE Registration Deadline and within five PRC Business Days after receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with the Registration Documents. In addition, the Guarantor shall, within five PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, provide to the Trustee for dissemination to the Noteholders in accordance with Condition 15 (*Notices*) a notice confirming the completion of the Cross-Border Security Registration. The Trustee shall have no obligation to monitor or ensure the registration of the Guarantee of the Notes with SAFE on or before the SAFE Registration Deadline and shall not be liable to Holders or any other person for not doing so.

(c) *Notification to NDRC*: The Guarantor undertakes to provide or cause to be provided a notification to the NDRC within ten PRC Business Days after the Issue Date (the "**NDRC Post-issue Notification Deadline**") containing the information set forth in the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) issued by NDRC on 14 September 2015, which came into effect on the same date, and any implementation rules as issued by NDRC from time to time (the "**NDRC Post-issue Notification**"). The Guarantor shall complete the NDRC Post-issue Notification within the prescribed timeframe. The Guarantor shall, within twenty PRC Business Days after the Issue Date, provide the Trustee with a certificate signed by a director of the Guarantor confirming the completion of the NDRC Post-issue Notification, and, to the extent the NDRC had issued a document confirming the completion of the NDRC Post-issue Notification, a certified true copy of such document from the NDRC. In addition, the Guarantor shall, within twenty PRC Business Days after the Issue Date, provide to the Trustee for dissemination to the Noteholders in accordance with Condition 15 (*Notices*) a notice confirming the completion of the NDRC Post-issue Notification. The Trustee shall have no obligation to monitor or ensure the completion of the NDRC Post-issue Notification within the prescribed timeframe and shall not be liable to Holders or any other person for not doing so.

(d) *Rating Maintenance*: So long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of Noteholders, the Issuer and the Guarantor shall use their best endeavours to maintain a rating on the Notes by each Rating Agency.

(e) *Financial Statements etc.*: So long as any Note remains outstanding, each of the Issuer and the Guarantor shall provide (i) a Compliance Certificate (on which the Trustee may rely as to such compliance) within 14 days from request by the Trustee and at the time of provision of the Issuer Audited Financial Reports and the Guarantor Audited Financial Reports; (ii) a copy of the Issuer Audited Financial Reports prepared in accordance with HKFRS and the Guarantor Audited Financial Reports prepared in accordance with IFRS (each audited by an internationally recognised firm of independent accountants of good repute) within 120 days of the end of each Relevant Period; and (iii) two copies of the Issuer Interim Financial Reports prepared on a basis consistent with the Issuer Audited Financial Reports and the Guarantor Interim Reviewed Financial Reports prepared on a basis consistent with the Guarantor Audited Financial Reports within 90 days of the end of each Relevant Period, and if such statements, in each case, shall be in the Chinese language, together with an English translation of the same translated by (x) an internationally recognised firm of independent accountants of good repute or (y) a professional translation service provider and checked by an internationally recognised firm of independent accountants of good repute, together with a certificate signed by a director of the Issuer, or as the case may be, the Guarantor certifying that such translation is complete and accurate.

In these Conditions:

"**Compliance Certificate**" means a certificate of each of the Issuer and the Guarantor signed by any one of their respective directors certifying that, having made all due enquiries, to the best of the knowledge, information and belief of the Issuer or (as the case may be) the Guarantor as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(a) no Event of Default or an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Events of Default*), become an Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(b) each of the Issuer and the Guarantor has complied with all its respective obligations under the Deed of Guarantee, the Trust Deed, the Agency Agreement and the Notes;

"**Guarantor Audited Financial Reports**" means the annual audited consolidated income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows of the Guarantor and its Subsidiaries and company statement of financial position of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Guarantor Interim Reviewed Financial Reports**" means the semi-annual unaudited but reviewed interim condensed consolidated income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows of the Guarantor and its Subsidiaries, together with any statements, reports (including any directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them;

"**HKFRS**" means Hong Kong Financial Reporting Standards;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**IFRS**" means International Financial Reporting Standards;

"**Issuer Audited Financial Reports**" means the annual audited consolidated income statement, comprehensive income statement, statement of financial position, statement of changes in equity (if any), statement of cash flows of the Issuer and its Subsidiaries (if any), together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Issuer Interim Financial Reports**" means the interim unaudited semi-annual condensed consolidated income statement, comprehensive income statement, statement of financial position, statement of changes in equity (if any), statement of cash flows of the Issuer and its Subsidiaries (if any), together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them (if any);

"**NDRC**" means the National Development and Reform Commission of China;

"**PRC**" means the People's Republic of China, which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing;

"**Rating Agencies**" means (a) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"); (b) Fitch Ratings and its successors ("**Fitch**"); (c) Standard & Poor's Rating Services ("**S&P**") and (d) if one or more of Moody's, S&P or Fitch shall not make a rating of the Notes publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for Moody's, S&P or Fitch or any combination thereof, as the case may be;

"**Registration Conditions**" means the receipt by the Trustee of the Registration Documents;

"**Registration Documents**" means (i) a certificate substantially in the form set out in the Trust Deed signed by any one director of the Guarantor confirming the completion of the Cross-Border Security Registration and (ii) a certified true copy of the relevant SAFE registration certificate (or any other document evidencing the completion of registration issued by SAFE) relating to such registration in (i) above of this definition;

"**Relevant Indebtedness**" means any present or future indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Period**" means (a) in relation to the Issuer Audited Financial Reports and the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of its financial year (being 31 December of that financial year) and (b) in relation to the Issuer Interim Financial Reports and the Guarantor Interim Reviewed Financial Reports, each period of six months ending on the last day of its first half financial year (being 30 June of that financial year);

"**SAFE Registration Deadline**" means the day falling 60 PRC Business Days after the Issue Date;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove all or a majority of the members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

4. Interest

The Notes bear interest from 28 October 2015 (the "**Issue Date**") at the rate of 1.60 per cent. per annum, (the "**Rate of Interest**") payable annually in arrear on 28 October in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be EUR1,600 in respect of each Note of EUR100,000 denomination and EUR16 in respect of each EUR1,000 principal amount of the Notes. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount where

"**Calculation Amount**" means EUR1,000;

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

"**Regular Period**" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

5. Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 28 October 2018, subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 October 2015; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 October 2015; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate signed by any one director of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by any one director of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Noteholders and the Trustee shall be protected and incur no liability to any Noteholder or any other person for so accepting and rely on such certificate or opinion.

Upon the expiry of any such notice period as is referred to in this Condition 5(b), the Issuer shall redeem the Notes in accordance with this Condition 5(b).

(c) *Redemption for Relevant Event*: At any time following the occurrence of a Relevant Event, the Holder of any Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Notes on the Put Settlement Date at 101 per cent. (in the case of a Change of Control) and 100 per cent. (in the case of a No Registration Event) of their principal amount, together with accrued interest to such Put Settlement Date. To exercise such right, the Holder of the relevant Note must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 15 (*Notices*). The "**Put Settlement Date**" shall be the 14th day (in the case of a Change of Control) and the fifth day (in the case of a No Registration Event) after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid.

The Issuer and the Guarantor shall give notice to Noteholders and the Trustee in accordance with Condition 15 (*Notices*) by not later than 14 days following the first day on which either of them becomes aware of the occurrence of a Change of Control or five days from the occurrence of a No Registration Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 5(c) (*Redemption for Relevant Event*).

In this Condition 5(c):

a "**Change of Control**" occurs when:

(a) the Guarantor ceases to, directly or indirectly, have Control of the Issuer; or

(b) the Company ceases to, directly or indirectly, have Control of the Guarantor; or

(c) the Controlling Person(s) cease to, directly or indirectly, have Control of the Company; or

(d) the Guarantor consolidates with, merges into or sells or transfers all or substantially all of the Guarantor's assets to any Person or Persons, acting together, unless (i) the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring control over the Guarantor or the successor entity or (ii) such Person or Person(s) are Controlled by the Controlling Person(s);

"**Company**" means Dongfeng Motor Corporation;

"**Control**" of any Person means (i) the ownership, acquisition or control of the Relevant Percentage of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly, or (ii) the right to appoint and/or remove the Relevant Percentage of members of such Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"**Controlling Person(s)**" mean (i) the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China or its successor or (ii) the government of the People's Republic of China;

a "**Relevant Event**" will be deemed to occur if:

(a) there is a Change of Control; or

(b) there is a No Registration Event;

"**Relevant Percentage**" means (i) in the case of Control of the Guarantor over the Issuer, 100 per cent., (ii) in the case of Control of the Company over the Guarantor, at least 51 per cent., (iii) in the case of Control of the Controlling Person(s) over the Company, 100 per cent., or (iv) in the case of Control of the Controlling Person(s) over a Person (which the Guarantor is consolidated with or merged into, or to which the assets of the Guarantor are sold or transferred) or Control of such Person over the Guarantor, more than 50 per cent.; and

a "**No Registration Event**" occurs when the Registration Conditions are not complied with on or before the SAFE Registration Deadline;

(d) *Make whole redemption:* The Issuer may redeem the Notes, in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice (which notice shall be irrevocable (subject to the proviso below)) (a "**Make Whole Redemption Notice**"), at a redemption price equal to their Make Whole Amount together with interest accrued but unpaid to the date fixed for redemption (collectively, the "**Make Whole Redemption Price**"). Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

In this Condition 5(d):

"**Calculation Agent**" means an Independent Investment Bank as selected by the Issuer or the Guarantor (at the expense of the Issuer, failing which the Guarantor) and notified in writing to the Trustee;

"**Comparable Government Bond**" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of the Independent Investment Bank, a German *Bundesanleihe* security whose maturity is closest to the maturity of the Notes, or if such Independent Investment Bank in its discretion considers that such similar bond is not in issue, such other German *Bundesanleihe* security as such Independent Investment Bank may, with the advice of three brokers of, and/or market makers in, German *Bundesanleihe* securities selected by such Independent Investment Bank, determine to be appropriate for determining the Comparable Government Bond Rate;

"**Comparable Government Bond Rate**" means the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield on the Notes, if they were to be purchased at such price on the third London Business Day prior to the date fixed for redemption or the date of accelerated payment, would be equal to the gross redemption yield on such London Business Day of the Comparable Government Bond on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such London Business Day as determined by the Independent Investment Bank;

"**Independent Investment Bank**" means an investment bank of recognised standing that is a primary dealer in German *Bundesanleihe* securities, appointed by the Issuer (and notice thereof is given to the Trustee and to Noteholders by the Issuer in accordance with Condition 15 (*Notices*)) for the purposes of performing any of the functions expressed to be performed by it under these Conditions;

"**London Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London; and

"**Make Whole Amount**" means, in respect of each Note at the relevant date fixed for redemption, (i) the principal amount of such Note or, if this is higher (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (excluding interest accrued to the date of redemption), discounted to the date of redemption on an annual basis (Actual/Actual (ICMA)) at the Comparable Government Bond Rate plus 30 basis points, all as determined by the Calculation Agent;

(e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (Scheduled redemption) to (d) (*Make whole redemption*) above.

(f) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(g) *Cancellation*: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

(h) *No duty to monitor*: Neither the Trustee nor any of the Agents shall be obliged to take any steps to ascertain whether a Relevant Event or Event of Default has occurred or to monitor the occurrence of any Relevant Event or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.

(i) *Calculations*: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.

6. Payments

(a) *Principal*: Payments of principal shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Interpretation*: In these Conditions:

"**TARGET2**" means the Trans European Automated Real Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro; and

"**TARGET System**" means the TARGET2 system.

(d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(e) *Payments on business days*: Where payment is to be made by transfer to a Euro account (or other account to which Euro may be credited or transferred), payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph "**business day**" means:

(i) in the case of payment by transfer to a Euro account (or other account to which Euro may be credited or transferred) as referred to above, any day which is a TARGET Settlement Day and a day on which commercial banks are open for general business (including dealings in foreign currencies) in Hong Kong; and

(ii) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, any day on which banks are open for general business (including dealings in foreign currencies) in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(f) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(g) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

*Notwithstanding the foregoing, so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, each payment in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer or (as the case may be) the Guarantor by or within the PRC at the rate of up to and including 10 per cent. (the "**Applicable Rate**"), the Issuer or the Guarantor, as the case may be, will pay such additional amounts as will result in receipt by the Noteholder after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

If the Issuer or (as the case may be) the Guarantor is required to make a deduction or withholding (i) by or within the PRC, in excess of the Applicable Rate or (ii) by or within Hong Kong, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the "**Additional Tax Amounts**") as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no additional amounts referred to in this Condition 7 (*Taxation*) shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive; or

(c) held by a Holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a member state of the European Union; or

(d) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than Hong Kong or the PRC respectively, references in these Conditions to Hong Kong or the PRC shall be construed as references to Hong Kong or (as the case may be) the PRC and/or such other jurisdiction.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

8. Events of Default

If any of the following events occurs, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon the Notes shall become immediately due and payable at their principal amount together with accrued interest (if any) without further action or formality:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days after the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Deed of Guarantee or the Trust Deed (other than those the breach of which would give rise to a redemption pursuant to Condition 5(c) (*Redemption for Relevant Event*) and such default is (i) incapable of remedy or (ii) capable of remedy but remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or

(c) *Cross-default of Issuer, Guarantor or Subsidiary*:

(i) any indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or

(iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any guarantee of any indebtedness;

provided that the amount of indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an amount in excess of U.S.$30,000,000 (or its equivalent in any other currency or currencies), whether individually or in the aggregate, is rendered against the Issuer, the Guarantor or any of their respective Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries and is not discharged within 60 days; or

(f) *Insolvency, etc.*: (i) the Issuer, the Guarantor or any of their respective Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, the Guarantor or any of their respective Subsidiaries or the whole or part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries, (iii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or (iv) the Issuer, the Guarantor or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Principal Subsidiary of the Issuer or a Principal Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(g) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Principal Subsidiaries (otherwise than, in the case of a Principal Subsidiary of the Issuer or a Principal Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(h) *Analogous event*: any event occurs which under the laws of Hong Kong or the PRC has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or

(i) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the Deed of Guarantee or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Certificates, the Deed of Guarantee and the Trust Deed admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or

(j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the Deed of Guarantee or the Trust Deed, as the case may be; or

(k) *Guarantee not in force*: the Guarantee of the Notes or the Cross-Border Security Registration is not (or is claimed by the Guarantor not to be) in full force and effect or (in the case of the Cross-Border Security Registration), revoked; or

(l) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any of their respective Subsidiaries is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues.

In these Conditions, "**Principal Subsidiary**" in respect of the Guarantor or the Issuer means any Subsidiary:

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue as shown by its latest audited income statement is at least 5 per cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of the Guarantor or the Issuer (as the case may be) and their respective Subsidiaries including, for the avoidance of doubt, the Guarantor or the Issuer (as the case may be) and their respective consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(b) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit as shown by its latest audited income statement is at least 5 per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Guarantor or the Issuer (as the case may be) and their respective Subsidiaries including, for the avoidance of doubt, the Guarantor or the Issuer (as the case may be) and their respective consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) total consolidated assets as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the consolidated total assets of the Guarantor or the Issuer (as the case may be) and their respective Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor or the Issuer (as the case may be) and their respective Subsidiaries as being represented by the investment of the Guarantor or the Issuer (as the case may be) in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor or the Issuer (as the case may be) and after adjustment for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, *provided that* the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate), of the Guarantor or the Issuer (as the case may be) prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor or the Issuer relate, the reference to the then latest consolidated audited accounts of the Guarantor or the Issuer (as the case may be) for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor or the Issuer (as the case may be) for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor or the Issuer (as the case may be) adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Guarantor or the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, the revenue, net profit or gross assets of the Guarantor, the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor or the Issuer (as the case may be);

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, net profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor or the Issuer (as the case may be); and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor or the Issuer (as the case may be), then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor or the Issuer (as the case may be).

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions, the Deed of Guarantee and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer and the Guarantor shall at all times maintain (a) a principal paying agent and a registrar and (b) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders by the Issuer.

12. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Deed of Guarantee or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to amend the terms of the Guarantee of the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the Noteholders holding not less than 90 per cent. of the aggregate principal amount of the Notes then outstanding who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification and waiver*: The Trustee may, without the consent of the Noteholders, agree or not object to any modification of these Conditions, the Deed of Guarantee, the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes, the Deed of Guarantee, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Deed of Guarantee, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders by the Issuer as soon as practicable thereafter.

(c) *Directions from Noteholders*: Notwithstanding anything to the contrary in these Conditions, the Trust Deed, the Deed of Guarantee or the Agency Agreement, whenever the Trustee is required or entitled by the terms of these Conditions, the Deed of Guarantee, the Trust Deed or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

(d) *Certificates and Reports*: The Trustee may rely without liability to Noteholders on a report, confirmation or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Noteholders.

13. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Deed of Guarantee or the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. Further Issues

Subject to compliance with Condition 3(b) (*Registration with SAFE*) and Condition 3(c) (*Notification to NDRC*) where applicable, the Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and registration deadlines) so as to form a single series with the Notes, *provided that*, where applicable, the SAFE Registration Deadline for such further notes shall be the day falling 60 PRC Business Days after the issue date of such further notes and the NDRC Post-issue Notification Deadline for such further notes shall be the day falling 10 PRC Business Days after the issue date of such further notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed *provided that* (a) the Rating Agency(ies) which has/have provided credit ratings in respect of the Notes have been informed of such issue and such issue will not result in any adverse change in the then credit rating(s) of the Notes and (b) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

15. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

Until such time as any definitive certificates are issued and so long as the Global Note Certificate is held in its entirely on behalf of Euroclear and Clearstream, Luxembourg any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16. Currency Indemnity

If any sum due from the Issuer or the Guarantor in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer and the Guarantor shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

17. Governing Law and Jurisdiction

(a) *Governing law*: The Notes, the Deed of Guarantee and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes, the Deed of Guarantee and the Trust Deed are governed by English law.

(b) *Jurisdiction*: Each of the Issuer and the Guarantor has in the Deed of Guarantee and the Trust Deed (i) agreed for the benefit of the Trustee and the Noteholders that the Hong Kong courts shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) consented to the enforcement of any judgment; and (iv) to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Guarantor has designated the Issuer in the Deed of Guarantee and the Trust Deed to accept service of any process on behalf of the Guarantor.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Note Certificate contains provisions which apply to the Notes while they are in global form, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions.

The Notes will be represented by a Global Note Certificate which will be registered in the name of HSBC Nominees (Hong Kong) Limited as nominee for, and deposited with, a common depositary for Euroclear and Clearstream.

Under the Global Note Certificate, the Issuer, for value received, will promise to pay the amount payable upon redemption under the Terms and Conditions in respect of the Notes represented by the Global Note Certificate to the Noteholder in such circumstances as the same may become payable in accordance with the Terms and Conditions.

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Noteholder of the Global Note Certificate, Euroclear and/or Clearstream to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Noteholder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Note Certificate will contain provisions that modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Payment Record Date: Each payment in respect of a Global Note Certificate will be made to the person shown as the Noteholder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Exercise of put option: In order to exercise the option contained in Condition 5(c) (*Redemption for Relevant Event*) (the "**Put Option**"), the Noteholder must, within the period specified in the Terms and Conditions for the deposit of the relevant Global Note Certificate and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which the Put Option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 15 (*Notices*), so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**"), notices to Noteholders represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

USE OF PROCEEDS

The Issuer estimates that the net proceeds from this offering, after deducting commissions to be charged by the Joint Lead Managers in connection with the offering of the Notes, will be approximately EUR497,975,000. The Group intends to use the net proceeds to partially repay the Exim Bank of China Loan and for general corporate purposes.

EXCHANGE RATE INFORMATION

Renminbi

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 17 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced a change in the way the daily midpoint fixing between the CNY and U.S. dollar is set. Instead of being defined by the authorities, starting from 11 August 2015, the PBOC will determine the CNY fixing against the U.S. dollar according to the previous day's market closing rate, along with demand and supply in the foreign exchange market and the fluctuations of the major international currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

	Renminbi per U.S. Dollar Noon Buying Rate(1)			
Period	**End**	**Average(2)**	**High**	**Low**
	(RMB per US$1.00)			
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015				
January	6.2495	6.2181	6.2535	6.1870
February	6.2695	6.2518	6.2695	6.2399
March	6.1990	6.2386	6.2741	6.1955
April	6.2018	6.2010	6.2185	6.1927
May	6.1980	6.2035	6.2086	6.1958
June	6.2000	6.2052	6.2086	6.1976
July	6.2097	6.2085	6.2097	6.2008
August	6.3760	6.3383	6.4122	6.2086
September (through 25 September)	6.3737	6.3685	6.3836	6.3544

Notes:

(1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual and semi-annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

Euro

The following tables sets forth, for the periods indicated, certain information concerning the exchange rates between Euro and the U.S. dollar. The exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Federal Reserve Board.

	Euro per U.S. Dollar Noon Buying Rate[1]			
Period	**End**	**Average[1]**	**High**	**Low**
	(US$ per EUR1.00)			
2009	1.3919	1.4695	1.6010	1.2446
2010	1.3269	1.3216	1.4536	1.1959
2011	1.2973	1.4002	1.4875	1.2926
2012	1.3186	1.2909	1.3463	1.2062
2013	1.3779	1.3303	1.3816	1.2774
2014	1.2101	1.3210	1.3927	1.2101
2015				
January	1.1290	1.1615	1.2015	1.1279
February	1.1197	1.1350	1.1462	1.1197
March	1.0741	1.0819	1.1212	1.0524
April	1.1162	1.0822	1.1174	1.0582
May	1.0994	1.1167	1.1428	1.0876
June	1.1154	1.1226	1.1404	1.0913
July	1.1028	1.0997	1.1150	1.0848
August	1.1194	1.1136	1.1580	1.0868
September (through 25 September)	1.1192	1.1231	1.1358	1.1104

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective periods.

CAPITALISATION AND INDEBTEDNESS

Guarantor

The following table sets forth the consolidated capitalisation and indebtedness of the Guarantor as at 31 December 2014 (as restated) on an actual basis and as adjusted on a pro forma basis to give effect to the issuance of the Notes (before deducting the fees and commissions and other estimated transaction expenses payable) as if the issuance of the Notes had occurred on 31 December 2014.

The following table should be read in conjunction with "*Use of Proceeds*", "*Selected Consolidated Financial Information of the Guarantor*" and the Guarantor's comparative financial information to the interim condensed consolidated statement of financial position set out in the unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2015 and related notes included elsewhere in this Offering Circular.

	As at 31 December 2014			
	Actual		**As adjusted**	
	(RMB in millions)	**(Euro in millions)(3)**	**(RMB in millions)**	**(Euro in millions)(3)**
Short-term borrowings(1)				
– Interest-bearing borrowings	17,354	2,328	17,354	2,328
Long-term borrowings(1)				
– Interest-bearing borrowings	350	47	350	47
– Notes to be issued	–	–	3,728	500
Total long-term borrowings	350	47	4,078	547
Total Equity	75,435	10,118	75,435	10,118
Total Capitalisation(2)	75,785	10,165	79,513	10,665

(1) We have, since 31 December 2014, incurred additional borrowings and repaid existing borrowings in the ordinary course of business. These changes are not reflected in the table above. As at 30 June 2015, the outstanding amounts of our short-term borrowings and long-term borrowings were RMB14,019 million and RMB173 million, respectively. The Issuer entered into a loan agreement, dated 19 October 2015, with The Export-Import Bank of China to obtain a loan in the amount of EUR825 million. Please see "*Description of the Group – Recent Development – The Export-Import Bank of China Loan Agreement*" for further details.

(2) Total capitalisation represents total long-term borrowings plus total equity.

(3) Converted at an exchange rate of RMB7.4556 to EUR1.00 on 31 December 2014 published by the People's Bank of China.

Except as otherwise disclosed above, there have been no material changes in the consolidated capitalisation and indebtedness of the Guarantor since 31 December 2014.

Issuer

The following table sets forth the consolidated capitalisation and indebtedness of the Issuer as at 31 December 2014 on an actual basis and as adjusted on a pro forma basis to give effect to the issuance of the Notes (before deducting the fees and commissions and other estimated transaction expenses payable) as if the issuance of the Notes had occurred on 31 December 2014.

The following table should be read in conjunction with "*Use of Proceeds*", "*Summary Financial Information of the Issuer*" and the Issuer's audited financial statements as at 31 December 2014 and for the period from 24 March 2014 (the date of incorporation) to 31 December 2014 and related notes included elsewhere in this Offering Circular.

	As at 31 December 2014			
	Actual		As adjusted	
	(RMB in millions)	(Euro in millions)(3)	(RMB in millions)	(Euro in millions)(3)
Short-term borrowings				
– Bank borrowings	6,188	830	6,188	830
Long-term borrowings				
– Bank borrowings(1)	–	–	–	–
– Notes to be issued	–	–	3,728	500
Total long-term borrowings	–	–	3,728	500
Total Equity	1,672	224	1,672	224
Total Capitalisation(2)	1,672	224	5,400	724

(1) The Issuer entered into a loan agreement, dated 19 October 2015, with The Export-Import Bank of China to obtain a loan in the amount of EUR825 million. Please see "*Description of the Group – Recent Development – The Export-Import Bank of China Loan Agreement*" for further details.

(2) Total capitalisation represents total long-term borrowings plus total equity.

(3) Converted at an exchange rate of RMB7.4556 to EUR1.00 on 31 December 2014 published by the People's Bank of China.

There have been no material changes in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2014.

DESCRIPTION OF THE ISSUER

Formation

The Issuer, Dongfeng Motor (Hong Kong) International Co., Limited, was incorporated in Hong Kong on 24 March 2014 as a company with limited liability under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) with company number 2063146. The Issuer is an indirect wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is located at 2/F, Kam Chung Comm Bldg, 19-21 Hennessy Rd, Wanchai, Hong Kong.

Business Activity

The Issuer was established for the purpose of the investment and financing of the Guarantor's overseas projects and transactions. In 2014, the Issuer subscribed 14.1 per cent. of the equity interests in PSA, a company listed on NYSE-Euronext Paris for a total subscription amount of EUR800 million. In 2014, the Issuer obtained a bridge loan in the amount of EUR830 million in connection with the subscription. In 2015, the Issuer and a subsidiary of PSA entered into a joint venture in Singapore, Dongfeng Peugeot Citroën International Co., Ltd..

Save as disclosed above, the Issuer has not engaged, since the date of its incorporation, in any other material activities other than the proposed issue of the Notes and the onlending of the proceeds thereof to the Guarantor or its subsidiaries, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party. In the future, the Issuer may, either itself or through its direct and indirect subsidiaries and associated companies, issue further notes or engage in business activities related to the businesses of the Guarantor and may incur substantial liabilities and indebtedness.

As of the date of this Offering Circular, the Issuer does not have any employees and has no subsidiaries.

The Issuer has full power and authority to carry out any activities which are not prohibited by the laws of Hong Kong. Copies of the Issuer's articles of association are available as described in "*General Information*".

Directors and Officers

The directors of the Issuer are Mr. Liu Weidong (劉衛東) and Mr. Qiao Yang (喬陽). The business address of directors of the Issuer is Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the PRC. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer. There are no potential conflicts of interest between any duties of the Issuer's directors to the Issuer, and their private interests and/or other duties.

As at the date of this Offering Circular, the telephone number of the Issuer is (852) 2520 0220.

Financial Statements

As of the date of this Offering Circular, the Issuer has prepared audited financial statements as at 31 December 2014 and for the period from 24 March 2014 (the date of incorporation) to 31 December 2014 in accordance with Hong Kong Financial Reporting Standards and has neither outstanding borrowings nor major or significant contingent liabilities other than the bridge loan in the amount of EUR830 million and related interest and fees.

Share Capital

As at the date of this Offering Circular, the Issuer's share capital is RMB6 million divided into 6 million ordinary shares of RMB1 each and is fully paid. None of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought as at the date of this Offering Circular.

DESCRIPTION OF THE GROUP

Overview

We are a leading automobile manufacturer in China. Our parent company, Dongfeng Motor Corporation ("**DFM**"), is a state-owned enterprise directly administrated by the central SASAC and one of the three largest auto manufacturers in China. According to China Association of Automobile Manufacturers ("**CAAM**"), DFM ranked second in terms of sales volume among all PRC automobile manufacturers in 2014 with leading market positions in various sub-categories of both commercial vehicles and passenger vehicles. DFM also ranked 113th on the 2014 "Fortune Global 500" list, rising from 182nd as on the "Fortune Global 500" in 2010. As DFM's largest subsidiary, we contributed approximately 71.8 per cent. of vehicle sales volume to DFM for the year ended 31 December 2014. We were listed on the Stock Exchange of Hong Kong in 2005 and, as of 30 June 2015, we had a total market capitalisation of approximately HK$89.6 billion.

Our main businesses consist of the manufacture and sale of commercial vehicles, passenger vehicles, engine and auto parts. We also engage in finance and other automobile-related businesses. We produced approximately 2.8 million units and sold approximately 2.7 million units of automobiles during the year ended 31 December 2014. According to CAAM, since 2003, we ranked first for 11 consecutive years in the PRC medium and heavy trucks market in terms of sales volume.

We primarily conduct our operations in the following four business segments:

- **Commercial Vehicles** – Through our commercial vehicles subsidiaries we manufacture and sell vehicles, including heavy, medium and light trucks, large and medium sized buses, special purpose vehicles and military vehicles, and engines and auto parts for commercial vehicles. For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our revenue generated from sales of commercial vehicles was approximately RMB2,784 million*, RMB24,527 million*, RMB42,672 million, RMB24,235 million and RMB20,350 million, respectively. According to CAAM, for the three years ended 31 December 2012, 2013 and 2014, we commanded a market share of approximately 10.9 per cent., 11.1 per cent. and 10.4 per cent., respectively, in the PRC commercial vehicle market in terms of sales volume.

- **Passenger Vehicles** – Through our passenger vehicle subsidiaries, we manufacture and sell vehicles, including basic passenger cars, MPVs, sport SUVs and crossover passenger vehicles, and engines and auto parts for passenger vehicles. For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, the revenue generated from sales of passenger vehicles was approximately RMB3,254 million*, RMB11,905 million*, RMB36,701 million, RMB7,516 million and RMB44,371 million, respectively. According to CAAM, for the three years ended 31 December 2012, 2013 and 2014, we commanded a market share of approximately 11.2 per cent., 11.8 per cent. and 11.9 per cent., respectively, in the PRC passenger vehicle market in terms of sales volume.

- **Finance** – Through our finance business subsidiaries we provide automotive industry related financial services, including intra-group collective fund management, intra-group loans and entrusted loans, acceptance and discounting of bills, intra-group settlement, inter-group loans, distributors financing, sales credit, buyer credit and financial leasing. For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, revenue generated from our finance segment was approximately nil, RMB777 million*, RMB1,593 million, RMB727 million and RMB964 million, respectively.

- **Others** – We are also engaged in other automobile-related businesses, including the production of vehicle manufacturing equipment, equipment maintenance services, import and export of vehicles and equipment, insurance agency and used car trading businesses. For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our revenue generated from the automobile-related businesses segment amounted to approximately RMB52 million*, RMB54 million*, RMB117 million, RMB90 million and RMB203 million, respectively.

  * excluding intersegment sales

Our total consolidated revenue for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 was approximately RMB6,090 million, RMB37,263 million, RMB80,954 million, RMB32,537 million and RMB65,853 million, respectively. Our total consolidated gross profit for the same periods was approximately RMB354 million, RMB4,681 million, RMB10,710 million, RMB4,539 million and RMB8,426 million, respectively.

Our total aggregated revenue, including share of revenue of joint ventures, for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 was approximately RMB124,036 million, RMB161,253 million, RMB195,211 million, RMB95,008 million and RMB109,212 million, respectively. Our total aggregated gross profit, including share of gross profit of joint ventures for the same periods was approximately RMB23,876 million, RMB31,900 million, RMB38,321 million, RMB19,977 million and RMB20,255 million, respectively.

The following table sets forth a breakdown of our total aggregated revenue, including share of revenue of joint ventures, by business segments for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

	Year ended 31 December						Six Months ended 30 June			
	2012(1)		2013(1)		2014		2014		2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except percentages)									
Commercial Vehicles	26,831	21.6	43,191	26.8	52,986	27.1	27,440	28.9	25,132	23.0
Passenger Vehicles	96,042	77.4	116,539	72.3	141,677	72.6	66,292	69.8	82,215	75.3
Finance	448	0.4	1,124	0.7	1,956	1.0	879	0.9	1,238	1.1
Corporate and Others	715	0.6	399	0.2	1,657	0.9	810	0.9	972	0.9
Elimination	–	–	–	–	(3,065)	(1.6)	(413)	(0.4)	(345)	(0.3)
Total Revenue	124,036	100.0	161,253	100.0	195,211	100.0	95,008	100.0	109,212	100.0

Note:

(1) The Group has amended the disclosure format of segment reporting by disclosing the separate finance segment and inter-segment elimination since 2014. Accordingly, the segment figures of the Group as of and for the years ended 31 December 2012 and 2013 presented in this Offering Circular do not correspond to the segment figures as of and for the year ended 31 December 2014 or the six months ended 30 June 2014 or 2015.

Competitive Strengths

Strategically important enterprise within the PRC with strong and continued support from the PRC central and local governments.

Our parent company, DFM is one of the largest state-owned enterprises under the central SASAC and enjoys consistent and long-standing support from the PRC central government. The chairman and general manager of DFM are each directly appointed by the PRC central government, and previous managers currently hold senior positions within various government departments. Auto manufacturing industry is regarded as the national pillar industry with significant strategic value and for economy growth and a huge impact to the local economy on economy, employment and national tax revenue. As the flagship enterprise in the industry, DFM undertakes responsibilities for international and domestic cooperation implementing national strategies, and responsibilities related to national welfare and people's livelihood. As the core subsidiary of DFM, through our strong ties with the PRC central government, we have benefited from long-term strategic guidance throughout our development in the auto manufacturing industry. We are also commissioned by the government to implement new energy vehicle R&D on a national level.

We enjoy strong support and benefits from our strategic relationship with the Hubei provincial government. As the number of central state-owned enterprises with headquarters located in Hubei province is limited, DFM has a relatively large impact on Hubei's local economy. In return, as a core enterprise supporting the development of the local economy, DFM, including DFG, is the beneficiary of preferential policies from the provincial government. We also enjoy strong support from policy banks in China. For example, in 2014, the Export-Import Bank of China granted DFG credit facilities.

With strong government support, we have been able to achieve sustained operational and financial growth. As of 31 December 2014, we ranked number one in the Chinese automotive industry since the 11th Five-year Plan period in terms of total number of awards won.

Well-established leading position in the PRC automobile industry.

We are a leading automobile manufacturer in the PRC and have developed well-established brand recognition. Our parent company, DFM is a state-owned enterprise directly administrated by the central SASAC and one of the three largest auto manufacturers in China. DFM holds 66.9 per cent. of the equity interests in DFG, 50 per cent. of the equity interests in Dongfeng Yulon Motor Co., Ltd., 50 per cent. of the equity interests in Dongfeng Sokon Motor Co., Ltd. and 25 per cent. of the equity interests in Dongfeng Yueda Kia Motor Co., Ltd. According to CAAM, DFM, with an annual sales volume of 3.8 million units, ranked second among all PRC automobile manufacturers in 2014 and has leading market positions in various sub-categories of both commercial vehicles and passenger vehicles. For example, DFM ranked first in SUV, heavy truck and medium truck, ranked second in MPV, ranked third in sedan, light truck and micro truck, and ranked fourth in crossover passenger vehicle in 2014. DFM also ranked 113th on the 2014 "Fortune Global 500" list. As DFM's largest subsidiary, we contributed approximately 71.8 per cent. of vehicle sales volume to DFM in the year ended 31 December 2014.

We believe that our leading position in the automobile market will enable us to take advantage of, and benefit from, the continued growth of the PRC automobile market. We have established the "Dongfeng" brand with a strong and diversified product portfolio and reinforced our brand image by continually introducing new products. We have also developed international cooperative relationships and strategic alliances with well-known partners, such as PSA, Renault-Nissan, Honda and AB Volvo. Such relationships and alliances have enabled us to provide reliable, popular and competitively priced vehicles.

Comprehensive product portfolio with an optimal mix of product offerings and strategically located manufacturing facilities allowing for the development of a well-balanced business.

Our comprehensive and diverse product portfolio allows us to adapt to market trends on an ongoing basis and to maintain balance while we expand capacity. We have a product offering structure which is very close to the industry average. We also prospectively introduced into the PRC products suitable for the market, such as SUVs. In 2014, our sales volumes of basic passenger cars, MPVs, SUVs, crossover, trucks and buses accounted for approximately 53 per cent., 12 per cent., 18 per cent., 3 per cent., 13 per cent. and 1 per cent. of our total sales volume, respectively. For the same period, according to CAAM, the corresponding figures in the PRC domestic market were approximately 53 per cent., 8 per cent., 17 per cent., 6 per cent., 14 per cent. and 3 per cent. We believe that our diversified product offering allows us to flexibly respond to industry trends in a timely manner. For example, according to CAAM, in the first six months of 2015, demand for SUVs in the PRC increased by 45.9 per cent, with sales of mid-to small-sized SUV's increasing by 168 per cent. Our diversified product portfolio, which is in line with the average product mix for the automotive industry as a whole, has enabled us to take advantage of the increase in the demand for SUVs without significant lag time.

In addition, the PRC government has announced a policy of providing subsidies to consumers who purchase from a certain list of energy saving vehicles. As part of our diversified product portfolio, 84 of our vehicle models are eligible for this subsidy, allowing us to benefit from increased sales due to this government policy. On 29 September 2015, the PRC government further announced preferential vehicle purchase tax treatment for any purchase of 1.6 liters and below passenger vehicles. Among all of our models, the proportion of small vehicle models of Type C and below is above the industry average level.

According to CAAM, the market share of passenger vehicles sold in Western and Central China increased from 20 per cent. and 17 per cent. in 2010, respectively, to 22 per cent. and 21 per cent., respectively. We, together with DFM, have strategically developed seven major manufacturing locations, namely, Wuhan, Shiyan, Xiangyang, Guangzhou, Liuzhou, Zhengzhou and Yancheng, along with several other manufacturing locations, such as Changzhou, Chengdu, Dalian, Hangzhou and Chongqing. These manufacturing locations situated throughout China, particularly those concentrated in Western and Central China, have helped position us to leverage the increase in passenger vehicles sold in Western China and Central China to further develop our business.

Strong brand recognition coupled with highly competitive strengths throughout the production chain and strong R&D platform to support robust growth of our proprietary brand.

The "Dongfeng" brand name is a well-known vehicle brand in the PRC and enjoys widespread recognition and trust. The "Dongfeng" brand was the first automotive brand to officially receive the status of a "Renowned Brand Name in China" by PRC governmental authorities. In 2011, our heavy truck trademark "Tianlong" (天龍) was also identified as a Renowned Brand Name in China. In 2014, we were the only automotive brand in the PRC to be on the "2014 Global Top 500 Brands Ranking List" published by Brand Finance Corp. In 2015, "Dongfeng" was named one of the "Top 500 Most Valued Brands in China" by World Brand Lab with an estimated value of RMB80.7 billion.

We actively pursue integration of our procurement, research and development ("**R&D**"), manufacturing, sales and marketing and other related service operations in order to take advantage of synergies across the production chain. For example, we have entered into strategic alliances with foreign suppliers to enhance our procurement capabilities, with the aim of reducing transportation and logistical costs and, at the same time, ensuring the quality of our products. In addition to vehicles, we also produce automotive parts and equipment, which has allowed us to improve cost control measures, minimise waste and improve efficiency.

Our comprehensive sales and services network is also an important key to our success. We strategically expand our nationwide sales and services network based on market demand and customer pools in each region and we seek to tailor our marketing strategies to demand and customer preference in each region. Our distribution network includes more than 8,000 dealers and 8,000 service stations across the PRC. In addition, we cooperate with international partners through arrangements that strengthen our overseas sales channel. We also provide other related service such as automotive finance, used car sales and other value-added services.

In addition, we have integrated our R&D efforts across all levels of our production operations. For example, we operate the Wuhan Commercial R&D base, which is capable of performing a full range of analytical testing, Xiangyang testing track, which is one of the leading automobile testing institutions in the PRC, Wuhan Passenger Vehicles R&D Base and Technology Center, which has the capacity to run six platforms concurrently, and Sweden R&D Base, which is responsible for the development of electronic control systems for passenger vehicles and new energy vehicles. As a result, our integrated R&D system provides the necessary technical and innovative support for sustainable development.

Highly diversified long-term joint-venture projects with leading worldwide auto manufacturers allowing us to expand in both domestic and international markets.

We have established diversified joint venture relationships formed through strategic partnerships with the world's leading automobile manufacturers and suppliers. Our diversified and long-term stable relation results in unique advantages in cooperation with JV partners. Our cooperation is with mutual benefits by utilising our local market knowledge and corporate culture, and our partner's technology. We have also formed in-depth strategic alliance with our major partners. Our JVs cover the full value chain in the automobile industry, which is beneficial in training talented professionals. For example, we have maintained a strategic alliance with PSA for over 20 years, which was one of the first joint ventures in the PRC's automotive market. Furthermore, in 2014, we became one of the three largest shareholders in PSA by acquiring 14.1 per cent. of the equity interests in PSA, in order to establish a global strategic alliance with PSA for cooperation in various aspects, including international market expansion, technology research and development, product planning and procurement. To enhance strategic collaboration in research and development, we have jointly established a research and development centre in the PRC with PSA, capitalising on the synergies of product and vehicle platforms. We have established a common modular platform with PSA to fulfill our and PSA's demand for technology for future products. The common modular platform is implementable in PSA's, DPCA's and our factories simultaneously, hence saving manufacturing costs. The Fengshen L60 model, for example, has been developed on this platform. In 2015, we entered into a joint venture with PSA in Singapore that is responsible for the sales of products of DPCA and PSA and the provision of services in the Asia-Pacific region (excluding the PRC) in general, and the ASEAN region in general. Our alliance with PSA has helped to improve the competitive edge of our proprietary passenger vehicles. We have developed a joint procurement function with PSA and DPCA to facilitate global supply chain relationship and coordination, and achieve supply chain synergy.

We also have an exclusive partnership with Renault-Nissan Alliance in the PRC that has helped us to diversify our product portfolio to cover all major automobile segments, and we have been able to enter the luxury car market by way of Nissan's Infiniti brand. According to CAAM, for the six months ended 30 June 2015, the sales volume of luxury cars in China under the Infiniti brand increased by 35.6 per cent., ranking 2nd among all high-end brands in terms of growth rate.

In addition, our partnership with Honda and Honda Engine has further expanded our product portfolio with popular Honda vehicle models. The JV between Honda Engine and us is Honda's only engine JV in China. We have also cooperated with Nissan Motor Co. Ltd. under a comprehensive cooperation agreement since 2002.

In 2013, we entered into the Cooperation Master Agreement with Volvo (AB Volvo) for the establishment and operation of the Dongfeng Commercial Vehicle Co., Ltd., a capital joint venture. Dongfeng Commercial Vehicle Co., Ltd. has registered capital of RMB9.2 million, of which 55 per cent. and 45 per cent. is attributable to us and Volvo respectively. Dongfeng Commercial Vehicle Co., Ltd. has been established as a cooperation between the Company and Volvo to develop medium and heavy duty commercial vehicles and other related technologies under the "Dongfeng" brand and to enhance the "Dongfeng" brand value and position. Our cooperative relationship with Volvo has allowed us to jointly develop gearing, transmissions, engines, vehicle platform parts, and technical expertise. Additionally, the collaborative supply chain system and the joint procurement mechanism between Volvo and us has helped us lower procurement costs due to increased bargaining power. As part of the joint marketing between Volvo and us, our exclusively titled sailboat, "Dongfeng" participated in 2015 Volvo Ocean Race Regatta as the only sailboat from China.

We play an active role in our strategic partnerships and we have been able to maintain equal share of control over our joint ventures companies.

Excellent financial performance with highly sustainable profitability and strong operating cash flows.

We enjoy a strong liquidity position. With our diversified product portfolio, we have been able to generate stable cash flows from our operations. For the years ended 31 December 2012, 2013 and 2014, our total aggregated cash flows from operations (including the share of cash flows from operations of joint ventures) were approximately RMB0.3 billion, RMB16.0 billion and RMB12.6 billion, respectively. As at 31 December 2012, 2013 and 2014 and 30 June 2015, our cash flows from operations to total debt ratio was approximately 0.04, 1.50, 0.54 and 0.60, respectively. The decrease of the ratio in 2014 was mainly due to the bridge loan of approximately EUR830 million incurred for equity subscription of PSA. Cash flows from operations to total debt ratio is calculated by dividing the balance of total aggregated cash flows from operations (including the share of cash flows from operations of joint ventures) for the year by the balance of total aggregated debt (including the share of debt of joint ventures) as at year end date. We have been actively seeking debt and equity financing in order to maintain a strong financial profile. As at 30 June 2015, we had an aggregate general credit limit from major banks of approximately RMB30 billion, of which over RMB25 billion remains undrawn. As a result, we have access to the funds needed to meet our ongoing capital requirements and to take advantage of expansion opportunities as they arise.

Highly experienced management team and outstanding corporate culture.

Our management has extensive management and operational experience in the automotive industry, and many members of our senior management have been recognised for their managerial achievements. Our core senior management has over 30 years of experience in the PRC automotive industry.

To help promote management efficiency, we have implemented a management compensation plan that is linked to our results of operations and the personal performance of our managers. We have also implemented a plan of stock appreciation rights to align the interests of senior management more closely with those of our shareholders.

We place great emphasis on management continuity and the development of future management personnel. To this end, we require employees who have been identified as potential future senior managers to undergo a training program that includes training in management, administration and finance. We have also formulated comprehensive training courses with standardised procedures in order to continuously improve the skills of our employees. We believe that the continuous improvement of our staff provides a solid basis for the sustainable development of our business.

Our Strategies

We seek to become a world-class integrated automobile manufacturing group with world-leading technologies and international recognition. In order to achieve this goal, we intend to pursue the following strategies:

Further expand our proprietary brand and offer new vehicle models.

We plan to further expand our product portfolio by developing and launching new vehicles under our proprietary brand. We believe that our passenger vehicles are technologically advanced and enjoy a competitive advantage compared with those of our domestic competitors. We expect to benefit from preferential government policies in relation to the PRC government's strong support of the development of our domestic proprietary brands. To optimise our production costs, we will continue to increase our in-house production of automotive parts by increasing the production capacity of our automotive parts and equipment manufacturing facilities. We also plan to increase our production capacity through acquisitions as appropriate opportunities arise.

Expand our global operation and explore oversea markets.

We will continuously strengthen our collaboration with leading international automobile manufacturers and institutions. In addition to organic growth, we plan to expand our operations through selective domestic and international acquisitions, which we believe will be key to the continued diversification of our product portfolio and increase of our market share. To strengthen our cooperation with PSA, in 2014, we established a global strategic alliance with PSA through the acquisition of a 14.1 per cent. equity interest in PSA. This cooperation will enable us to adopt PSA's technologies in the development of our proprietary brands and our Peugeot and Citroën products offered. It will also further enhance our position in the global market.

Enhance strategic cooperation with our partners and explore new cooperation opportunities.

We plan to continue building long-standing and globally-oriented strategic alliances that enable cultural integration, mechanical innovation and resource sharing. We intend to continue reducing costs within the entire production chain by sharing product platforms, manufacturing facilities, supplier resources and international distribution channels with our strategic partners. We also expect to continue realising economies of scale by sharing intellectual property globally. We plan to continue to enhance the utilisation of key assembly capacity and reduce R&D costs and industrial investments by creating synergies in powertrain and new energy vehicles.

Improve our own R&D capabilities and collaborate with international research institutions to form a strong and integrated R&D system.

We plan to continue to invest substantial resources in developing our R&D capacity and construct new facilities to develop and design a range of proprietary brands. To cultivate an innovative organisational environment, we will incentivise innovation and seek to improve our human resources efforts to retain innovative talent.

We also plan to continue to collaborate with international research institutions to enhance our R&D capabilities. In particular we will seek to leverage these resources in developing our proprietary models, improving our existing technologies and successfully applying our proprietary technologies to commercial use.

Our History and Development

The following table sets forth the key milestones in the development of DFM and DFG:

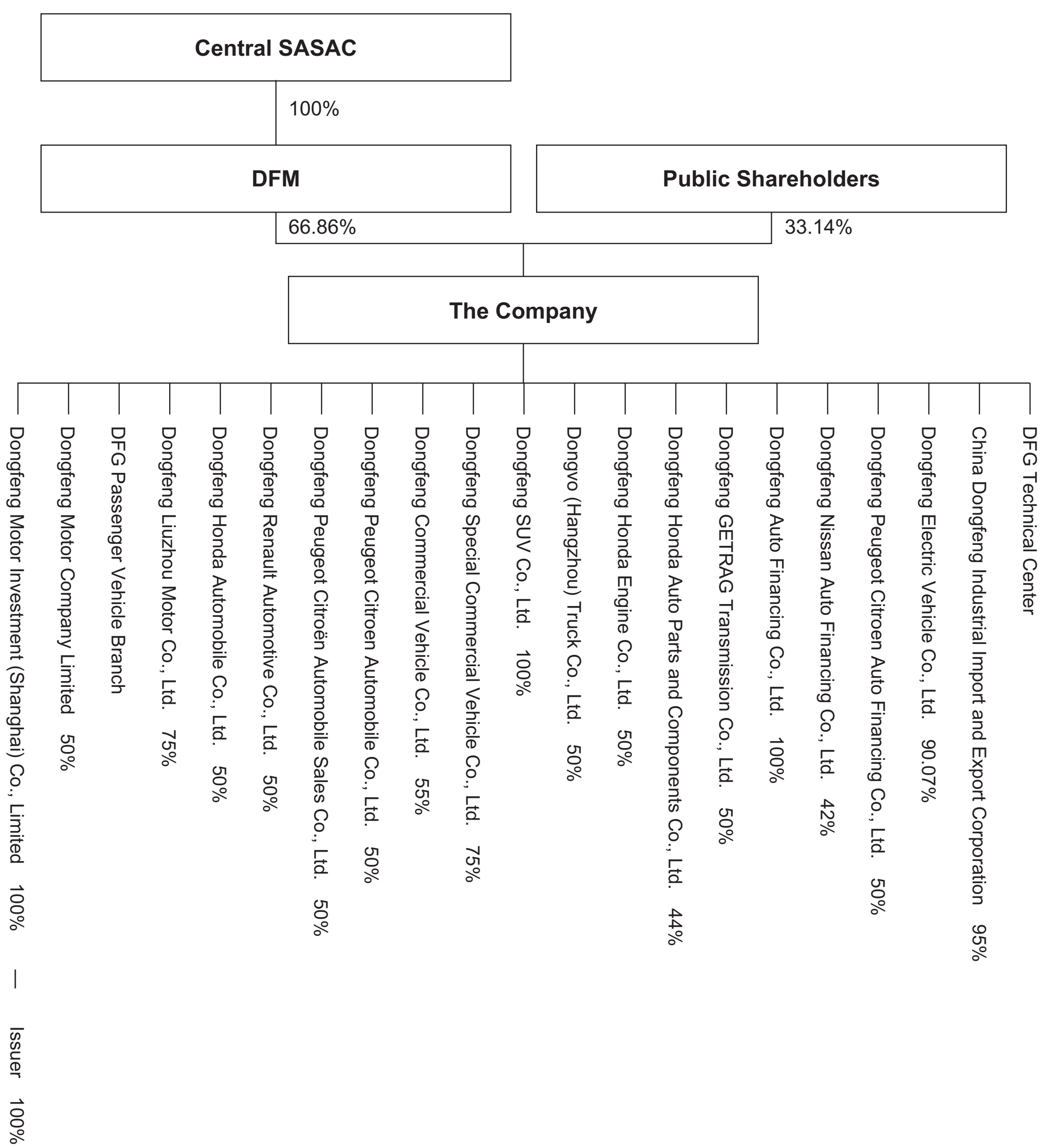
Year	Events
1969.	• Second Automotive Works (第二汽車製造廠), the predecessor of DFM, was established by the PRC government in Shiyan, Hubei Province, PRC.
1975.	• Second Automotive Works introduced its first model EQ240, a 2.5-ton off-road truck model.
1978.	• Second Automotive Works introduced EQ140, a 5-ton civilian car model.
1983.	• Second Automotive Works Technical Center was established.
1985.	• Second Automotive Works reached an annual production capacity of 100,000 units, becoming the largest auto company in China.
1990.	• Second Automotive Works entered into its first joint venture agreement with Automobiles Citroën, a member of PSA, for the manufacture of passenger vehicles.
	• Second Automotive Works introduced its 8-ton heavy truck, representing the best technology in heavy truck then in China.
1992.	• Dongfeng Peugeot Citroën Automobiles Company Ltd was incorporated in Wuhan.
	• Second Automotive Works was renamed as Dongfeng Motor Corporation (DFM).
1997.	• "Dongfeng" was recognised as a Renowned Brand Name in China, the first trademark so recognised in the Chinese automobile industry.

Year	Events
1999.	• DFM launched a reform framework, transforming our company from a factory operation to a managing company.
	• Dongfeng Automobile Company Limited was listed on the Shanghai Stock Exchange.
	• DFM was inspected by President Jiang Zemin.
2001.	• We were incorporated as part of a debt restructuring arrangement by Dongfeng Motor Corporation.
2002.	• A comprehensive cooperation agreement was entered into with Nissan Motor Co., Ltd. and Dongfeng Motor Co., Ltd was established.
	• Dongfeng Yueda KIA Co., Ltd. was founded as a partnership with Jiangsu Yueda and Hyundai KIA.
2003.	• Dongfeng Honda Automobile Co., Ltd was established as a joint venture for the manufacture of Honda series of passenger vehicles with Honda Motor Co., Ltd.
	• Dongfeng Motor Co., Ltd was established as a joint venture, for the manufacture of passenger vehicles and commercial vehicles with Nissan Motor Co., Ltd.
	• DFM moved its headquarters to Wuhan.
2005.	• We were listed on Hong Kong Stock Exchange.
2007.	• Passenger Vehicle Factory was established in Wuhan to strategically developed proprietary brand vehicles.
2010.	• Dongfeng Yulon Motor Co., Ltd. was established in partnership with Yulon Motor Co., Ltd.
2011.	• "Tianlong", the trademark for our heavy trucks, was recognised as a Renowned Brand Name in China.
2012.	• We established our first overseas R&D base in Sweden.
	• We established a joint venture Dongfeng GETRAG Transmission Co., Ltd. in partnership with GETRAG International GmbH.
2013.	• We entered into a Cooperation Master Agreement with Volvo (AB Volvo) for the establishment of a capital strategic alliance, building the biggest alliance in commercial vehicle business in the world.
	• We entered into a joint venture contract with Renault S.A. to form a capital strategic alliance. Dongfeng Renault Automotive Company Limited was established in accordance with the joint venture contract.

Year	Events
2014.	• According to World Brand Lab, the brand value of "Dongfeng" was worth approximately RMB67 billion and was ranked among "China's 500 Most Valuable Brands". • We subscribed approximately an approximately 14.1 per cent. equity interest in PSA pursuant to a master agreement which we entered into with the French Republic, EPF, FFP and PSA, becoming the largest shareholder of PSA. • We established our joint venture Dongfeng Infiniti Motor Co., Ltd. in partnership with Nissan Motor Co., Ltd.

Corporate Structure

As of 30 June 2015, we had over 20 subsidiaries, jointly-controlled entities and other companies in which we held direct equity interests. The following chart sets forth our shareholding structure, major subsidiaries, joint ventures and branches as of 30 June 2015:



Awards

We have received numerous awards for our products. The table below sets out significant awards that we have received in recent years:

Products	Year	Awards	Awarded By
Development of New Complex Weapons System HMMWV	2014	China Automotive Industry Science and Technology Award (First Class)	China Automotive Industry Technology Progress Rewarding Fund
Research on Precision Spray Forming for Rapid Tooling Process	2013	China Automotive Industry Science and Technology Award (First Class)	China Automotive Industry Technology Progress Rewarding Fund
Application of Military Vehicle Technology	2012	China Automotive Industry Science and Technology Award (First Class)	China Automotive Industry Technology Progress Rewarding Fund
Development of Dongfeng Tianjin Medium Truck	2010	China Automotive Industry Science and Technology Award (First Class)	China Automotive Industry Technology Progress Rewarding Fund
Hybrid Electric City Bus	2009	National Science and Technology Progress Award (Second Class)	State Council of the PRC
Dongfeng 1.5-tonne High Mobility Off-road Vehicle	2008	National Science and Technology Progress Award (First Class)	State Council of the PRC

Manufacturing Entities

A number of our subsidiaries and joint ventures are engaged in the manufacturing of commercial vehicles, passenger vehicles and vehicle engines. The following table sets out the details regarding our main manufacturing entities as of 31 December 2014:

Manufacturing Entity	Percentage of Equity Interests	Commercial Vehicle Production Capacity	Passenger Vehicle Production Capacity	Commercial Vehicles Engine Production Capacity	Passenger Vehicle Engine Production Capacity
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	50.0 per cent.	250,000	1,240,000	340,000	990,000
Dongfeng Commercial Vehicle Co., Ltd.	100.0 per cent.	240,000	N/A	90,000	N/A
Dongfeng Liuzhou Motor Co., Ltd.	75.0 per cent.	60,000	170,000	N/A	N/A
Dongfeng Peugeot Citroën Automobile Co., Ltd	50.0 per cent.	N/A	620,000	N/A	600,000
Dongfeng Honda Automobile Co., Ltd	50.0 per cent.	N/A	360,000	N/A	360,000
DFG Passenger Vehicle Branch	(Branch)	N/A	120,000	N/A	120,000
Dongfeng Honda Engines Co., Ltd.	50.0 per cent.	N/A	N/A	N/A	530,000

Our Products

Commercial Vehicles

We manufacture commercial vehicles including heavy, medium and light trucks, large and medium sized buses, special purpose vehicles and military vehicles. As at 30 June 2015, we produced 42 series of major commercial vehicles, including 35 series of trucks and 7 series of buses. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, we produced 403,402 units, 430,392 units, 404,015 units, 226,512 units and 184,103 units of commercial vehicles, and sold 414,754 units, 449,204 units, 394,388 units, 209,246 units and 179,085 units of commercial vehicles, respectively. According to CAAM, our market share in terms of domestic total sales volume of commercial vehicles for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 was approximately 10.9 per cent., 11.1 per cent., 10.4 per cent., 10.2 per cent. and 10.2 per cent, respectively.

The following table sets out our commercial vehicles sales and production volumes, as well as our domestic market share in terms of sales volume according to CAAM for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015:

	Year ended 31 December								
	2012			2013			2014		
Category	Production Volumes (units)	Sales Volumes (units)	Market Share	Production Volumes (units)	Sales Volumes (units)	Market Share	Production Volumes (units)	Sales Volumes (units)	Market Share
Trucks	358,439	369,560	11.2%	386,132	405,242	11.6%	359,470	350,348	11.0%
Buses	44,963	45,194	8.9%	44,260	43,962	7.9%	44,545	44,040	7.3%
Commercial Vehicles	403,402	414,754	10.9%	430,392	449,204	11.1%	404,015	394,388	10.4%

	Six Months ended 30 June					
	2014			2015		
Category	Production Volumes (units)	Sales Volumes (units)	Market Share	Production Volumes (units)	Sales Volumes (units)	Market Share
Trucks	206,025	189,392	10.7%	164,695	159,551	10.8%
Buses	20,487	19,854	7.1%	19,408	19,534	6.9%
Commercial Vehicles	226,512	209,246	10.2%	184,103	179,085	10.2%

Models

	Name	Category	Description
	DF Tianlong Flagship	Heavy truck/ Haulage truck	A high-end luxury heavy truck developed through international collaborative research with cutting-edge technologies.
	DF Hercules	Heavy truck	Used in engineering projects and medium-to short-hauls with horsepower specification ranging from 230 to 420.
	DF Tianjin	Mid-heavy truck	A high-end medium truck with low emissions designed for user-friendliness and used for the transport of inter-city goods.
	DF Furuika	Light truck	An agile medium- to short-haul vehicle for heavy loads.
	DF Chenglong	Medium truck	A mid-high range commercial vehicle with high gas mileage.
	DF Balong	Heavy truck	A technologically advanced haulage truck for transportation and logistics companies.
	DF Teshang	Special purpose vehicle	Fire trucks, natural gas trucks, oil trucks, forest trucks, self-loading trucks, all-wheel-drive trucks and crane platforms.
	DF Duolika	Light truck	Long-haul transportation vehicle with high load-carrying capacity, maneuverability and safety.

Passenger Vehicles

We manufacture passenger vehicles including basic passenger cars, MPVs, SUVs and crossover passenger vehicles. As of 30 June 2015, we manufactured 51 series of passenger vehicles, including 31 series of sedans, 7 series of MPVs and 13 series of SUVs. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, we produced 1,740,761 units, 2,142,046 units, 2,358,392 units, 1,172,126 units and 1,141,201 units of commercial vehicles, and sold 1,740,691 units, 2,118,451 units, 2,339,120 units, 1,180,546 units and 1,161,288 units of commercial vehicles, respectively. According to CAAM, our market share in terms of domestic total sales volumes of passenger vehicles for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 was approximately 11.2 per cent., 11.8 per cent., 11.9 per cent., 12.3 per cent. and 11.5 per cent, respectively.

The following table sets out our passenger vehicle sales and production volumes, as well as our domestic market share in terms of sales volumes according to CAAM for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015:

	Year ended 31 December								
	2012			2013			2014		
Category	Production Volumes (units)	Sales Volumes (units)	Market Share	Production Volumes (units)	Sales Volumes (units)	Market Share	Production Volumes (units)	Sales Volumes (units)	Market Share
Basic passenger cars.	1,245,515	1,248,678	11.6%	1,476,612	1,454,574	12.1%	1,482,655	1,482,683	12.0%
MPVs.	191,788	186,199	37.7%	274,628	270,647	20.7%	363,013	357,139	18.7%
SUVs	301,331	304,622	15.2%	386,657	387,981	13.0%	509,878	496,844	12.2%
Crossover.	2,127	1,192	0.5%	4,149	5,249	0.3%	2,846	2,454	0.2%
Passenger Vehicles	1,740,761	1,740,691	11.2%	2,142,046	2,118,451	11.8%	2,358,392	2,339,120	11.9%

	Six Months ended 30 June					
	2014			2015		
Category	Production Volumes (units)	Sales Volumes (units)	Market Share	Production Volumes (units)	Sales Volumes (units)	Market Share
Basic passenger cars	750,274	766,667	12.5%	613,036	626,038	10.8%
MPVs	178,782	180,657	20.5%	111,785	125,188	12.3%
SUVs	240,448	231,160	12.7%	416,380	408,927	15.4%
Crossover	2,622	2,062	0.3%	0	1,135	0.2%
Passenger Vehicles	1,172,126	1,180,546	12.3%	1,141,201	1,161,288	11.5%

Main Models

	Name	Category	Description
	DF Honda CR-V	Large-sized SUV	A large-sized SUV with a stylish design and excellent fuel economy.
	DF Nissan X-Trail	Large-sized SUV	A large-sized SUV with smart four-wheel drive technology. The smart four-wheel drive system improves vehicle control and safety.
	DF Aeolus AX7	Large-sized SUV	A large-sized SUV designed for safety and technology integration.
	DF Honda XR-V	Small-sized SUV	A small-sized SUV with modern aesthetics. The vehicle comes with great functionality for its entry-level specifications.

	Name	Category	Description
	DF Nissan Venucia T70	Mid-sized SUV	A mid-sized SUV designed with Nissan technology. The vehicle is installed with advanced engine and 360 degree panoramic video system.
	DF Nissan Teana	Sedan (Class D)	A mid-to high-end sedan, designed with the advanced technology and ergonomics. The vehicle is installed with a new generation computer interface.
	DF Citroen C5	Sedan (Class D)	A sedan with sleek aesthetics and maneuverability.
	DF Nissan Sylphy	Sedan (Class C)	A sedan with spacious interior and high quality fitting. The vehicle is also known for its fuel economy.
	DF Peugeot 408	Sedan (Class C)	A sedan with a progressive style and spacious interior.
	DF Infiniti Q50L	Sedan (Class C)	A luxury sedan with the touch of a sports car.
	DF Honda Jade	Multi-purpose Vehicle	A multi-purpose vehicle primarily marketed for family use. It is designed for comfort, access and fuel economy.

Engines and Auto Parts

In addition to manufacturing commercial and passenger vehicles, we also manufacture commercial and passenger vehicle engines and auto parts for a variety of vehicles.

Our commercial vehicle engines are produced for both internal use and external sales. Our subsidiaries, 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, we also manufacture a range of auto parts for commercial vehicles, including power transmission systems (including gear boxes, clutches and transmission shafts), vehicle bodies (primarily stamping parts) and chassis (including axles, car frames and chassis parts), electronic components and other parts.

Our 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, we also produce a range of auto parts for passenger vehicles, including power transmission systems (including gear boxes, clutches and transmission shafts), vehicle bodies (primarily stamping parts), chassis (including car frames and chassis parts), electronic components and other parts.

Vehicle Manufacturing Equipment

We are also engaged in the design and development of vehicle manufacturing processes and equipment and 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 molds, and measuring and cutting tools.

Production

As of 30 June 2015, our principal automobile manufacturing facilities are located in more than 10 cities, including Wuhan, Shiyan, Guangzhou, Xiangyang, Liuzhou and Zhengzhou. As of 31 December 2014, we had an aggregate annual production capacity of approximately 3,160,000 vehicles, including approximately 2,510,000 passenger vehicles and 650,000 commercial vehicles.

The following table sets out the annual production capacity, annual production output and utilisation rates of our production facilities for the periods indicated:

	Year ended 31 December								
	2012			2013			2014		
	Annual Production Capacity as of Year End (units)	Annual Production (units)	Utilisation Rate (%)	Annual Production Capacity as of Year End (units)	Annual Production (units)	Utilisation Rate (%)	Annual Production Capacity as of Year End (units)	Annual Production (units)	Utilisation Rate (%)
Commercial Vehicles . . .	680,000	403,402	66.7	600,000	430,392	71.5	650,000	404,015	62.2
Passenger Vehicles . . .	2,010,000	1,740,761	97.0	2,330,000	2,142,046	105.2	2,510,000	2,358,392	97.1
Total	2,690,000	2,144,163	89.2	2,930,000	2,572,438	97.7	3,160,000	2,762,407	89.7

Production Process

Our production processes vary for different categories of motor vehicles and different types of vehicle-related products. However, our production of motor vehicles generally involves the following key phases:

- *Chassis* processing *and assembly*: Chassis parts, including the front and rear axles and steering units, are processed and mounted onto the frame to form a complete chassis.

- *Engine* processing *and powertrain assembly*: Powertrain components, including the engine and the transmission, are processed and assembled into a complete powertrain.

- *Components and auto parts machining and assembly*: Auto parts and components, including metre boards, seats, electronic devices, interior-decoration parts and standard parts are machined and assembled into main parts for final assembly.

- *Stamping*: Steel plates are stamped onto body parts of vehicles.

- *Welding*: Welding is a process whereby the vehicle bodies are formed by welding together the relevant vehicle body parts and other stamped parts and accessories.

- *Painting*: Painting involves the inner and outer painting processes, including mid-electrophoresis painting, layer painting and surface coating to withstand corrosion.

- *Final assembly*: At final assembly, the complete chassis, engine unit and auto parts are assembled into a complete vehicle.

- *Final quality* inspection: Final quality inspection involves road tests and final product inspections, including the inspection of exhaust emissions, tightness, steering, braking, engine, transmission and electrical appliances performance. This also involves an inspection of the vehicle's interior and exterior.

Procurement of Raw Materials and Auto Parts

Selection of suppliers

Each of our independently operated enterprises maintains a comprehensive management process for its selection of suppliers. In general, each of our operating entities procures its own raw materials, auto parts and other consumables separately and purchases such items from pre-selected suppliers. We have implemented stringent controls over our supplier selection process to ensure the quality of raw materials and auto parts. The selection of our suppliers is generally determined with consideration of, among other things, quality, cost, delivery standards, research and development ability, development potential and management quality. We have also introduced a quality assurance vetting system to ensure that all raw materials and auto parts delivered to our operating entities conform to our specific quality control requirements. In addition, we also require our suppliers to pass a probationary period prior to providing large quantities of raw materials or auto parts as to ensure that they have the capacity to deliver the required products in a timely manner. We also assist and encourage our suppliers to establish a specific response team to promptly resolve any problems that may arise in the production process.

Relationship and cooperation with suppliers

We have established long-term relationships with our suppliers and negotiate supply agreements with favourable terms and stable pricing policies. Generally, we notify our suppliers of our demand for the next three months at a fixed time each month to organise production and logistics and to ensure timely supply. The suppliers must report to us in advance if any of our requirements cannot be satisfied. Other than engines and transmissions, which we are required to source from designated providers due to market practice and requirement of our joint venture partners, we source each raw material or component from more than one supplier in order to minimise reliance on a single supplier and maintain stability and flexibility of our supplies.

We have developed mutually beneficial relationships with our suppliers. The terms and conditions for the provision of products and services by our suppliers are based on arm's length negotiation and no less favourable to us than the terms and conditions available to independent third parties. Our suppliers are responsible for ensuring that the products provided are in line with the agreed upon standards. The credit and settlement term under such agreements generally ranges from 45 to 60 days. The exclusivity and warranty terms vary by supplier and are negotiated individually with each supplier.

Risk Management System

We have implemented a comprehensive risk management system that helps us maintain high standards for our products and services, minimise any deviation from pre-approved budgets and identify and resolve potential problems as early as possible in the production development cycle. Such risk management system includes a set of detailed policies and guidelines in relation to various issues, including but not limited to, repayment default and increased costs of compliance associated with the auto insurance brokerage business and auto financing business, failure in information technology system and failure to integrate acquired businesses. These policies benefit from the substantial input from, and constant monitoring and supervision by, various departments in each stage of our selection of suppliers, production development and sales and services.

Quality Control

Quality control is an integral part of our procurement, production and distribution process. Benefiting from our close cooperation with major international automobile manufacturers, we have established and implemented quality assurance systems in compliance with domestic and international standards. The quality control procedures applied to our production process are formulated according to the latest domestic and international automobile production standards, specific requirements for individual products and feedback from our quality control staff and customers. We also introduce various quality control techniques into every stage of our operation, such as error correction equipment, to avoid product defects. Generally, we require our suppliers to implement supervision and control under relevant quality management assurance systems, such as ISO9001 and TS16949.

Finished products are subject to stringent quality control tests on quality assurance test lines before they receive quality certification. Finished products are tested in a variety of aspects, including mechanical performance, quality of appearance, interior systems, lighting and brake force emissions.

Qualification

All of our joint venture companies, subsidiaries and associated companies have been awarded or are in the process of applying for ISO series accreditation with respect to their quality management assurance systems.

The table below sets forth quality recognitions we have received as of 30 June 2015.

Company	Year	Qualification	Awarded By	Expiry Date
Dongfeng Motor Corporation/Dongfeng Motor Group Company Limited	2014	ISO9001: 2008	CAQC Certification Inc.	8/1/2017
Dongfeng Motor Company Limited	2013	ISO9001: 2008	CAQC Certification Inc.	24/6/2016
Dongfeng Passenger Vehicle Co., Ltd.	2014	ISO9001: 2008	CAQC Certification Inc.	8/1/2017
Dongfeng Commercial Vehicle Co., Ltd.	2013	ISO9001: 2008	CAQC Certification Inc.	24/6/2016
Dongfeng Cross-country Vehicle Co., Ltd.	2013	GJB9001B-2009	Beijing Tianyizheng Certification Center	29/12/2017
Dongfeng Commercial Vehicle Co., Ltd.	2012	ISO9001: 2008	CAQC Certification Inc.	19/12/2015
Dongfeng Peugeot Citroen Automobile Co., Ltd.	2011	ISO9001: 2008	CAQC Certification Inc.	10/1/2014
Dongfeng Honda Automobile Co., Ltd.	2013	ISO9001: 2008	China Quality Certification Center	31/10/2016
Dongfeng Yueda Kia Motor Co., Ltd.	2014	ISO/TS16949: 2009	China Jiuding Automotive Supplier Certification Co., Ltd.	15/1/2017
Dongfeng Liuzhou Motor Co., Ltd.	2013	ISO9001: 2008	China Quality Certification Center	7/11/2016
Dongfeng Yulon Motor Co., Ltd.	2012	ISO9001: 2008	CAQC Certification Inc.	31/5/2015
Dongfeng Xiaokang Automotive Co., Ltd.	2013	ISO9001: 2008	CAQC Certification Inc.	15/3/2016

Pursuant to the Regulations for Compulsory Product Certification of PRC, the PRC government has promulgated a unified product catalogue along with unified national standards and implementing procedures. The products listed in the catalogue as required by such regulations are required to pass the relevant qualification tests before being dispatched to customers. As at 30 June 2015, all of our commercial and passenger vehicles have obtained China Compulsory Certificates and Energy-Saving and Environmentally friendly Automotive Products Certification.

Under the Provisions on the Administration of Recall of Defective Automobiles (《缺陷汽車產品召回管理條例》), we have voluntarily recalled an aggregate of 1,457,743 vehicles in eight batches from 1 January 2012 to 30 June 2015. In October 2014, we announced the recall of 11,055 units of Nissan (Dongfeng) Sunny, Nissan (Dongfeng) March and Nissan (Dongfeng) Patrol due to a safety hazard in the airbags. In December 2014, we announced the recall of 26,128 Honda Elysion MPVs due to defective air bags on the driver's side. Although we believed that there was no immediate safety risk in these products, we recalled these vehicles to ensure that the quality standards of our products meet or exceed all applicable regulatory requirements.

Inventory Control

Raw materials and auto parts

We implement just-in-time inventory policy to minimise inventory costs for all of our manufacturing entities. Generally, the raw materials and auto parts are placed into the production process only when they are used. We minimize the volume of semi-manufactured products and seek to maintain an appropriate level to facilitate the production process. Finished goods are retained for examination purposes only. Detailed data on inventory levels is timely updated into a central database and can be checked and monitored at all times. Under the just-in-time inventory system, raw materials and auto parts procured are delivered directly to the production lines or delivered to a centralized temporary storage area for further delivery to the relevant production lines. In addition to the just-in-time inventory policy, we issue detailed guidelines in order to conduct a proper review of the inventory levels.

Finished products

In order to reduce the lead time for delivery of our products, each of our joint venture companies, subsidiaries and associated companies adjusts its planned inventory levels according to its current inventory level and the estimates of demand for the coming month.

Our finished passenger vehicles inventory level is generally monitored and managed by our sales department. We also implement detailed guidelines on the recording of finished products. Generally, the sales and service centres of our passenger vehicles provide us with a proposal of the volume of vehicles that have been or are likely to be ordered on a monthly basis. Based on such proposal, we will adjust our production and finished vehicle products inventory level accordingly. For the six months ended 30 June 2015, our total inventory coefficient of the whole vehicles was 2.33; while our inventory coefficient of passenger vehicles and commercial vehicles was 2.28 and 2.65, respectively.

Sales and Services

Our sales and after-sales services are provided through sales and service networks under different brands in China. Each of the 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 unit, which are not connected with any member of our Group.

Commercial vehicles

As of 31 December 2014, 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

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
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

Passenger Vehicles

Sales and service network

As of 31 December 2014, sales and after-sales services 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

Sales and service centres

Our passenger vehicle sales and service centres provide convenient "one-stop shop" full service to our customers and generally operate with the "4S" concept. The "4S" concept is widely adopted by automobile manufacturers in China. It enables our customers to experience a comprehensive range of services from purchasing vehicles to enjoying our after-sale services and buying spare parts and automobile-related consumables. The "4S" concept focuses on the "sales, service, spare parts and survey" process provided to the customers.

Services provided at the sales and service centres

The principal services provided at the sales and service centres include a 12-hour service, 24-hour urgent assistance, urgent repair service, consulting services, specific customer services and regular inspections. We have standardised our service and implemented stringent programs to ensure that our customers are provided with a set of high quality and comprehensive services. The distribution region of each sales and service centre is determined by its geographic location.

Customers

A significant portion of our vehicle sales is conducted through dealers that sell the vehicles to consumers through sales and services networks. During the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our exports attributed to approximately 1.5 per cent., 0.9 per cent., 1.0 per cent. and 1.1 per cent., of our total vehicle sales volumes, respectively. Our export sales are primarily settled in U.S. dollars.

Customers for our commercial vehicles include commercial entities, corporations and individuals. We sell our commercial vehicles on a made-to-order basis both directly to our end-users or through our dealers.

The commercial and passenger vehicle engines we manufacture are for both internal use and external sales.

Warranty periods

Warranty periods for our passenger vehicles are usually for up to three years or 100,000 kilometres, whichever occurs first. Warranty periods for our commercial vehicles are generally 24 months or 200,000 kilometers, whichever occurs first.

In conjunction with the above warranty services, we pay the costs of services to the relevant service centres or sales and service centres on a pre-determined fee basis, which can vary extensively based on vehicle model, different labor costs in different regions and the types of parts and components to be replaced or repaired. The pre-determined fee is determined by reference to the fee provided for similar products and the market rate. For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our total amounts of warranty provision charged to our other expenses amounted to approximately RMB85 million, RMB505 million, RMB764 million and RMB591 million, respectively. The estimate is reviewed on an ongoing basis and subject to revision revised if necessary.

Payment terms

Passenger vehicles We adopt a cash on delivery policy for our passenger vehicles. Following selection of our passenger vehicles in the sales and service centres, our consumers are required to place a deposit. The sales and service centres then provide us with the relevant invoices detailing the requirements that enable us to supply our dealers the relevant product. Only upon receiving the full payment do we deliver the required products to the customers.

Commercial vehicles We provide a variety of payment terms to our customers when they purchase our commercial vehicles, e.g., full payment prior to delivery, deposit while making order and payment in installments after delivery, or payment in installments after delivery without any deposit.

Finance Business

Our finance business includes intra-group collective fund management, intra-group loans and entrusted loans, acceptance and discounting of bills, intra-group settlement, inter-group loans, distributors financing, sales credit, buyer credit and financial leasing.

We conduct our finance business mainly through Dongfeng Motor Finance Co., Ltd., Dongfeng Nissan Auto Finance Co., Ltd. and Dongfeng Peugeot Citroën Auto Finance Co., Ltd.:

	Year of Establishment	Main Businesses
Dongfeng Motor Finance Co., Ltd.	1987	Passenger and commercial vehicle finance, wholesale and retail finance
Dongfeng Peugeot Citroën Auto Finance Co., Ltd	2006	Dealer inventory finance, terminal client loan service, insurance and product service to dealers and terminal clients
Dongfeng Nissan Auto Finance Co., Ltd.	2007	Dealer inventory finance, terminal client retail finance and related services

Other Businesses

We are also engaged in other automobile-related businesses, including production of vehicle manufacturing equipment, equipment maintenance services, the import and export of vehicles and equipment, insurance agency and used car trading businesses.

We produce vehicle manufacturing equipment and provide equipment maintenance services through Dongfeng Motor Co., Ltd. Vehicle manufacturing equipment produced by Dongfeng Motor Co., Ltd includes machine tools, coating equipment, die and forging molds, and measuring and cutting tools.

Marketing and Promotion

We place great emphasis on promoting recognition of our brand and products. Although the marketing and promotion of our different branded vehicles are managed independently by the respective subsidiaries, joint ventures and associated companies, decisions on such marketing activities are made after careful consultation with their respective joint venture partners or management teams.

For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our Group's advertising and marketing expenses totaled approximately RMB516 million, RMB1,026 million, RMB1,886 million and RMB2,417 million, respectively.

Research and Development

Our research and development efforts include the development of our independent research and development facilities and our strategic alliances with our strategic partners.

We have established a comprehensive and innovative R&D system for our proprietary brand products. Our team focuses on the development of key technologies such as emissions and fuel consumption, new energy, powertrain technology, lightweight materials, safety and electronics. For example, we have clear strategies on new energy vehicles R&D: as for vehicle electronic control technology, we focus on improving industry capacity and supply chain for electronic control system and mastery of advanced electronic control system R&D and manufacturing technology; as for battery R&D and manufacturing, we currently select pure EV and PHEV as the main direction, and plan to gradually possess or control R&D and manufacturing technology of battery group; as for motor technology and manufacturing, we mainly seek partners to ensure motor supply and plan to further strengthen motor vehicle R&D capabilities and to acquire the relevant technologies. Our R&D covers the entire vehicle development process, including program determination, design freeze, project release, prototype production and manufacturing.

Our research and development expenses for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were approximately RMB608 million, RMB1,634 million, RMB2,350 million and RMB1,568 million, respectively.

Intellectual Property Rights

Our intellectual property rights are of fundamental importance to the operation of our business. As of 30 June 2015, we had registered 2,363 trademarks, 7,812 patents and 30 copyright works and were licensed to use 80 trademarks, 7,796 patents and 30 copyright works in the PRC. We also possesses unregistered trade secrets, technologies, know-how, processes and other intellectually property rights.

Environmental, Occupational Health and Safety

Waste generated from our manufacturing process include, among others, solid waste, liquid waste, cyclooctadiene, dust, toluene and dimethylbenzene. We have adopted measures at all of our production facilities to control the emissions of wastes and pollutants. Our major manufacturing entities conduct annual examinations of our suppliers and assist our suppliers in replacing hazardous material with proper substitutes if any raw materials and auto parts supplied to us contain any excessive hazardous material. Furthermore, we have adopted environmental friendly coatings for our products and installed advanced dust removal equipment in our facilities.

We also pay particular attention to health and safety of our employees in our production facilities and have adopted various measures to ensure safe production processes, such as establishing health and safety management departments, implementing safe production guidelines, undertaking accountability systems and releasing various health and safety policies.

Employees

As at 31 December 2014, we had a total of 122,159 full-time employees. The following table sets out the number of employees by the divisions indicated:

Division	Employees	Percentage of total employees
Manufacturing workers	71,801	58.8%
Engineering and technology	19,394	15.9%
Management	27,783	22.7%
Services	3,181	2.6%
Total	122,159	100.0%

Properties

As of 30 June 2015, we owned land use rights of land in the PRC with an aggregate site area of approximately 41.3 million square meters as well as other properties.

Insurance

We centralise the management of commercial property insurance, review and assess our risk exposure and risk portfolio on an ongoing basis and make necessary and appropriate adjustments to our insurance policies in accordance with our needs and the practices of the insurance industry in China, and in order to provide coverage for various types of risks.

Legal Proceedings

As of 30 June 2015, we were not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on our financial conditions and results of operations, taken as a whole.

Recent Development – The Export-Import Bank of China Loan Agreement

The Issuer's EUR830 million bridge loan, the proceeds of which were used to finance the PSA Peugeot Citroën Group acquisition project, will become due on 23 October 2015. In order to meet its obligation to repay such bridge loan, the Issuer entered into a loan agreement, dated 19 October 2015, with The Export-Import Bank of China to obtain a loan in the amount of EUR825 million. The proceeds of the Exim Bank of China Loan will be used to refinance the EUR830 million bridge loan. The Exim Bank of China Loan is guaranteed by Dongfeng Motor Group Company Limited in accordance with the terms and conditions contained in the loan agreement. The loan accrues interest at a semi-annual rate of 2.0% plus 6 month EURIBOR. The loan is repayable in 13 semi-annual installments of EUR5 million, with the remaining EUR760 million repayable on 21 October 2022.

The loan agreement contains customary covenants restricting the incurrence of additional guarantees. The agreement also includes covenants, among others, that restrict the Issuer's ability to:

- change its capital structure;
- undertake any scheme of amalgamation or demerger;
- enter into other financing arrangements for the PSA Peugeot Citroën Group acquisition project;
- undertake guarantee obligations on behalf of any other company; and
- amend its memorandum and/or articles of association.

The loan agreement also contains customary events of default, including the failure to pay principal or interest, certain events of insolvency and material adverse changes that affect the ability of the Issuer to repay the loan. The loan agreement also includes customary conditions relating to the acceleration of the repayment of the outstanding loan amount at the occurrence of an event of default.

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Directors

The following table sets forth certain information with respect to our directors as of the date of this Offering Circular:

Name	Age	Position
Mr. Zhu Yanfeng	54	Chairman
Mr. Zhu Fushou	52	Executive Director
Mr. Li Shaozhu	54	Executive Director
Mr. Tong Dongcheng	58	Non-executive Director
Mr. Ouyang Jie	58	Non-executive Director
Mr. Liu Weidong	48	Non-executive Director
Mr. Ma Zhigeng	70	Independent Non-executive Director
Mr. Zhang Xiaotie	62	Independent Non-executive Director
Mr. Cao Xinghe	65	Independent Non-executive Director
Mr. Chen Yunfei	44	Independent Non-executive Director

Mr. Zhu Yanfeng (竺延風先生), aged 54, is the Chairman of the Board of Directors of the Company. He graduated from Zhejiang University majoring in chemical engineering automation and instruments in 1983 and obtained his master's degree in control engineering from Harbin Institute of Technology in 2002. He started his career in 1983 and successively served as director of the foreign economic and trade department and deputy general manager of China FAW Group Corporation, general manager and party secretary of FAW Car Co., Ltd, and deputy general manager and standing committee member of party committee of China FAW Group Corporation. Subsequently, Mr. Zhu was appointed as general manager and standing committee member of party committee of China FAW Group Corporation in February 1992, general manager and deputy party secretary of China FAW Group Corporation in August 2000, standing committee member of the provincial party committee of Jilin in November 2007, standing committee member of the provincial party committee and standing deputy governor of Jilin in December 2007, deputy party secretary of the provincial party committee of Jilin in May 2012. Mr. Zhu was appointed directly by the PRC central government as the chairman and party secretary of Dongfeng Motor Corporation in May 2015. Mr. Zhu is an alternate member of the 16th, 17th and 18th sessions of the Central Committee of Communist Party of China.

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 recommended by the PRC central government and 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 reelected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

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. 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 reelected 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

The following table sets forth certain information with respect to our senior management as of the date of this Offering Circular:

Name	Age	Position
Mr. Zhu Fushou	52	President
Mr. Cai Wei.	56	Vice President and the Secretary of the Board of Directors

Mr. Zhu Fushou (朱福壽先生), aged 52, is an Executive Director and the President of the Company. For details of Mr. Zhu's biography, please see "– Directors" above.

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 Automobile Co., Ltd. in December 2013.

Current Account Items

Under the applicable PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, PBOC, Ministry of Finance (MOF), MOFCOM, the General Administration of Customs, SAT and the China Banking Regulatory Commission (CBRC) jointly promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (關於擴大跨境貿易人民幣結算試點有關問題的通知) (the "**Circular**"), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover 20 provinces and cities, and (iii) the restriction on designated offshore districts has been uplifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle imports and exports of goods and services and other current account items between them. Renminbi remittance for exports of goods from the PRC may only been effected by approved pilot enterprises in designated pilot districts in the PRC. In July 2011, PBOC, MOF, MOFCOM, the General Administration of Customs, SAT and CBRC jointly promulgated the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement (關於擴大跨境貿易人民幣結算地區的通知) to further expand Renminbi cross-border trade settlement nationwide.

On 5 July 2013, the PBOC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**2013 PBOC Circular**"), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

As new regulations, the Circulars and the 2013 PBOC Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circulars and the 2013 PBOC Circular and impose conditions for settlement of current account items.

Capital Account Items

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval or registration of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may grant approval or registration for a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may be required to complete a registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, SAFE promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知) (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the relevant MOFCOM's prior written consent to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided by onshore entities (including financial institutions) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On 13 October 2011, PBOC promulgated the Measures for Administration of RMB Settlement Business in Relation to Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) ("**The PBOC Measures**"), pursuant to which, PBOC special approval for Renminbi FDI and shareholder loans which was required by the PBOC Notice concerning Clarification of Certain Issues on Cross-border Renminbi Settlement (中國人民銀行關於明確跨境人民幣業務相關問題的通知) (the "**PBOC Notice**") promulgated on 3 June 2011 is no longer necessary. The PBOC Renminbi FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement. Under the measures, a foreign investor is allowed to open a Renminbi preliminary expense account (人民幣前期費用專用存款賬戶) to reimburse some expenses before the establishment of a foreign invested enterprise and the balance in such an account can be transferred to the Renminbi capital account (人民幣資本金專用存款賬戶) of such foreign invested enterprise when it is established. Commercial banks can remit a foreign investor's Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries out of the PRC after reviewing certain requisite documents. If a foreign investor intends to use its Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries, the foreign investor may open a Renminbi re-investment account (人民幣再投資專用賬戶) to pool the Renminbi proceeds, and the PRC parties selling stock in domestic enterprises to foreign investors can open Renminbi accounts and receive the purchase price in Renminbi paid by foreign investors. The PBOC Renminbi FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account (人民幣一般存款賬戶) to receive its Renminbi proceeds borrowed offshore by submitting the Renminbi loan contract to the commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the commercial bank.

On 14 June 2012, the PBOC promulgated the Notice concerning Clarification of Renminbi Settlement in relation to Foreign Direct Investment (關於明確外商直接投資人民幣結算業務操作細則的通知) (the "**PBOC Notice 2012**"), which provides more detailed requirements with respect to all accounts concerning capital injection, payment of purchase price in the merger and acquisition of PRC domestic enterprises, remittance of dividends and distribution, as well as Renminbi denominated cross-border loans. Foreign investors, foreign enterprises and domestic shareholders must check and clarify all the existing Renminbi accounts and provide supplementary documents to open an account or modify the information within three months after the promulgation of the PBOC Notice 2012. For those who have more than one preliminary expense account (前期費用專用存款賬戶), capital account (資本金專用存款賬戶), merger and acquisition account (併購專用存款賬戶) or equity transfer account (股權轉讓專用存款賬戶), they are required to choose one of them and close all of the other accounts. The funds in the accounts for Renminbi capital and Renminbi denominated cross-border loan (資本金專用存款賬戶及人民幣境外借款一般存款賬戶) shall not be used for investment in securities, financial derivatives, entrusted loans, financial products or properties of non-self use. In addition, the foreign-invested noninvestment enterprises shall not use the funds in the Renminbi capital account and Renminbi denominated cross-border loan account (資本金專用存款賬戶及人民幣境外借款一般存款賬戶) for reinvestment in the PRC.

On 11 May 2013, SAFE promulgated the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China (外國投資者境內直接投資外匯管理規定) (the "**SAFE Provisions**"), which became effective on 13 May 2013. According to the SAFE Provisions, a Foreign invested Enterprise that needs to remit funds abroad due to capital reduction, liquidation, advance recovery of investment, profit distribution, etc. may purchase foreign exchange and make external payment with the relevant bank after going through corresponding registration.

On 3 December 2013, the MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

On 30 March 2015, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "**No. 19 Notice**"), which became effective on 1 June 2015, to further reform the administration on the settlement of the foreign exchange capitals of foreign-invested enterprises. Pursuant to No. 19 Notice, foreign-invested enterprises shall be allowed to settle their foreign exchange capitals on a discretionary basis, and the RMB funds obtained from the discretionary settlement shall be managed under the accounts for foreign exchange settlement pending payment. No. 19 Notice also facilitates the procedures for foreign-invested enterprises established for investment purpose to make domestic equity investment with foreign exchange capital.

Cross-border Security Laws

On 12 May 2014, the SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross-Border Guarantees and the relating implementation guidelines (國家外匯管理局關於發佈《跨境擔保外匯管理規定》的通知) (collectively the "**New Regulations**"). The New Regulations, which came into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration or filing for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (外保內貸) ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 working days after its execution (or 15 working days after the date of any change to the security). The funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. Upon enforcement, the onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by the onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC Laws.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed. The Guarantor's obligations in respect of the Notes and the Trust Deed are contained in the Deed of Guarantee. The Deed of Guarantee will be executed by the Guarantor on or before the Issue Date. Under the New Regulations, the Deed of Guarantee does not require any pre-approval by SAFE and is binding and effective upon execution.

The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration within 15 working days after its execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee of the Notes.

Under the New Regulations, the local SAFE will go through a procedural review (as opposed to a substantive examination process) of the Guarantor's application for registration. Upon completion of the review, the local SAFE will issue a registration notice or record to the Guarantor to confirm the completion of the registration.

Under the New Regulations:

- non-registration does not render the Guarantee of the Notes ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if submission for registration is not carried out within the stipulated time frame of 15 working days; and

- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor under the Guarantee of the Notes) as domestic banks require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of the Guarantee of the Notes itself.

The Terms and Conditions of the Notes provide that the Guarantor will register, or cause to be registered, the Deed of Guarantee with SAFE in accordance with, and within the time period prescribed by, the New Regulations and use its best endeavours to complete the registration and obtain a registration record from SAFE on or before the date following 60 PRC Business Days after the Issue Date (the "**Registration Deadline**"). If the Guarantor fails to complete the SAFE registration and deliver the registration records to the Trustee before the Registration Deadline, the Noteholders will have a put option to require the issuer to redeem the Notes held by them at their principal amount together with accrued interest (see Condition 5(c) *(Redemption for Relevant Event)* of the Terms and Conditions of the Notes).

NDRC Filing

On 14 September 2015, NDRC promulgated the NDRC Circular which became effective on the same day. According to the NDRC Circular, before the issuance of foreign debts, domestic enterprises and their controlled overseas enterprises or branches shall first apply to NDRC for the handling of the record-filing and registration procedures and shall provide information on the issuance to the NDRC within 10 working days of completion of each issuance.

TAXATION

The following summary of certain Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of the PRC, Hong Kong and their country of citizenship, residence or domicile.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for the PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this "PRC Taxation" section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the Enterprise Income Tax Law of the PRC (the "**EIT Law**") effective on 1 January 2008 and its implementation regulations, enterprise that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25 per cent. in respect of their worldwide income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside PRC (although dividends from PRC subsidiaries may be excluded).

As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, Noteholders will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of payments of interest and repayments of principal by the Issuer.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC must pay enterprise income tax on PRC source income and such income tax must be withheld by the PRC payer at source. Pursuant to the Individual Income Tax Law of the PRC (the "**IIT Law**") effective on 1 Sept 2011 and relevant implementations, any individual who has no domicile and does not stay within the territory of China or who has no domicile but has stayed within the territory of China for less than one year must pay individual income tax for any income obtained from sources within the territory of China.

Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest or redemption premium in respect of the Notes to any non-PRC Noteholder and gain from the disposition of the Notes may be subject to PRC tax if such income or gain is treated as PRC source. The tax rate is generally 10 per cent. for non-PRC enterprise Noteholders and 20 per cent. in the case of non-PRC individual Noteholders, subject to the provisions of any applicable tax treaty.

In addition, as the Guarantor is a PRC enterprise, if any payments are made by the Guarantor under the Guarantee, the Guarantor must withhold PRC income tax on payments of interest or redemption premiums with respect to the Notes to non-PRC enterprise Noteholder generally at the rate of 10 per cent. (and possibly at a rate of 20 per cent. in the case of payments to non-PRC individual Noteholder), subject to the provisions of any applicable tax treaty.

Subject to certain exceptions, the Issuer and the Guarantor have agreed to pay additional amounts to Noteholders so that Noteholders would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions. The requirement to pay additional amounts as a result of any such PRC withholding tax will increase the cost of servicing the debt and could have an adverse effect on the Issuer or Guarantor's financial condition.

No PRC stamp duty will be imposed on non-resident holders either upon issuance of the Notes or upon a subsequent transfer of Notes.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal, premium or interest on the Notes or in respect of any gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**Inland Revenue Ordinance**") as it is currently applied, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

a. interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

b. interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong; or

c. interest on the Notes is derived from Hong Kong and is received by or accrues to a person other than a company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Notes will be subject to profits tax.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

EU Directive on the Taxation of Savings Income

The EU has adopted the EC Council Directive 2003/48/EC (the "**Saving Directive**") regarding the taxation of savings income. The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or collected by such a person for) an individual resident, or certain other types of entities established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union has adopted an EC Council Directive amending the above (the "**Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017. However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

The Proposed Financial Transactions Tax (the "FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 20 October 2015 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer and the Guarantor have undertaken, among other things, that the Notes will be issued on 28 October 2015 (the "**Closing Date**"), and the Joint Lead Managers have severally and not jointly agreed with the Issuer to subscribe and pay for, or procure subscribers to subscribe and pay for, the Notes at an issue price of 99.945 per cent. of their principal amount in the amount set forth below:

	Principal Amount of Notes
	(EUR)
Bank of China Limited	80,000,000
Bank of Communications Co., Ltd. Hong Kong Branch	25,000,000
BNP Paribas	80,000,000
CCB International Capital Limited	25,000,000
Deutsche Bank AG, London Branch	80,000,000
The Hongkong and Shanghai Banking Corporation Limited	80,000,000
Industrial and Commercial Bank of China (Asia) Limited	25,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	25,000,000
Société Générale	80,000,000
Total	500,000,000

The Subscription Agreement provides that the Issuer (failing which, the Guarantor) has agreed to pay the Joint Lead Managers certain fees and commissions, to reimburse the Joint Lead Managers for certain of their expenses in connection with the initial sale and distribution of the Notes, and the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective subsidiaries affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers and certain of their subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with the Issuer, the Guarantor or any member of the Group and/or their respective subsidiaries and affiliates, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor or any member of the Group and/or their respective subsidiaries and affiliates in the ordinary course of their business.

The Joint Lead Managers and their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Certain of the Joint Lead Managers and/or their affiliates will initially purchase a significant portion of the Notes for asset management and/or proprietary purposes but not with a view to distribution and may therefore be able to exercise certain rights and powers on their own which will be binding on all holders. Additionally, this may reduce the liquidity of the Notes in the secondary trading market. References herein to the Notes being offered should be read as including any offering of the Notes to the Joint Lead Managers and/or their affiliates acting in such capacity. In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The distribution of this Offering Circular, or any offering material, and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular, or any offering material, are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken that would, or is intended to, permit a public offering of the Notes, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes this Offering Circular or any other offering material relating to the Notes. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

Accordingly, the Notes should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Notes should be distributed or published in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not, save as disclosed in this Offering Circular, impose any obligations on the Issuer, the Guarantor or the Joint Lead Managers.

If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of that Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering of the Notes shall be deemed to be made by that Joint Lead Manager or its affiliate on behalf of the Issuer in such jurisdiction.

United States of America

The Notes and the Guarantee of the Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered or sold within the United States. Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes within the United States. In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under that Ordinance.

People's Republic of China

Each of the Joint Lead Managers has represented, warranted and undertaken that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong, Macau or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Future Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 276 of the SFA by a relevant person, which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

GENERAL INFORMATION

(1) **General Information of the Guarantor**: the Guarantor was incorporated in the PRC on 18 May 2001 as a company with limited liability under the laws of the PRC. The registered office of the Guarantor is at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the PRC. The business address of the Guarantor's directors is at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the PRC. The Guarantor's telephone number is (86) 27 8428 5555. There are no potential conflicts of interest between any duties of the Guarantor's directors to the Guarantor, and their private interests and/or other duties.

(2) **Clearing Systems**: The Notes have been accepted for clearance through Euroclear and Clearstream. The ISIN and the Common Code for the Notes are XS1303743105 and 130374310, respectively.

(3) **Authorisations**: The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the provision of the Guarantee of the Notes (as the case may be). The issue of the Notes was authorised by resolutions of the Board of Directors of the Issuer passed on 29 September 2015. The Guarantee of the Notes was authorised by resolutions of the Board of Directors of the Guarantor passed on 15 October 2015.

(4) **No Material Adverse Change**: Save as disclosed in this Offering Circular, since 31 December 2014, there has been no material adverse change in the prospects of the Issuer and since 31 December 2014, there has been no significant change in the financial or trading position of the Issuer. Save as disclosed in this Offering Circular, since 31 December 2014, there has been no material adverse change in the prospects of the Guarantor and since 30 June 2015, there has been no significant change in the financial or trading position of the Guarantor.

(5) **Litigation**: Save as disclosed in this Offering Circular, neither of the Issuer nor the Guarantor is involved in any governmental, litigation or arbitration proceedings nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened. Each of the Issuer and the Guarantor may from time to time become a party to various legal, governmental or administrative proceedings arising in the ordinary course of its business.

(6) **Available Documents**: Copies of the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2013 and 2014, the Guarantor's unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2015, the Issuer's audited financial statements as at 31 December 2014 and for the period from 24 March 2014 (the date of incorporation) to 31 December 2014, Articles of Association of the Issuer and the Guarantor, the Trust Deed, the Agency Agreement and the Deed of Guarantee will be available for inspection from the Issue Date at the specified office of the Issuer at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the PRC, and upon prior written request at the specified office of the Principal Paying Agent (subject to the Principal Paying Agent having been provided with the same by the Issuer or the Guarantor) during normal business hours, so long as any Note is outstanding.

(7) **Independent Auditors of the Guarantor**: The Guarantor's consolidated financial statements as at and for the year ended 31 December 2013, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young, the independent auditor of the Guarantor for the years ended 31 December 2012 and 2013. The Guarantor's consolidated financial statements as at and for the year ended 31 December 2014, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, the independent auditor of the Guarantor, who is registered as a certified public accountant under the Professional Accountants Ordinance in Hong Kong. As of the end of 2013, Ernst & Young had been the auditors of the Guarantor continuously for 11 years. Due to the limit imposed by SASAC on consecutive time length for a large accounting firm acting as auditor for a company, Ernst & Young retired as the auditor of the Guarantor in 2014. PricewaterhouseCoopers had been appointed as the auditor of the Guarantor to fill the vacancy immediately following the retirement of Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Guarantor.

PricewaterhouseCoopers has also reviewed the unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2015 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

(8) **Independent Auditors of the Issuer**: The Issuer's financial statements as at 31 December 2014 and for the period from 24 March 2014 (the date of incorporation) to 31 December 2014, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, the independent auditor of the Issuer, who is registered as a certified public accountant under the Professional Accountants Ordinance in Hong Kong.

(9) **Listing of Notes**: Application has been made to the ISE for the approval of this Offering Circular as Listing Particulars and for the Notes to be admitted to the Official List and to trading on the Global Exchange Market, which is the exchange regulated market of the ISE. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. It is expected that dealing in, and listing of, the Notes on the ISE will commence on or around 29 October 2015. Maples and Calder is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to trading on the Global Exchange Market of the ISE. The expenses in relation to the admission of the notes to the Official List of the ISE will be approximately €6,500.

INDEX TO FINANCIAL INFORMATION

The Issuer's Audited Financial Statements as at and for the Year Ended 31 December 2014

(1) The Report on Review of Interim Financial Information of the Guarantor as at and for the six months ended 30 June 2015 and the Independent Auditor's Report on the consolidated financial statements of the Guarantor as at and for the year end 31 December 2014 set out herein are reproduced from the Guarantor's interim report for the six months ended 30 June 2015 and the Guarantor's annual report for the year ended 31 December 2014, respectively. Page references referred to in such reports are to pages set out in such interim report and annual report.

(2) The audited consolidated financial statements of the Guarantor as at and for each of the years ended 31 December 2013 and 2014 appearing on pages F-143 to F-259 and F-29 to F-140 of this Offering Circular have not been restated to reflect the impact of the 2015 Acquisitions. Please refer to the subsection headed "Summary Consolidated Financial Information" for details.

(3) The Independent Auditor's Report on the financial statements of the Issuer set out herein is reproduced from the Issuer's standalone financial statements for the year ended 31 December 2014, and page references included in the Independent Auditor's Report refer to pages set out in such financial statements.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF DONGFENG MOTOR GROUP COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 53, which comprises the interim condensed consolidated statement of financial position of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

OTHER MATTERS

The condensed consolidated interim financial information includes comparative information as required by International Accounting Standard 34, "Interim financial reporting". The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2014. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2014 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2015

Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2015

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2015 RMB million (Unaudited)	2014 RMB million (Unaudited and restated)
Revenue	2	**65,853**	32,537
Cost of sales		**(57,427)**	(27,998)
Gross profit		**8,426**	4,539
Other income	3	**844**	632
Selling and distribution costs		**(3,581)**	(1,217)
Administrative expenses		**(1,601)**	(1,453)
Other expenses, net		**(2,283)**	(1,227)
Finance income/(costs)	5	**357**	(236)
Share of profits and losses of:			
Joint ventures		**5,181**	6,179
Associates		**685**	2,209
PROFIT BEFORE TAX	4	**8,028**	9,426
Income tax expense	6	**(709)**	(877)
PROFIT FOR THE PERIOD		**7,319**	8,549
Profit attributable to:			
Owners of the company		**6,885**	8,500
Non-controlling interests		**434**	49
		7,319	8,549
Earnings per share attributable to ordinary equity holders of the company:	8		
Basic for the period		**79.91 cent**	98.65 cent
Diluted for the period		**79.91 cent**	98.65 cent

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2015 **RMB million** **(Unaudited)**	2014 RMB million (Unaudited and restated)
PROFIT FOR THE PERIOD	**7,319**	8,549
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	**156**	—
Items that may be reclassified to profit or loss		
Currency translation differences	**(604)**	—
Share of other comprehensive income of investments accounted for using the equity method	**233**	—
	(371)	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(215)**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**7,104**	8,549
Total comprehensive income attributable to:		
Equity holders of the company	**6,670**	8,500
Non-controlling interests	**434**	49
	7,104	8,549

Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**12,350**	11,862
Lease prepayments		**980**	984
Intangible assets		**2,757**	2,622
Goodwill		**1,792**	1,792
Investments in joint ventures		**39,393**	40,146
Investments in associates		**9,795**	9,360
Available-for-sale financial assets		**189**	190
Other non-current assets		**7,126**	8,378
Deferred tax assets		**1,658**	1,703
Total non-current assets		**76,040**	77,037
Current assets			
Inventories		**8,615**	9,874
Trade receivables	10	**5,332**	3,883
Bills receivables		**15,177**	12,273
Prepayments, deposits and other receivables		**13,312**	12,588
Due from joint ventures		**1,508**	2,463
Pledged bank balances and time deposits	11	**3,504**	3,625
Cash and cash equivalents	11	**33,984**	25,233
Total current assets		**81,432**	69,939
TOTAL ASSETS		**157,472**	146,976

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Restated)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the company			
Issued capital		**8,616**	8,616
Reserves		**10,193**	9,213
Retained profits		**61,106**	54,262
Proposed final dividend		**—**	1,723
		79,915	73,814
Non-controlling interests		**6,131**	1,621
Total equity		**86,046**	75,435
Non-current liabilities			
Interest-bearing borrowings		**173**	350
Other non-current liabilities		**647**	698
Government grants		**252**	261
Due to joint ventures		**—**	1,265
Deferred tax liabilities		**994**	764
Total non-current liabilities		**2,066**	3,338
Current liabilities			
Trade payables	12	**16,611**	16,279
Bills payable		**12,555**	12,821
Other payables and accruals		**15,470**	12,640
Due to joint ventures		**8,774**	6,477
Interest-bearing borrowings	13	**14,019**	17,354
Income tax payables		**301**	1,375
Provisions		**1,630**	1,257
Total current liabilities		**69,360**	68,203
TOTAL LIABILITIES		**71,426**	71,541
TOTAL EQUITY AND LIABILITIES		**157,472**	146,976
Net current assets		**12,072**	1,736
Total assets less current liabilities		**88,112**	78,773

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the company						Non-controlling interests	Total equity
	Issued capital	Capital reserves	Statutory reserves	Retained profits	Proposed dividend	Total		
	RMB million (Unaudited and restated)	RMB million (Unaudited and restated)	RMB million (Unaudited and restated)	RMB million (Unaudited and restated)	RMB million (Unaudited and restated)	RMB million (Unaudited and restated)	RMB million (Unaudited and restated)	RMB million (Unaudited and restated)
As at 1 January 2015								
As previously reported	**8,616**	**941**	**7,837**	**54,712**	**1,723**	**73,829**	**1,623**	**75,452**
Restatement for business combination under common control	—	**427**	**8**	**(450)**	—	**(15)**	**(2)**	**(17)**
As restated	**8,616**	**1,368**	**7,845**	**54,262**	**1,723**	**73,814**	**1,621**	**75,435**
2014 final dividend declared	—	—	—	—	**(1,723)**	**(1,723)**	—	**(1,723)**
Total comprehensive income for the period	—	**(215)**	—	**6,885**	—	**6,670**	**434**	**7,104**
Transfer to reserves	—	—	**41**	**(41)**	—	—	—	—
Changes in ownership interests in subsidiaries without change of control	—	**1,278**	—	—	—	**1,278**	**4,238**	**5,516**
Share of Associates' other equity changes	—	**3**	—	—	—	**3**	—	**3**
Business combination under common control	—	**(127)**	—	—	—	**(127)**	**208**	**81**
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	**(370)**	**(370)**
As at 30 June 2015	**8,616**	**2,307**	**7,886**	**61,106**	—	**79,915**	**6,131**	**86,046**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to owners of the company						Non-	
	Issued capital RMB million (Unaudited and restated)	Capital reserves RMB million (Unaudited and restated)	Statutory reserves RMB million (Unaudited and restated)	Retained profits RMB million (Unaudited and restated)	Proposed dividend RMB million (Unaudited and restated)	Total RMB million (Unaudited and restated)	controlling interests RMB million (Unaudited and restated)	Total equity RMB million (Unaudited and restated)
As at 1 January 2014								
As previously reported	8,616	1,541	6,574	44,853	1,551	63,135	899	64,034
Restatement for business combination under common control	—	433	1	(401)	—	33	11	44
As restated	8,616	1,974	6,575	44,452	1,551	63,168	910	64,078
2013 final dividend declared	—	—	—	—	(1,551)	(1,551)	—	(1,551)
Total comprehensive income for the period	—	—	—	8,500	—	8,500	49	8,549
Transaction with non-controlling shareholders	—	280	—	—	—	280	161	441
Share of Joint Ventures' other equity changes	—	(7)	—	—	—	(7)	—	(7)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	50	50
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	(5)	(5)
As at 30 June 2014	8,616	2,247	6,575	52,952	—	70,390	1,165	71,555

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2015 RMB million (Unaudited)	2014 RMB million (Unaudited and restated)
Cash flows from operating activities			
Cash flows generated from operating activities		**5,292**	(372)
Income tax paid		**(1,508)**	(750)
Cash flows from/(used in) operating activities — net		**3,784**	(1,122)
Cash flows from investing activities			
Investments in associates, joint ventures and acquisition of control in subsidiaries		**(1,309)**	(9,405)
Dividends from joint ventures and associates		**5,900**	5,369
Other investing cash flow — net		**(975)**	(1,907)
Cash flows from/(used in) investing activities — net		**3,616**	(5,943)
Cash flows from financing activities			
Proceeds from changes in ownership interests in subsidiaries without change of control		**5,506**	—
Proceeds from borrowings and bonds		**2,606**	21,551
Repayments of borrowings and bonds		**(6,401)**	(8,611)
Dividends paid to minority shareholders		**(370)**	—
Other finance cash flows — net		**10**	21
Cash flows from financing activities — net		**1,351**	12,961
Net increase in cash and cash equivalents		**8,751**	5,896
Cash and cash equivalents at the beginning of the period		**23,233**	16,682
Cash and cash equivalents at end of the period	11	**31,984**	22,578

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 CORPORATE INFORMATION

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

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

1.2 SIGNIFICANT ENVENTS

In January 2015, the Group transferred its 45% equity interest in Dongfeng Commercial Vehicles Company Limited ("DFCV") to AKTIEBOLAGET VOLVO ("Volvo"), for a cash consideration of RMB5,510 million approximately. Following this transfer, the Group and Volvo holds 55% and 45% equity interests in DFCV. This change in ownership interests in a subsidiary without change of control resulted in an increase of reserve of RMB1,270 million approximately.

In March 2015, the Group acquired certain businesses from DMC and its subsidiaries. For this business combination under common control, the financial information of the Group and that of the acquired businesses have been combined, by using the pooling of interests method, 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 recognized 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. Accordingly, the comparative figures of this condensed consolidated interim financial information have been restated.

1.3 BASIS OF PRESENTATION

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

1.4 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied and methods of computation are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2015.

- 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 IFRS2, 'Share-based payment' 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 IAS39 '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.

  Amendments to IFRS8, 'Operating segments' requires disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

  Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

  Amendment to IAS 24 'Related Party Disclosures' does not required the reporting entity to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but requires to disclose the amounts charged to the reporting entity by the management entity for services provided.

1.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

- Annual improvements 2013 include the following changes from the 2011–2013 cycle of the annual improvements project, are effective for annual periods beginning on or after 1 July 2014.

  Amendment to IFRS 3 'Business combinations' clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11 in the financial statements of the joint arrangement.

  Amendment to IFRS 13 'Fair value measurement' clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

  Amendment to IAS 40 'Investment property' requires preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

  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.

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted

- IFRS 14 'Regulatory Deferral Accounts', effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation', effective for annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception', effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 1 'Disclosure Initiative', 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.

1.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted (continued)

- IFRS15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018.

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

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.5 ESTIMATES

The preparation of this condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

2. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

2. REVENUE AND SEGMENT INFORMATION (continued)

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 six months ended 30 June 2014 and 2015, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

For the six months ended 30 June 2015

	Commercial vehicles RMB million (Unaudited)	Passenger vehicles RMB million (Unaudited)	Financing service RMB million (Unaudited)	Corporate and others RMB million (Unaudited)	Elimination RMB million (Unaudited)	Total RMB million (Unaudited)
Revenue						
Sales to external customers	20,347	44,360	944	202	—	65,853
Inter segment revenue	3	11	20	1	(35)	—
	20,350	44,371	964	203	(35)	65,853
Results						
Segment results	84	911	511	(388)	269	1,387
Interest income	135	104	—	473	(294)	418
Finance costs						357
Share of profit and losses of:						
Associates	—	529	137	19	—	685
Joint ventures	268	5,854	49	(990)	—	5,181
Profit before tax						8,028
Income tax expense						(709)
Profit for the period						7,319

2. REVENUE AND SEGMENT INFORMATION (continued)

For the six months ended 30 June 2014

	Commercial vehicles RMB million (Unaudited and restated)	Passenger vehicles RMB million (Unaudited and restated)	Financing service RMB million (Unaudited and restated)	Corporate and others RMB million (Unaudited and restated)	Elimination RMB million (Unaudited and restated)	Total RMB million (Unaudited and restated)
Revenue						
Sales to external customers	24,220	7,516	713	88	—	32,537
Inter segment revenue	15	—	14	2	(31)	—
	24,235	7,516	727	90	(31)	32,537
Results						
Segment results	1,086	(364)	322	(283)	226	987
Interest income	265	96	—	192	(266)	287
Finance costs						(236)
Share of profit and losses of:						
Associates	—	28	114	2,067	—	2,209
Joint ventures	151	6,566	25	(563)	—	6,179
Profit before tax						9,426
Income tax expense						(877)
Profit for the period						8,549

3. OTHER INCOME

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited and Restated)
Government grants and subsidies	**69**	66
Interest income	**418**	287
Rendering of other services	**41**	49
Management dispatch fees received from joint ventures	**186**	84
Others	**130**	146
	844	632

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015 RMB million (Unaudited)	2014 RMB million (Unaudited and Restated)
Cost of inventories recognized as expense	**57,354**	27,921
Interest expense for financing services (included in cost of sales)	**73**	77
Write-down of inventories to net realizable value	**66**	50
Amortization of intangible assets	**101**	119
Depreciation	**668**	507
Amortization of lease prepayment	**54**	19
Impairment of trade and other receivables	**9**	32

5. FINANCE (INCOME)/COSTS

	Six months ended 30 June	
	2015 RMB million (Unaudited)	2014 RMB million (Unaudited and Restated)
Interest on bank loans and other borrowings wholly repayable:		
Within 5 years	**72**	159
Interest on discounted bills	**4**	8
Interest on short-term notes	**52**	69
Exchange gains from financing activities, net	**(485)**	—
Total interest expense	**(357)**	236

6. INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB million	RMB million
	(Unaudited)	(Unaudited and Restated)
Current income tax	**434**	517
Deferred income tax	**275**	360
Income tax charge for the period	**709**	877

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2015 and 2014.

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

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

7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

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

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2015 RMB million (Unaudited)	2014 RMB million (Unaudited and Restated)
Earnings:		
Profit for the period attributable to ordinary equity holders of the company	**6,885**	8,500
	million	million
Shares:		
Weighted average number of ordinary shares in issue during the period	**8,616**	8,616

Diluted earnings per share equals basic earnings per share as the Company has no dilutive potential ordinary shares for the six months ended 30 June 2015 and 30 June 2014.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB1,201 million (six months ended 30 June 2014: RMB1,113 million) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB45 million (six months ended 30 June 2014: RMB3 million), resulting in a net loss on disposal of approximately RMB37 million (six months ended 30 June 2014: a net gain 2 million). Depreciation is approximately RMB668 million (six months ended 30 June 2014: RMB507 million).

10. TRADE RECEIVABLES

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

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

	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Restated)
Within three months	**4,145**	2,831
More than three months but within one year	**1,143**	892
More than one year	**44**	160
	5,332	3,883

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

	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Restated)
Cash and bank balances	**21,307**	11,564
Time deposits	**16,181**	17,294
	37,488	28,858
Less: Pledged bank balances and time deposits for securing general banking facilities	**(3,504)**	(3,625)
Cash and cash equivalents in the interim condensed consolidated statement of financial position	**33,984**	25,233
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(2,000)**	(2,000)
Cash and cash equivalents in the interim condensed consolidated cash flow statement	**31,984**	23,233

12. TRADE PAYABLES

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

	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Restated)
Within three months	**14,438**	14,600
More than three months but within one year	**1,964**	1,427
More than one year	**209**	252
	16,611	16,279

13. INTEREST-BEARING BORROWINGS

On 5 June 2014, short-term notes with a principle 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 have been fully settled during the period ended 30 June 2015.

On 20 March 2015, short-term notes with a principle amount of RMB1,500 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 4.68% per annum and have to be fully settled on 15 December 2015.

Interest expense on borrowings and loans for the six months ended 30 June 2015 is RMB128 million (30 June 2014: RMB228 million).

14. COMMITMENTS

(a) Operating lease commitments as lessee

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

	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Restated)
Within one year	**146**	122
After one year but not more than five years	**620**	585
More than five years	**4,926**	5,000
	5,692	5,707

(b) Commitments

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

	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Restated)
Contracted, but not provided for:		
Property, plant and equipment	**1,042**	838

15. 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.

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.

16. RELATED PARTY TRANSACTIONS

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

Same as disclosed elsewhere in this condensed interim financial information, during the period, the Group had the following significant transactions with their related parties:

	Six months ended 30 June	
	2015	2014
	RMB million	RMB million
	(Unaudited)	(Unaudited and Restated)
Purchases of automotive parts/raw materials from:		
DMC, its subsidiaries and associates	**296**	229
Joint ventures	**6,020**	5,788
	6,316	6,017
Purchases of automobiles from:		
DMC, its subsidiaries and associates	**—**	3
Joint ventures	**28,217**	164
	28,217	167
Purchases of water, steam and electricity from DMC	**270**	304
Rental expenses to DMC	**61**	59
Rental income from subsidiaries of DMC	**6**	6
Purchases of services from:		
DMC and its subsidiaries	**168**	88
Joint ventures	**55**	32
	223	120
Purchases of property, plant and equipment from:		
DMC, its subsidiaries and associates	**112**	104
Joint ventures	**21**	67
	133	171
Interest expense paid to:		
DMC and its subsidiaries	**28**	19
Joint ventures	**16**	69
	44	88

16. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Six months ended 30 June	
	2015 RMB million (Unaudited)	2014 RMB million (Unaudited and Restated)
Royalty fee paid to:		
DMC	**13**	—
An associate	**594**	—
	607	—
Sales of automotive parts/raw materials to:		
DMC, its subsidiaries and associates	**113**	86
Joint ventures	**1,416**	1,885
	1,529	1,971
Sales of automobiles to:		
Subsidiaries of DMC	**2,165**	961
Joint ventures	**396**	144
A non-controlling shareholder of a subsidiary	**182**	410
	2,743	1,515
Provision of services to joint ventures	**29**	35
Interest income from:		
DMC, its subsidiaries and associates	**3**	9
Joint ventures	**7**	7
	10	16
Fee and commission income from:		
DMC, its subsidiaries and associates	**—**	1
Joint ventures	**4**	7
	4	8

16. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	30 June 2015 RMB million (Unaudited)	31 December 2014 RMB million (Restated)
Receivables from related parties included in trade receivables:		
DMC, its subsidiaries and joint ventures	**326**	239
A non-controlling shareholder of a subsidiary	**21**	26
	347	265
Receivables from related parties included in prepayments, deposits and other receivables:		
DMC, its subsidiaries and associates	**18**	35
Associates	**15**	27
	33	62
Payables to related parties included in trade payables:		
DMC, its subsidiaries and associates	**212**	209
Associates	**27**	76
	239	285
Payables to related parties included in other payables, deposit taking and accruals:		
An associate	**594**	—
DMC, its subsidiaries and associates	**208**	167
A non-controlling shareholder of a subsidiary	**2**	44
	804	211

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2015 RMB thousand (Unaudited)	2014 RMB million (Unaudited and Restated)
Short-term employee benefits	**4,950**	11,294
Post-employment benefits	**296**	377
Stock appreciation rights expenses recognized in the income statement	**1,579**	2,287
Total compensation to key management personnel	**6,825**	13,958

Independent Auditor's Report

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.

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

	Notes	Year ended 31 December 2014 RMB million	2013 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	2013
	RMB million	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	31 December 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

		Attributable to equity holders of the parent							
	Notes	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	Non-controlling interests RMB million	Total equity 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

		Attributable to equity holders of the parent							
	Notes	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	Non-controlling interests RMB million	Total equity 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)

	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):

		Group	
		2014	2013
	Notes	RMB million	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	2013
	RMB million	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	2013	2014	2013
	RMB'000	RMB'000	RMB'000	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	2013
	RMB million	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	2013
	RMB million	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 Direct	Indirect	Principal activities
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	2013	**2014**	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million	**RMB million**	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	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	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	2013	2014	2013
	RMB million	RMB million	RMB million	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	2013	2014	2013
	RMB million	RMB million	RMB million	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 RMB million	2013 RMB million	2014 RMB million	2013 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	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	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	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	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	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	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	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	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	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	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.

Independent Auditors' Report

EY 安永
Building a better working world

To the shareholders of Dongfeng Motor Group Company Limited

(A joint stock company 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 71 to 187, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made 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.

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 auditors' judgement, 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 auditors consider 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 2013, 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.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

28 March 2014

Consolidated Income Statement

Year ended 31 December 2013

	Notes	2013 RMB million	2012 RMB million (Restated)
Revenue	4	**37,263**	6,090
Cost of sales		**(32,582)**	(5,736)
Gross profit		**4,681**	354
Other income	5	**1,281**	1,123
Selling and distribution expenses		**(2,268)**	(812)
Administrative expenses		**(2,179)**	(706)
Other expenses, net		**(2,062)**	(693)
Finance costs	7	**(170)**	(178)
Share of profits and losses of:			
Joint ventures		**11,176**	9,873
Associates		**253**	191
PROFIT BEFORE TAX	6	**10,712**	9,152
Income tax expense	10	**(109)**	(45)
PROFIT FOR THE YEAR		**10,603**	9,107
Profit attributable to:			
Equity holders of the parent	11	**10,528**	9,092
Non-controlling interests		**75**	15
		10,603	9,107
Earnings per share attributable to ordinary equity holders of the parent:	13		
Basic for the year		**122.19 cents**	105.52 cents
Diluted for the year		**N/A**	N/A

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 2013

	2013 RMB million	2012 RMB million (Restated)
PROFIT FOR THE YEAR	**10,603**	9,107
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Available-for-sale financial assets:		
Changes in fair value	**–**	(10)
Reclassification adjustments for losses included in the consolidation income statement		
— gain on disposal	**15**	—
Income tax effect	**–**	2
	15	(8)
Share of comprehensive income of joint ventures	**–**	15
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**15**	7
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,618**	9,114
Total comprehensive income attributable to:		
Equity holders of the parent	**10,542**	9,107
Non-controlling interests	**76**	7
	10,618	9,114

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB million	31 December 2012 RMB million (Restated)	1 January 2012 RMB million (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	14	**9,418**	2,430	2,207
Prepaid land lease prepayments		**924**	329	324
Intangible assets	15	**2,432**	202	33
Goodwill	16	**1,587**	212	—
Investments in joint ventures	18	**34,541**	31,136	29,758
Investments in associates	19	**1,362**	983	964
Available-for-sale financial assets	26	**286**	128	123
Other non-current assets	20	**7,107**	32	1
Deferred tax assets	10	**719**	14	9
Total non-current assets		**58,376**	35,466	33,419
Current assets				
Inventories	21	**4,245**	1,198	563
Trade receivables	22	**3,335**	397	495
Bills receivable	23	**11,403**	2,802	506
Prepayments, deposits and other receivables	24	**10,528**	868	942
Due from joint ventures	25	**3,712**	3,470	2,550
Pledged bank balances and time deposits	27	**2,543**	108	254
Cash and cash equivalents	27	**21,739**	17,940	17,782
		57,505	26,783	23,092
Assets classified as held for sale		**117**	117	—
Total current assets		**57,622**	26,900	23,092
TOTAL ASSETS		**115,998**	62,366	56,511

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB million	31 December 2012 RMB million (Restated)	1 January 2012 RMB million (Restated)
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Issued capital	28	**8,616**	8,616	8,616
Reserves	29	**8,115**	6,870	5,968
Retained profits	29	**44,853**	37,140	30,259
Proposed final dividend	12	**1,551**	1,292	1,551
		63,135	53,918	46,394
Non-controlling interests		**899**	85	33
Total equity		**64,034**	54,003	46,427
Non-current liabilities				
Interest-bearing borrowings	30	**—**	—	1,994
Other long term liabilities		**166**	104	56
Government grants	32	**124**	2	—
Due to joint ventures	25	**2,838**	—	—
Deferred tax liabilities	10	**147**	—	—
Total non-current liabilities		**3,275**	106	2,050

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB million	31 December 2012 RMB million (Restated)	1 January 2012 RMB million (Restated)
Current liabilities				
Trade payables	33	**13,480**	1,964	1,500
Bills payable	34	**11,722**	395	147
Other payables and accruals	35	**9,548**	1,584	4,535
Due to joint ventures	25	**6,197**	1,680	1,087
Interest-bearing borrowings	30	**5,875**	2,302	495
Income tax payable		**837**	219	232
Provisions	31	**1,014**	97	38
		48,673	8,241	8,034
Liabilities directly associated with the assets classified as held for sale		**16**	16	—
Total current liabilities		**48,689**	8,257	8,034
TOTAL LIABILITIES		**51,964**	8,363	10,084
TOTAL EQUITY AND LIABILITIES		**115,998**	62,366	56,511
Net current assets		**8,933**	18,643	15,058
Total assets less current liabilities		**67,309**	54,109	48,477

Xu Ping
Director

Zhou Qiang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

		Attributable to equity holders of the parent							
	Notes	Issued capital RMB million	Capital reserve RMB million	Statutory reserves RMB million (note 29)	Retained profits RMB million	Proposed final dividend RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
As at 1 January 2012									
As previously reported		8,616	1,505	9,810	24,912	1,551	46,394	3,190	49,584
Prior year adjustments	2.2	–	–	(5,347)	5,347	–	–	(3,157)	(3,157)
As restated		8,616	1,505	4,463	30,259	1,551	46,394	33	46,427
Profit for the year (restated)		–	–	–	9,092	–	9,092	15	9,107
Other comprehensive income for the year		–	15	–	–	–	15	(8)	7
Total comprehensive income for the year		–	15	–	9,092	–	9,107	7	9,114
Transfer to reserves		–	–	895	(895)	–	–	–	–
Gain of control in subsidiaries		–	–	–	–	–	–	37	37
Capital contribution from non-controlling shareholders		–	(8)	–	(24)	–	(32)	8	(24)
Final 2011 dividend declared and paid		–	–	–	–	(1,551)	(1,551)	–	(1,551)
Proposed final dividend	12	–	–	–	(1,292)	1,292	–	–	–
As at 31 December 2012		8,616	1,512*	5,358*	37,140	1,292	53,918	85	54,003
As at 1 January 2013									
As previously reported		**8,616**	**1,512**	**11,811**	**30,687**	**1,292**	**53,918**	**3,715**	**57,633**
Prior year adjustments	2.2	**–**	**–**	**(6,453)**	**6,453**	**–**	**–**	**(3,630)**	**(3,630)**
As restated		**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	17	**–**	**–**	**–**	**–**	**–**	**–**	**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**

* These reserve accounts comprise the consolidated reserves of RMB8,115 million (2012: RMB6,870 million (restated)) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB million	2012 RMB million (Restated)
Cash flows from operating activities			
Profit before tax		**10,712**	9,152
Adjustments for:			
Share of profits and losses of joint ventures and associates		**(11,429)**	(10,064)
Gain on disposal of items of property, plant and equipment, net	6	**(48)**	—
Gain on disposal of land lease prepayment	6	**(75)**	—
Gain on remeasurement of previously held interests in the acquirees	5	**(40)**	(113)
Gain on disposal of available-for-sale financial assets		**(13)**	—
Provision/(reversal of provision) against inventories	6	**(20)**	62
Impairment of trade and other receivables	6	**62**	(5)
Exchange losses/(gains), net	6	**(5)**	5
Depreciation	6	**728**	194
Impairment of items of property, plant and equipment	6	**2**	—
Amortisation of intangible assets	6	**35**	10
Finance costs	7	**170**	178
Interest income	5	**(544)**	(598)
Government grants	5	**(48)**	(26)
		(513)	(1,205)
Decrease/(increase) in trade and bills receivables and prepayments, deposits and other receivables		**3,514**	(1,897)
Decrease/(increase) in inventories		**130**	(431)
Decrease/(increase) in amounts due from joint ventures		**(270)**	14
Increase in trade and bills payables, and other payables and accruals		**1,056**	368
Increase in loans and receivables from financing services		**(3,975)**	—
Decrease in cash deposits received from financing services		**(9,619)**	—
Increase in a mandatory reserve with the People's Bank of China		**(688)**	—
Increase in amounts due to joint ventures		**908**	593
Increase in provisions		**119**	58
Decrease in other long term liabilities		**—**	(2)
Cash generated from operations		**(9,338)**	(2,502)
Interest paid		**(150)**	(202)
Income tax paid		**(206)**	(52)
Net cash flows used in operating activities		**(9,694)**	(2,756)

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB million	2012 RMB million (Restated)
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(750)**	(384)
Increase in lease prepayments and other long term assets		**(64)**	(3)
Purchases of intangible assets		**(518)**	(168)
Purchases of available-for-sale financial assets		**(32)**	—
Acquisition of control in subsidiaries	17	**8,779**	(149)
Investments in joint ventures		**(235)**	(175)
Investments in associates		**(203)**	(5)
Proceeds from disposal of items of property, plant and equipment		**108**	19
Proceeds from disposal of intangible assets		**75**	—
Proceeds from disposal of available-for-sale financial assets		**89**	8
Dividends from joint ventures and associates		**8,937**	7,778
Government grants received		**77**	26
Interest received		**540**	597
Decrease/(increase) in pledged bank balances and time deposits		**(1,404)**	146
Decrease/(increase) in non-pledged time deposits with original maturity of three months or more when acquired		**2,583**	(2,921)
Net cash flows from investing activities		**17,982**	4,769
Cash flows from financing activities			
Proceeds from borrowings		**3,614**	750
Repayment of borrowings		**(3,759)**	(3,975)
Decrease in cash deposits received from DMC by a subsidiary		**(260)**	—
Capital contribution from non-controlling shareholders		**113**	—
Acquisition of non-controlling interests		**(93)**	—
Dividends paid to non-controlling shareholders		**(17)**	—
Dividends paid		**(1,504)**	(1,551)
Net cash flows used in financing activities		**(1,906)**	(4,776)
Net increase/(decrease) in cash and cash equivalents		**6,382**	(2,763)
Cash and cash equivalents at beginning of year		**10,288**	13,051
Cash and cash equivalents at end of year	27	**16,670**	10,288

Statement of Financial Position

31 December 2013

	Notes	2013 RMB million	2012 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	14	**2,392**	2,148
Lease prepayments		**298**	304
Intangible assets	15	**642**	193
Investments in subsidiaries	17	**13,413**	865
Investments in joint ventures	18	**13,066**	13,212
Investments in associates	19	**595**	420
Available-for-sale financial assets	26	**177**	68
Total non-current assets		**30,583**	17,210
Current assets			
Inventories	21	**442**	837
Trade receivables	22	**568**	471
Bills receivable	23	**1,427**	2,619
Prepayments, deposits and other receivables	24	**2,039**	664
Due from joint ventures	25	**3,128**	3,352
Cash and cash equivalents	27	**17,009**	16,577
Total current assets		**24,613**	24,520
TOTAL ASSETS		**55,196**	41,730

Statement of Financial Position

31 December 2013

	Notes	2013 RMB million	2012 RMB million
EQUITY AND LIABILITIES			
Equity			
Issued capital	28	**8,616**	8,616
Reserves	29	**7,477**	6,531
Retained profits	29	**22,703**	18,345
Proposed final dividend	12	**1,551**	1,292
Total equity		**40,347**	34,784
Non-current liabilities			
Interest-bearing borrowings	30	**2,705**	—
Other non-current liabilities		**57**	57
Total non-current liabilities		**2,762**	57
Current liabilities			
Trade payables	33	**4,121**	1,676
Bills payable	34	**686**	287
Other payables and accruals	35	**2,323**	1,253
Due to joint ventures	25	**158**	1,282
Interest-bearing borrowings	30	**4,431**	2,088
Income tax payable		**211**	211
Provisions	31	**157**	92
Total current liabilities		**12,087**	6,889
TOTAL LIABILITIES		**14,849**	6,946
TOTAL EQUITY AND LIABILITIES		**55,196**	41,730

Xu Ping
Director

Zhou Qiang
Director

1. CORPORATE 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.

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 ("IFRSs"), 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 Hong Kong Companies Ordinance. 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 foreign currency forward and swap contracts, available-for-sale financial assets and other financial assets at fair value through profit or loss.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	*Amendments to IAS 36 Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009 — 2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRS 10, IFRS 11, IFRS 12, IFRS 13, IAS 19 Amendments, amendments to IFRS 10, IFRS 11, IFRS 12, IAS 1 and IAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial and addresses the issues in SIC 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of IFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under IFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with IAS 28 Amendment.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11, and concluded that the Group's investments which were previously classified as jointly-controlled entities ("JCEs") under IAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under IFRS 11 and be accounted for using the equity method. The change in accounting for investments in joint ventures has been applied retrospectively. The opening balances as at 1 January 2012 and comparative information for the year ended 31 December 2012 have been restated in the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

The operating results previously reported by the Group for the year ended 31 December 2012 has been restated to equity account for the Group's JCEs as set out below:

	The Group RMB million (as previously reported)	JCEs RMB million	The Group RMB million (Restated)
Revenue	124,036	(117,946)	6,090
Cost of sales	(100,160)	94,424	(5,736)
Other income	3,129	(2,006)	1,123
Selling and distribution costs	(6,716)	5,904	(812)
Administrative expenses	(3,937)	3,231	(706)
Other expenses, net	(3,772)	3,079	(693)
Finance costs	(288)	110	(178)
Share of profits and losses of:			
Joint ventures	—	9,873	9,873
Associates	406	(215)	191
Income tax	(2,919)	2,874	(45)
Profit for the year	9,779	(672)	9,107
Attributable to:			
Owners of the parent	9,092	—	9,092
Non-controlling interests	687	(672)	15
	9,779	(672)	9,107

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 17, 18 and 19 to the financial statements.

(d) The IFRS 10, IFRS 11 and IFRS 12 Amendments clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time.

(e) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended.

(f) The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified. The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes.

(g) IAS 19 Amendments include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The adoption of the revised standard has had no material effect on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(h) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) *Annual Improvements 2009–2011 Cycle* issued in May 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to* IFRS 9, IFRS 7 and IAS 39[4]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[1]
IFRS 14	*Regulatory Deferred Accounts*[3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs issued in December 2013[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of Additions.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

(c) 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.

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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 derivative financial instruments and equity investments at fair value at the end of 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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 (other than inventories, financial assets, goodwill and non-current assets/a disposal group classified as held for sale), 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Construction in progress represents property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and 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.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

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.

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.

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

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and negative net changes in fair value presented as finance costs in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i,e, removed from the Group's consolidated statement of financial position) 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and measurement

The Group uses derivative financial instruments such as foreign currency forward and swap contracts to hedge its foreign currency risk. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

A provision is 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.

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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:

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.

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.

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.

Dividend income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

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.

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.

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.

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.

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").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

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.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the functional and presentation currency of the Group. Foreign currency transactions are initially recorded using the functional currency rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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.

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.

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.

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.

Impairment of receivables

Management recognises bad debt provision based on its estimates of recovery of trade and other receivables. Bad debt provision is recognised when there are indicators that the receivables cannot be recovered. If the actual situation deviates from the current estimates, any differences arising from the deviation will affect the carrying value of receivables and the results of operations in the future periods.

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.

4. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION

Revenue on sale of goods

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

Segment information

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

- The commercial vehicles segment manufactures and sells commercial vehicles, and the related engines and other automotive parts
- The passenger vehicles segment manufactures and sells passenger vehicles, and the related engines and other automotive parts
- The corporate and others segment manufactures and sells other automobile related products and provides financing services associated with the sales of vehicles.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating segment profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group's 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, and the Group's consolidated assets are substantially located inside the PRC, no geographical information is presented.

During the year ended 31 December 2013, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2012: RMB1,188 million (restated)).

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

Segment information (continued)

Year ended 31 December 2013

	Commercial vehicles RMB million	Passenger vehicles RMB million	Corporate and others RMB million	Total RMB million
Segment revenue				
Sales to external customers	24,527	11,905	54	36,486
Interest income from financing services	—	—	777	777
	24,527	11,905	831	37,263
Results				
Segment results	506	(1,071)	(526)	(1,091)
Interest income	165	108	271	544
Finance costs				(170)
Share of profits and losses of:				
Associates	—	39	214	253
Joint ventures	2,624	9,290	(738)	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	88	750
— Intangible assets	45	469	4	518
— Lease prepayments	66	184	—	250
Depreciation of items of property, plant and equipment	412	194	122	728
Amortisation of intangible assets	28	4	3	35
Provision against inventories	7	(26)	(1)	(20)
Impairment losses recognised in the income statement	22	(2)	44	64
Warranty provisions	303	202	—	505

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

Segment information (continued)

Year ended 31 December 2012 (restated)

	Commercial vehicles RMB million	Passenger vehicles RMB million	Corporate and others RMB million	Total RMB million
Segment revenue				
Sales to external customers	2,784	3,254	52	6,090
Interest income from financing services	—	—	—	—
	2,784	3,254	52	6,090
Results				
Segment results	132	(1,051)	(413)	(1,332)
Interest income	5	31	562	598
Finance costs				(178)
Share of profits and losses of:				
Associates	15	44	132	191
Joint ventures	730	9,829	(686)	9,873
Profit before tax				9,152
Income tax expense				(45)
Profit for the year				9,107
Other segment information				
Capital expenditure:				
— Property, plant and equipment	88	172	124	384
— Intangible assets	—	—	168	168
— Lease prepayments	10	—	1	11
Depreciation of items of property, plant and equipment	28	110	56	194
Amortisation of intangible assets	1	3	6	10
Provision against inventories	9	53	—	62
Impairment losses recognised in the income statement	—	—	4	4
Warranty provisions	21	64	—	85

5. OTHER INCOME

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

		Group	
	Notes	2013 RMB million	2012 RMB million (Restated)
Net income from disposal of other materials		**82**	7
Government grants and subsidies	32	**48**	26
Interest income		**544**	598
Rendering of services		**122**	135
Gain on remeasurement of previously held interests in the acquirees	17	**40**	113
Management dispatch fee received from joint ventures		**314**	194
Others		**131**	50
		1,281	1,123

6. PROFIT BEFORE TAX

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

	Notes	Group 2013 RMB million	Group 2012 RMB million (Restated)
Cost of inventories recognised as expense		**32,480**	5,736
Interest expense for financing services (included in cost of sales)		**102**	—
Provision/(reversal of provision) against inventories		**(20)**	62
Depreciation	14	**728**	194
Amortisation of intangible assets *	15	**35**	10
Amortisation of lease prepayments		**19**	8
Auditors' remuneration		**25**	14
Minimum lease payments under operating leases in respect of land and buildings		**75**	54
Staff costs (excluding directors' and supervisors' remuneration (note 8)):			
— Wages and salaries		**2,857**	574
— Pension scheme costs	(a)	**306**	92
— Medical benefit costs	(b)	**161**	32
— Cash housing subsidy costs	(c)	**8**	—
— Stock appreciation rights expense	(e)	**24**	—
		3,356	698
Included in other expenses, net			
Gain on disposal of items of property, plant and equipment, net		**(48)**	—
Gain on disposal of prepaid land lease prepayments		**(75)**	—
Impairment of items of property, plant and equipment	14	**2**	—
Impairment of trade and other receivables		**62**	(5)
Warranty provisions	31	**505**	85
Research costs		**1,634**	608
Exchange losses/(gains), net		**(5)**	5

* The amortisation of intangible assets is included in "Cost of sales" in the consolidated income statement.

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. 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 2013, the carrying amount of the liability relating to the SARs stated on the basis as described in the preceding paragraph was RMB24 million (2012: Nil) and the compensation expense recognised for the year ended 31 December 2013 was RMB24 million (2012: Nil).

6. PROFIT BEFORE TAX (continued)

(e) Stock appreciation rights (continued)

The following SARs were outstanding during the year:

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

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

2013

Number of SAR units '000	Exercise price HK$ per share	Exercise period
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 2013:

Dividend yield (%)	0
Expected volatility (%)	50
Risk-free interest rate (%)	1.03
Expected life of options (years)	3.99
Share price on measurement date (HK$ per share)	12.14

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	RMB million	RMB million
		(Restated)
Interest on bank loans and other borrowings wholly repayable within five years	**23**	26
Interest on discounted bills	**38**	—
Interest on short term notes	**71**	—
Interest on medium term notes	**38**	152
Net interest expense	**170**	178

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	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Fees	**681**	441	**120**	96
Other emoluments:				
— Salaries, allowances and benefits in kind	**2,141**	2,770	**1,705**	1,732
— Bonuses	**3,024**	3,443	**3,467**	3,954
— Pension scheme costs	**545**	508	**345**	390
	6,391	7,162	**5,637**	6,172
Stock appreciation right expenses recognised in the income statement	**1,463**	—	**824**	—
Total charged to the income statement	**7,854**	7,162	**6,461**	6,172

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 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

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

The names of the directors and the supervisors and their remuneration for the year ended 31 December 2012 are as follows:

2012	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme costs RMB'000	Total RMB'000
Executive directors:					
Xu Ping	—	337	414	62	813
Zhu Fushou	—	336	357	56	749
Zhou Wenjie	—	303	383	49	735
Fan Zhong	—	300	383	57	740
Li Shaozhu	—	300	383	57	740
	—	1,576	1,920	281	3,777
Non-executive directors:					
Tong Dongcheng	—	300	383	57	740
Liu Weidong	—	300	383	57	740
Ouyang Jie	—	300	383	57	740
Zhou Qiang	—	294	374	56	724
	—	1,194	1,523	227	2,944
Independent non-executive directors:					
Sun Shuyi	147	—	—	—	147
Ng Lin-fung	147	—	—	—	147
Yang Xianzu	147	—	—	—	147
	441	—	—	—	441
	441	2,770	3,443	508	7,162

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

2012	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme costs RMB'000	Total RMB'000
Supervisors:					
Ren Yong	—	740	1,358	101	2,199
Li Chunrong	—	172	391	43	606
Kang Li	—	184	563	47	794
Ma Liangjie	—	302	374	112	788
Chen Binbo	—	164	763	43	970
Huang Gang	—	170	505	44	719
	—	1,732	3,954	390	6,076
Independent supervisors:					
Wen Shiyang	48	—	—	—	48
Deng Mingran	48	—	—	—	48
	96	—	—	—	96
	96	1,732	3,954	390	6,172

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 2013 and 2012.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2012: one supervisor), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2012: four) highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,837**	1,954
Bonuses	**5,983**	3,537
Pension scheme contributions	**427**	278
	9,247	5,769

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	
	2013	2012
Nil–RMB1,500,000	**—**	3
RMB1,500,001–RMB2,000,000	**3**	1
RMB2,000,0001–RMB2,500,000	**1**	—
	4	4

During the year, the SARs were granted to the four (2012: 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	
	2013	2012
	RMB million	RMB million
		(Restated)
Current income tax	**770**	48
Deferred income tax	**(661)**	(3)
Income tax expense for the year	**109**	45

(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 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			
	2013		2012	
	RMB million	%	RMB million (Restated)	%
Profit before tax	**10,712**		9,152	
At the PRC statutory corporate income tax rate of 25% (2012: 25%)	**2,678**	**25.0**	2,288	25.0
Tax concessions and lower tax rates for specific provinces or locations	**(178)**	**(1.7)**	(52)	(0.6)
Profits attributable to joint ventures and associates	**(2,857)**	**(26.7)**	(2,516)	(27.5)
Income not subject to corporate income tax	**(22)**	**(0.4)**	(32)	(0.3)
Expenses not deductible for corporate income tax	**25**	**0.2**	29	0.3
Tax losses not recognised	**463**	**4.3**	328	3.6
Income tax expense at the Group's effective income tax rate	**109**	**1.0**	45	0.5

The share of tax attributable to associates and joint ventures amounting to RMB69 million (2012: RMB49 million) and RMB3,913 million (2012: RMB2,816 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 statement of comprehensive income Year ended 31 December	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million (Restated)
Deferred tax assets:				
Assets impairment	**25**	—	**(25)**	—
Accrued expenses	**376**	4	**(372)**	(1)
Warranty provision	**121**	1	**(120)**	—
Wages payable	**151**	2	**(149)**	—
Others	**46**	7	**(39)**	(4)
Gross deferred tax assets	**719**	14		
Deferred tax liabilities:				
Fair value adjustments arising from gain of control in subsidiaries	**(147)**	—	**147**	—
Gross deferred tax liabilities	**(147)**	—		
			(558)	(5)
Represented by:				
Deferred tax credit to consolidated income statement			**(661)**	(3)
Deferred tax credit to consolidated other comprehensive income			**—**	(2)
Gain of control in subsidiaries			**103**	—
			(558)	(5)

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 2013 includes a profit of RMB6,855 million (2012: RMB7,470 million) which has been dealt with in the financial statements of the Company (note 29).

12. DIVIDEND

	Group	
	2013	2012
	RMB million	RMB million
Proposed final — RMB0.18 (2012: RMB0.15) per ordinary share	**1,551**	1,292

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

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 common reserve 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 common reserve can be used to offset previous years' losses, if any, and part of the statutory common reserve 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.

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

12. DIVIDEND (continued)

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 weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year.

The calculation of basic earnings per share is based on:

	2013 RMB million	2012 RMB million
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	**10,528**	9,092

	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.

14. PROPERTY, PLANT AND EQUIPMENT

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 (Restated):				
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 (Restated)	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)

Group

	Buildings RMB million (Restated)	Plant and equipment RMB million (Restated)	Construction in progress RMB million (Restated)	Total RMB million (Restated)
31 December 2012				
At 31 December 2011 and 1 January 2012:				
Cost	288	2,321	520	3,129
Accumulated depreciation and impairment	(99)	(811)	(12)	(922)
Net carrying amount	189	1,510	508	2,207
At 1 January 2012, net of accumulated depreciation and impairment	189	1,510	508	2,207
Additions	18	83	283	384
Disposals	(13)	(6)	—	(19)
Gain of control in subsidiaries	12	39	1	52
Reclassifications	3	285	(288)	—
Depreciation provided during the year	(18)	(176)	—	(194)
At 31 December 2012, net of accumulated depreciation and impairment	191	1,735	504	2,430
At 31 December 2012:				
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

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

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 2012				
At 31 December 2011 and 1 January 2012:				
Cost	284	2,117	505	2,906
Accumulated depreciation and impairment	(99)	(753)	(11)	(863)
Net carrying amount	185	1,364	494	2,043
At 1 January 2012, net of accumulated depreciation and impairment	185	1,364	494	2,043
Additions	2	7	275	284
Disposals	—	(6)	—	(6)
Reclassifications	3	284	(287)	—
Depreciation provided during the year	(11)	(162)	—	(173)
At 31 December 2012, net of accumulated depreciation and impairment	179	1,487	482	2,148
At 31 December 2012:				
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

The impairment provided for the items of property, plant and equipment of the Group mainly represents a full provision for idle production facilities which were, in the opinion of the directors, without significant resale value.

15. INTANGIBLE ASSETS

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Cost:				
At 1 January	**403**	219	**387**	219
Additions	**518**	168	**458**	168
Gain of control in subsidiaries	**2,157**	16	**—**	—
Disposals	**(2)**	—	**—**	—
At 31 December	**3,076**	403	**845**	387
Accumulated amortisation:				
At 1 January	**89**	74	**82**	74
Amortisation	**35**	10	**9**	8
Gain of control in subsidiaries	**410**	5	**—**	—
Disposals	**(2)**	—	**—**	—
At 31 December	**532**	89	**91**	82
Impairment:				
At 1 January	**112**	112	**112**	112
Additions	**—**	—	**—**	—
At 31 December	**112**	112	**112**	112
Net book value:				
At 1 January	**202**	33	**193**	33
At 31 December	**2,432**	202	**642**	193

16. GOODWILL

Group

	2013 RMB million	2012 RMB million (Restated)
At 1 January	**212**	—
Additions	**1,375**	212
At 31 December	**1,587**	212

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 15%. No growth rate has been projected beyond the five-year period.

17. INVESTMENTS IN SUBSIDIARIES

Company

	2013 RMB million	2012 RMB million
Unlisted investments, at cost	**13,413**	865

17. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2013 were as follows:

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Dongfeng Commercial Vehicles Co., Ltd.	PRC	RMB9,200,000,000	100	—	Manufacturing and sales of commercial vehicles
Dongfeng Liuzhou Motor Co., Ltd.	PRC	RMB958,000,000	75.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Motor Finance Co., Ltd. ("DFF")	PRC	RMB1,319,000,000	100.0	—	Provision of finance services
China Dongfeng Motor Industry Import and Export Co., Ltd.	PRC	RMB200,000,000	95.0	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

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.

17. INVESTMENTS IN SUBSIDIARIES (continued)

During the year ended 31 December 2013, the Group had the following significant changes in the holdings of subsidiaries:

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

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

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

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

Since the acquisition, the CV Businesses contributed RMB28,744 million to the Group's turnover and profit of RMB852 million for the year ended 31 December 2013.

17. INVESTMENTS IN SUBSIDIARIES (continued)

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

	RMB million
Property, plant and equipment	7,029
Intangible assets	1,747
Prepaid land lease prepayments	621
Deferred tax assets	97
Available-for-sale financial assets	187
Investment in a joint venture	917
Other non-current assets	4,314
Inventories	3,157
Trade and bills receivables	15,051
Prepayment, deposits and other receivables	8,323
Cash and cash equivalents	16,590
Pledged bank balances and time deposits	1,031
Interest-bearing borrowings	(1,154)
Trade and bills payables	(21,531)
Other payables and accrued liabilities	(23,658)
Income tax payable	(54)
Other non-current liabilities	(30)
Provisions	(798)
Government grants	(93)
Deferred tax liabilities	(200)
Non-controlling interests	(702)
	10,844
Goodwill on acquisition	1,375
Gain on remeasurement of previously held interests in the acquirees	(40)
	12,179
Represented by:	
Fair value of the consideration — cash	7,811
Fair value of a balance due to a joint venture	4,022
Interest in a joint venture	346
	12,179
An analysis of the cash flows in respect of the gain of control in subsidiaries is as follows:	
Cash consideration	(7,811)
Cash and cash equivalents acquired	16,590
Net inflow of cash and cash equivalents included in cash flows from investing activities	8,779

18. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Unlisted investments, at cost	**—**	—	**13,066**	13,212
Share of net assets	**34,264**	30,859	**—**	—
Goodwill on acquisition	**277**	277	**—**	—
	34,541	31,136	**13,066**	13,212

Particulars of the principal joint ventures as at 31 December 2013 were as follows:

Name	Place of establishment and business	Paid-up registered capital	Percentage of equity interest attributable to the Company: Direct	Indirect	Principal activities
Dongfeng Motor Co., Ltd. ("DFL")#	PRC	RMB16,700,000,000	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Peugeot Citroen Automobile Company Ltd. ("DPCA")#	PRC	RMB7,000,000,000	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Honda Automobile Co., Ltd. ("DHAC")#	PRC	US$560,000,000	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Honda Engine Co., Ltd.#	PRC	US$121,583,517	50.0	—	Manufacture and sale of automotive parts and components

18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the principal joint ventures as at 31 December 2013 were as follows: (continued)

Name	Place of establishment and business	Paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Honda Auto Parts Co., Ltd.#	PRC	US$37,500,000	44.0	—	Manufacture and sale of automotive parts and components
Dongvo (Hangzhou) Truck Co., Ltd.#	PRC	RMB289,900,700	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Renault Automotive Co., Ltd.#	PRC	RMB784,781,628	55.0	—	Manufacture and sale of automobiles, automotive parts and components
Wuhan Schmitz Trailer Co., Ltd.#	PRC	RMB150,000,000	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Automobile Co., Ltd.##	PRC	RMB2,000,000,000	—	30.1	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Electronics Technology Co., Ltd.##	PRC	RMB313,560,000	—	32.5	Manufacture and sale of automotive parts and components

18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the principal joint ventures as at 31 December 2013 were as follows: (continued)

Name	Place of establishment and business	Paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Cummins Engines Co., Ltd.#	PRC	US$100,620,000	–	15.0	Manufacture and sale of automotive parts and components
Guangzhou Aeolus Automobile Co., Ltd.#	PRC	RMB2,200,000,000	–	30.0	Manufacture and sale of automobiles, automotive parts and components
Aeolus Xiangyang Motor Co., Ltd.#	PRC	RMB826,000,000	–	41.7	Manufacture and sale of automotive parts and components
Aeolus Automobile Co., Ltd.#	PRC	RMB194,400,000	–	33.4	Manufacture and sale of automobiles, automotive parts and components
Zhengzhou Nissan Automobile Co., Ltd.#	PRC	RMB1,290,000,000	–	39.8	Manufacture and sale of automobiles
Dongfeng Peugeot Citroen Finance Co., Ltd.#	PRC	RMB500,000,000	25	12.5	Provision of finance services

\# Sino-foreign equity joint ventures

\#\# Joint stock limited liability companies

The above table lists the joint ventures 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 joint ventures would, in the opinion of the directors, result in particulars of excessive length.

18. INVESTMENTS IN JOINT VENTURES (continued)

The following tables illustrate the aggregate financial information of the Group's material joint ventures (not the Group's share of those amounts). The Group's material joint ventures, such as DFL, DPCA and DHAC, are all 50% owned by the Group and are mainly involved in the manufacture and sale of passenger vehicles As these material joint ventures are exposed to similar risk and with similar return characteristics, the aggregate financial information of the Group's material joint ventures are disclosed as follows.

	2013 RMB million	2012 RMB million
Cash and cash equivalents	**26,721**	30,670
Other current assets	**83,006**	67,181
Total current assets	**109,727**	97,851
Non-current assets	**65,260**	67,914
Total assets	**174,987**	165,765
Current financial liabilities (excluding trade, other payables and provisions)	**(2,304)**	(2,235)
Other current liabilities	**(98,510)**	(94,693)
Total current liabilities	**(100,814)**	(96,928)
Non-current financial liabilities (excluding trade, other payables and provisions)	**(2,643)**	(2,318)
Other non-current liabilities	**(1,839)**	(1,457)
Total non-current liabilities	**(4,482)**	(3,775)
Total liabilities	**(105,296)**	(100,703)
Non-controlling interests	**(7,534)**	(7,912)
Net assets	**62,157**	57,150

18. INVESTMENTS IN JOINT VENTURES (continued)

Reconciliation of share of net assets to carrying amount of investments in material joint ventures:

	2013 RMB million	2012 RMB million
Net assets	**62,157**	57,150
Portion of Group's ownership	**50%**	50%
Group share of net assets of material joint ventures, excluding goodwill	**31,079**	28,575
Goodwill on acquisition less cumulative impairment	**277**	277
Carrying amount of investments in material joint ventures	**31,356**	28,852

18. INVESTMENTS IN JOINT VENTURES (continued)

Summarised statements of comprehensive income of material joint ventures:

	2013 RMB million	2012 RMB million
Revenue	**237,570**	227,495
Depreciation and amortization	**(5,655)**	(4,946)
Interest income	**983**	1,184
Interest expenses	**(129)**	(212)
Profit before tax	**29,808**	25,104
Income tax expenses	**(7,224)**	(5,247)
Profit after tax	**22,584**	19,857
Non-controlling interests	**(1,771)**	(1,443)
Other comprehensive income	**—**	30
Total comprehensive income	**20,813**	18,444
Dividend received by the Group	**7,928**	7,598

18. INVESTMENTS IN JOINT VENTURES (continued)

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

	2013 RMB million	2012 RMB million
Share of joint ventures' results		
Profit after tax	**769**	666
Other comprehensive income	**—**	—
Total comprehensive income	**769**	666
Aggregate carrying amount of the Group's investments in the joint ventures	**3,185**	2,283

19. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	**2013 RMB million**	2012 RMB million
Unlisted investments, at cost	**—**	—	**595**	420
Share of net assets	**1,362**	983	**—**	—
Goodwill on acquisition	**—**	—	**—**	—
	1,362	983	**595**	420

19. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the principal associates as at 31 December 2013 were as follows:

Name	Place of establishment and business	Paid-up registered capital	Percentage of ownership interest attributable to the Group	Principal activities
Dongfeng Nissan Auto Finance Co., Ltd.#	PRC	RMB1,200,000,000	35%	Provision of finance services
Shenzhen DFS Industrial Group Co., Ltd.#	PRC	RMB300,000,000	47.5%	Marketing and sale of automobiles
Wuhan Lear-DFM Auto Electric Co. Ltd.#	PRC	US$8,000,000	25%	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 following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 RMB million	2012 RMB million
Share of associates' results		
Profit after tax	**253**	191
Other comprehensive income	**—**	—
Total comprehensive income	**253**	191
Aggregate carrying amount of the Group's investments in associates	**1,362**	983

20. OTHER NON-CURRENT ASSETS

		Group	
	Note	2013 RMB million	2012 RMB million (Restated)
Loans and receivables from financing services	24(ii)	**4,323**	—
Mandatory reserve with the People's Bank of China (the "PBOC") *		**2,619**	—
Others		**165**	32
		7,107	32

* 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	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Raw materials	**910**	286	**165**	179
Work in progress	**388**	166	**111**	125
Finished goods	**2,947**	746	**166**	533
	4,245	1,198	**442**	837

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 aged 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	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Within three months	**1,784**	273	**402**	380
More than three months but within one year	**1,502**	113	**157**	90
More than one year	**49**	11	**9**	1
	3,335	397	**568**	471

22. TRADE RECEIVABLES (continued)

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

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
At 1 January	**45**	43	**9**	6
Gain of control in subsidiaries	**72**	9	**—**	—
Net impairment loss recognised	**43**	(6)	**2**	3
Amount written off as uncollectible	**—**	(1)	**—**	—
At 31 December	**160**	45	**11**	9

As at 31 December 2013, trade receivables of the Group with an aggregate nominal value of RMB39 million (2012: RMB3 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 aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Neither past due nor impaired	**1,784**	272	**402**	383
Less than three months past due	**255**	2	**88**	90
	2,039	274	**490**	473

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	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
DMC, its subsidiaries and joint ventures	**331**	6	**2**	2
A non-controlling shareholder of a subsidiary	**8**	—	**—**	—
Subsidiaries	**—**	—	**114**	225
	339	6	**116**	227

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	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Within three months	**2,577**	411	**1,139**	340
More than three months but within one year	**8,826**	2,391	**288**	2,279
	11,403	2,802	**1,427**	2,619

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	Group 2013 RMB million	Group 2012 RMB million (Restated)	Company 2013 RMB million	Company 2012 RMB million
Prepayments		**1,612**	586	**465**	427
Deposits and other receivables	(i)	**793**	282	**1,574**	237
Loans and receivables from financing services	(ii)	**8,123**	—	**—**	—
		10,528	868	**2,039**	664

Notes:

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

	Group 2013 RMB million	Group 2012 RMB million (Restated)	Company 2013 RMB million	Company 2012 RMB million
At 1 January	**3**	2	**—**	—
Gain of control in subsidiaries	**36**	—		
Net impairment loss recognised	**2**	1	**—**	—
At 31 December	**41**	3	**—**	—

(ii) Loans and receivables from financing services represented loans granted by the Group's subsidiary, 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 4.80%-10.44% 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:

	2013 RMB million	2012 RMB million (Restated)
Gross loans and receivables from financing services	**12,627**	—
Less: impairment allowances	**181**	—
	12,446	—
Less: current portion	**8,123**	—
Non-current portion	**4,323**	—

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes: (continued)

(ii) (continued)

Movements of impairment allowances are as follows:

	2013 RMB million	2012 RMB million (Restated)
At 1 January	—	—
Gain of control in subsidiaries	166	—
Impairment allowances charged	17	—
Amount written off as uncollectible	(2)	—
At 31 December	181	—

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

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
DMC, its subsidiaries and associates	505	258	147	232
A non-controlling shareholder of a subsidiary	5	—	—	—
Associates	15	15	—	—
Subsidiaries	—	—	1,465	153
	525	273	1,612	385

The above balances are unsecured, have no fixed terms of repayment and interest-free except for a balance due from a subsidiary of Company of RMB1,300 million which bears interest at 7% per annum.

25. BALANCES WITH JOINT VENTURES

	Notes	Group 2013 RMB million	Group 2012 RMB million (Restated)	Company 2013 RMB million	Company 2012 RMB million
Due from joint ventures					
Interest-bearing loans to joint ventures	(a)	**215**	—	**—**	—
Dividends receivable from joint ventures		**3,029**	3,272	**3,029**	3,272
Others	(b)	**468**	198	**99**	80
		3,712	3,470	**3,128**	3,352
Less: current portion		**(3,712)**	(3,470)	**(3,128)**	(3,352)
Non-current portion		**—**	—	**—**	—
Due to joint ventures					
Cash deposits in DFF	(c)	**2,425**	—	**—**	—
Arising from acquisition of CV businesses	(d)	**3,904**	—	**—**	—
Others	(b)	**2,706**	1,680	**158**	1,282
		9,035	1,680	**158**	1,282
Less: current portion		**(6,197)**	(1,680)	**(158)**	(1,282)
Non-current portion		**2,838**	—	**—**	—

Notes:

(a) Loans to joint ventures are unsecured and bear interest at 4.80%-6.60% per annum.

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

(c) 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.

(d) 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	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
		(Restated)		
Unlisted investments at cost less impairment:				
Non-current	**286**	128	**177**	68

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	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Cash and bank balances	**12,682**	10,372	**5,249**	9,311
Time deposits*	**11,600**	7,676	**11,760**	7,266
	24,282	18,048	**17,009**	16,577
Less: Pledged bank balances and time deposits for securing general banking facilities	**(2,543)**	(108)	**—**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**21,739**	17,940	**17,009**	16,577
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(5,069)**	(7,652)	**—**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows	**16,670**	10,288	**17,009**	16,577

* Time deposits included a cash deposit of RMB2,000 million (2012: 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 to their fair values.

28. SHARE CAPITAL

Group and Company

	2013 RMB million	2012 RMB million
Registered, issued and fully paid:		
— 5,760,388,000 (2012: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
— 2,855,732,000 (2012: 2,855,732,000) H shares of RMB1.00 each	**2,856**	2,856
	8,616	8,616

29. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 76 of the financial statements.

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 2012	1,363	4,291	13,044	1,551	20,249
Final 2011 dividend declared	—	—	—	(1,551)	(1,551)
Total comprehensive income for the year	—	—	7,470	—	7,470
Transfer to reserves	—	877	(877)	—	—
Proposed final dividend	—	—	(1,292)	1,292	—
At 31 December 2012 and 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 dividend	—	—	(1,551)	1,551	—
At 31 December 2013	1,363	6,114	22,703	1,551	31,731

29. RESERVES (continued)

Company (continued)

Notes:

(a) *Statutory reserves*

In accordance with the PRC Company Law, the Company, its subsidiaries and associates are required to allocate 10% of their profits after tax (determined under 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

	2013			2012 (Restated)		
	Effective interest rate (%)	Maturity	RMB million	Effective interest rate (%)	Maturity	RMB million
Current						
Bank loans — secured	**1.52**	**2014**	**5**	1.52-6.98	2013	180
Bank loans — unsecured	**1.62-2.15**	**2014**	**303**	3.9	2013	124
Short term notes — unsecured	**3.8**	**2014**	**3,000**			—
Medium term notes — unsecured			**—**	3.49	2013	1,998
Other loans — unsecured *		**2014**	**2,567**			—
			5,875			2,302

* Other loans represented cash deposits placed by DMC, its joint venture and subsidiaries amounting to RMB330 million (2012: nil (restated)) 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 savings interest rate published by the PBOC.

30. INTEREST-BEARING BORROWINGS (continued)

Company

	2013			2012		
	Effective interest rate (%)	Maturity	RMB million	Effective interest rate (%)	Maturity	RMB million
Current						
Bank loans — unsecured			—	5-6	2013	90
Loan from a subsidiary						
— unsecured	1.58-3	2014	1,431			—
Short term notes — unsecured	3.8	2014	3,000			—
Medium term notes — unsecured			—	3.49	2013	1,998
			4,431			2,088
Non-current						
Loan from a subsidiary						
— unsecured	1.98-2.25	2016	2,705			—
			7,136			2,088

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

	2013 RMB million	2012 RMB million (Restated)
Time deposits and bank balances	2,543	108

30. INTEREST-BEARING BORROWINGS (continued)

On 15 July 2010, medium term notes with a principal amount of RMB2,000 million were issued to investors. The medium term notes were issued at a face value of RMB100 each and would mature on 15 July 2013. The medium term notes carried a fixed interest rate of 3.49% per annum and would be payable annually on 15 July each year. The medium term notes were fully settled during the year ended 31 December 2013.

On 15 May 2013, short term notes with a principal amount of RMB3,000 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 3.8% per annum and have to be fully settled on 10 February 2014.

Details of the short and medium term notes at 31 December 2013 are as follows:

	2013 RMB million	2012 RMB million (Restated)
Principal amount	**3,000**	2,000
Notes issuance cost	**(3)**	(2)
Proceeds received	**2,997**	1,998
Accumulated amortised amounts of notes issuance cost	**3**	—
	3,000	1,998

30. INTEREST-BEARING BORROWINGS (continued)

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

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Bank loans repayable:				
Within one year or on demand	**308**	304	**—**	90
Short/Medium term notes repayable:				
Within one year	**3,000**	1,998	**3,000**	1,998
Other loans repayable:				
Within one year	**2,567**	—	**—**	—
Loan from a subsidiary repayable:				
Within one year	**—**	—	**1,431**	—
In the second year	**—**	—	**1,352**	—
In the third to fifth years, inclusive	**—**	—	**1,353**	—
	—	—	**4,136**	—
	5,875	2,302	**7,136**	2,088

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

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 2012 (Restated)	—	38	38	38
Gain of control in subsidiaries	—	1	1	—
Provision during the year	—	85	85	75
Utilised	—	(27)	(27)	(21)
At 31 December 2012 and 1 January 2013 (Restated)	—	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	84	930	1,014	157

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

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.

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 Group's government grants are analysed as follows:

	RMB million
At 1 January 2012 (Restated)	—
Received during the year	26
Gain of control in subsidiaries	2
Recognised as other income during the year (note 5)	(26)
At 31 December 2012 and 1 January 2013 (Restated)	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	124

33. TRADE PAYABLES

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

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Within three months	**11,005**	1,495	**2,505**	1,373
More than three months but within one year	**1,642**	386	**872**	284
More than one year	**833**	83	**744**	19
	13,480	1,964	**4,121**	1,676

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

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
DMC, its subsidiaries and associates	**333**	94	**132**	75
Associates	**59**	50	**50**	48
Subsidiaries	**—**	—	**2,612**	392
	392	144	**2,794**	515

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	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Within three months	**5,629**	187	**395**	187
More than three months but within one year	**6,093**	208	**291**	100
	11,722	395	**686**	287

35. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Advances from customers	**2,514**	775	**490**	652
Accrued salaries, wages and benefits	**1,726**	239	**457**	223
Other payables	**5,308**	570	**1,376**	378
	9,548	1,584	**2,323**	1,253

35. OTHER PAYABLES AND ACCRUALS (continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
DMC, its subsidiaries and associates	**599**	92	**46**	42
A non-controlling shareholder of a subsidiary	**8**	—	**—**	—
Associates	**3**	—	**3**	—
Subsidiaries	**—**	—	**403**	1
	610	92	**452**	43

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	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Within one year	**149**	26	**26**	26
After one year but not more than five years	**590**	105	**105**	105
More than five years	**5,007**	921	**907**	921
	5,746	1,052	**1,038**	1,052

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	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Contracted, but not provided for:				
— Property, plant and equipment	674	107	14	107
— Capital contribution to a joint venture	373	—	373	—
Authorised, but not contracted for:				
Property, plant and equipment	239	—	—	—
	1,286	107	387	107

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

	Group and Company	
	2013 RMB million	2012 RMB million
Contracted, but not provided for:		
Property, plant and equipment	3,431	4,332
Authorised, but not contracted for:		
Property, plant and equipment	2,440	3,230
	5,871	7,562

37. CONTINGENT LIABILITIES

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

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Bank acceptance bills discounted with recourse	196	—	—	—
Bank acceptance bills endorsed with recourse	7,604	177	434	177
Guarantees given to banks in connection with facilities granted to the following parties at nil consideration:				
— Joint ventures	804	784	804	784
	8,604	961	1,238	961

No financial liabilities were recorded for the above guarantees given to banks as, in the opinion of the directors, the fair values of the financial guarantee contracts were not material as at 31 December 2013 and 2012.

As at 31 December 2013, the banking facilities granted to the joint ventures subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB804 million (2012: RMB784 million (restated)), and the banking facilities guaranteed by the Group to the joint ventures were utilised to the extent of approximately RMB804 million (2012: RMB784 million (restated)).

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	2013 RMB million	2012 RMB million (Restated)
Purchases of automotive parts/raw materials from:	(i)		
— DMC and its subsidiaries and associates		**391**	109
— A subsidiary's joint venture		**838**	—
— An associate		**126**	—
— Joint ventures		**3,911**	1,074
		5,266	1,183
Purchases of automobiles from:	(i)		
— DMC's subsidiary and associates		**4**	2
— Joint ventures		**448**	739
— An associate		**—**	307
		452	1,048
Purchases of water, steam and electricity from DMC	(i)	**316**	24

38. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Note	2013 RMB million	2012 RMB million (Restated)
Purchases of items of property, plant and equipment from:	(i)		
— DMC and its subsidiaries and associates		**83**	—
— Joint ventures		**20**	—
		103	—
Rental expenses to DMC and its subsidiaries		**99**	27
Purchases of services from:	(i)		
— DMC and its subsidiaries		**130**	89
— Joint ventures		**13**	4
— A minority shareholder of a subsidiary		**7**	—
		150	93
Payment of royalty fee and other expenses to:	(i)		
— DMC and its subsidiaries		**52**	—

38. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Note	2013 RMB million	2012 RMB million (Restated)
Sales of automotive parts/raw materials to:	(i)		
— DMC and its subsidiaries, a joint venture		**67**	12
— Joint ventures		**2,381**	632
— A subsidiary's joint venture		**55**	—
— Associates		**—**	15
		2,503	659
Sales of automobiles to:	(i)		
— DMC's subsidiaries		**690**	—
— Joint ventures		**715**	17
— A minority shareholder of a subsidiary		**292**	—
		1,697	17
Provision of services to:	(i)		
— Joint ventures		**39**	62
— A subsidiary's joint venture		**3**	—
		42	62
Interest expense paid to:	(i)		
— DMC and its subsidiaries		**7**	—
— Joint ventures		**103**	—
		110	—
Interest income from:	(i)		
— DMC, its subsidiaries and joint venture		**3**	—
— Joint ventures		**29**	—
		32	—
Fee and commission income from:	(i)		
— DMC, its subsidiaries and joint venture		**1**	—
— Joint ventures		**16**	—
		17	—

38. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Note	2013 RMB million	2012 RMB million (Restated)
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:

	2013 RMB'000	2012 RMB'000
Short term employee benefits	**11,138**	12,436
Post-employment benefits	**890**	898
Stock appreciation right expenses recognised in the income statement	**2,287**	—
Total compensation paid to key management personnel	**14,315**	13,334

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:

2013

Group

Financial assets

	Loans and receivables RMB million	Available-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
Cash and cash equivalents	21,739	—	21,739
	51,648	286	51,934

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)

2012

Group

Financial assets

	Loans and receivables RMB million (Restated)	Available-for-sale financial assets RMB million (Restated)	Total RMB million (Restated)
Available-for-sale financial assets	—	128	128
Trade receivables	397	—	397
Bills receivable	2,802	—	2,802
Financial assets included in prepayments, deposits and other receivables	282	—	282
Due from joint ventures	3,470	—	3,470
Pledged bank balances and time deposits	108	—	108
Cash and cash equivalents	17,940	—	17,940
	24,999	128	25,127

Financial liabilities

	Financial liabilities at amortised cost RMB million (Restated)
Trade payables	1,964
Bills payable	395
Financial liabilities included in other payables and accruals	570
Due to joint ventures	1,680
Interest-bearing borrowings	2,302
	6,911

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2013

Company

Financial assets

	Loans and receivables RMB million	Available-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

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2012

Company

Financial assets

	Loans and receivables RMB million	Available-for-sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	68	68
Trade receivables	471	—	471
Bills receivable	2,619	—	2,619
Financial assets included in prepayments, deposits and other receivables	237	—	237
Due from joint ventures	3,352	—	3,352
Cash and cash equivalents	16,577	—	16,577
	23,256	68	23,324

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	1,676
Bills payable	287
Financial liabilities included in other payables and accruals	378
Due to joint ventures	1,282
Interest-bearing borrowings	2,088
	5,711

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:

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 2013, 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)

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, United States dollars ("US$"). Fluctuations in the exchange rates of RMB against this 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 US$, exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities). There is no impact on the Group's equity.

	Increase/(decrease) in profit before tax	
	2013	2012
	RMB million	RMB million (Restated)
If RMB strengthens against US$ by 1%	–	(1)
If RMB weakens against US$ by 1%	–	1

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The cash and bank balances and time deposits of the Group are mainly deposited with state-owned banks in the PRC.

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)

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

	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)

Liquidity risk (continued)

Group (continued)

	2012 (Restated)				
	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	2,302	—	—	—	2,302
Trade payables	1,964	—	—	—	1,964
Bills payable	395	—	—	—	395
Other payables	570	—	—	—	570
Due to joint ventures	1,680	—	—	—	1,680
Guarantees given to banks in connection with facilities granted to joint ventures	784	—	—	—	784
	7,695	—	—	—	7,695

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 2013 and 2012.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a net debt to equity ratio, which is net debt divided by equity. Net debt includes interest-bearing borrowings, less cash and cash equivalents. Equity represents equity attributable to equity holders of the parent. The net debt to equity ratio as at the end of the reporting period was as follows:

Group

	2013 RMB million	2012 RMB million (Restated)
Interest-bearing borrowings	**5,875**	2,302
Less: Cash and cash equivalents	**(21,739)**	(17,940)
Net debt	**(15,864)**	(15,638)
Equity attributable to equity holders of parent	**63,135**	53,918
Net debt to equity ratio	**(25.13%)**	(29.00%)

41. EVENTS AFTER THE REPORTING PERIOD

(a) 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 the dispute (the "Dispute") arising out of an agreement and other relevant agreement (the "Agreements") entered into by the Claimant with the Company and its subsidiary. The Claimant seeks, among other things, damages totally approximately Brazilian Real 1.67 billion (equivalent to approximately RMB4.3 billion) for the alleged breach of the Agreements together with the costs.

The Company and its subsidiary have sought legal advice in respect of the Dispute and believe the outcome of the Dispute will not have a material impact on the financial condition of the Company. Details of the Dispute are set out in the Company's announcement dated 17 February 2014.

41. EVENTS AFTER THE REPORTING PERIOD (continued)

(b) On 26 March 2014, the Company entered into a Master Agreement with Peugeot SA ("PSA"), the French Republic, Establishments Peugeot Freres ("EPF") and FFP under which the Company agreed to subscribe for shares issued in PSA at a total consideration of approximately 800 million euros (equivalent to approximately RMB6.7 billion) and the French Republic is expected to subscribe for the same number of shares in PSA. Details of the proposed investment in PSA are set out in the Company's announcement dated 27 March 2014.

42. OTHER SIGNIFICANT EVENTS

(a) On 26 January 2013, the Company entered into the Cooperation Master Agreement with Volvo (AB Volvo) for the establishment of a capital strategic alliance. Pursuant to the Equity Transfer Agreement under the Cooperation Master Agreement, the Company has agreed to dispose and Volvo has agreed to purchase 45% of the Company's equity interest in the Dongfeng Commercial Vehicles Co., Ltd for a consideration of approximately RMB5,608,000,000 (equivalent to approximately HK$6,991,493,600) (subject to adjustments). Immediately after the completion of the disposal, the Dongfeng Commercial Vehicles Co., Ltd shall have a registered capital of RMB9,200,000,000, of which 55% and 45% shall be attributable to the Company and Volvo, respectively. Details of the Cooperation Master Agreement are set out in the Company's announcement dated 27 January 2013.

(b) In December 2013, the Company and Renault S.A. entered into a joint venture contract to form a capital strategic alliance between the Company and Renault S.A. According to the joint venture contract, the Company and Renault S.A. shall establish Dongfeng Renault Automotive Company Limited, a joint venture company with a registered capital of RMB4,706,303,466. The Company and Renault S.A. shall each hold 50% of the equity interests of the joint venture company. Details of the joint venture arrangement are set out in the Company's announcement dated 5 December 2013.

43. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised IFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2012 has been presented.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

羅兵咸永道

Independent Auditor's Report
To the shareholders of Dongfeng Motor (Hong Kong) International Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Dongfeng Motor (Hong Kong) International Limited (the "Company") set out on pages 5 to 25, which comprise the statement of financial position as at 31 December 2014, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the period from 24 March 2014 (incorporation date) to 31 December 2014, and a summary of significant accounting policies and other explanatory information.

Director's Responsibility for the Financial Statements

The director of the Company is responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the director determine is necessary to enable the preparation of 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 financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance 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 financial statements are free from material misstatement.

Independent Auditor's Report
To the shareholders of Dongfeng Motor (Hong Kong) International Limited (Continued)
(Incorporated in Hong Kong with limited liability)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 director, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view of the state of affairs of the Company's affairs as at 31 December 2014, and of its profit and cash flows for the period from 24 March 2014 (incorporation date) to 31 December 2014 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 11 August 2015

Dongfeng Motor (Hong Kong) International Limited
(Incorporated in Hong Kong with limited liability)
Income statement
For the period from 24 March 2014 (incorporation date) to 31 December 2014

	Note	For the period from 24 March 2014 (incorporation date) to 31 December 2014
		RMB
Turnover		-
Administrative expenses	5	(70,149,738)
Other income		6,314
Other loss – net	6	(14,442,999)
Operating loss		(84,586,423)
Finance income - net	7	835,054,632
Profit from investment accounted for using the equity method	9	1,773,426,081
Profit before income tax		2,523,894,290
Income tax expense	8	-
Profit for the period		2,523,894,290

The notes on pages 10 to 24 are an integral part of these financial statements.

Dongfeng Motor (Hong Kong) International Limited
(Incorporated in Hong Kong with limited liability)
Comprehensive income statement
For the period from 24 March 2014 (incorporation date) to 31 December 2014

	For the period from 24 March 2014 (incorporation date) to 31 December 2014 RMB
Profit for the period	2,523,894,290
Other comprehensive income for the period, net of tax	
Item that will not be reclassified subsequently to profit or loss	
Share of other comprehensive income of investment accounted for using the equity method	(65,780,930)
Items that may be reclassified to profit or loss	
Currency translation differences	(1,098,722,195)
Share of other comprehensive income of investment accounted for using the equity method	260,855,413
Other comprehensive income for the period, net of tax	(903,647,712)
Total comprehensive income for the period	1,620,246,578

The notes on pages 10 to 24 are an integral part of these financial statements.

Dongfeng Motor (Hong Kong) International Limited
(Incorporated in Hong Kong with limited liability)
Statement of financial position
As at 31 December 2014

	Note	As at 31 December 2014 RMB
Assets		
Non-current assets		
Investment accounted for using the equity method	9	7,721,634,582
		7,721,634,582
Current assets		
Cash and cash equivalents	10	1,000,343
Restricted cash	10	137,796,581
		138,796,924
Total assets		7,860,431,506
Equity and liabilities		
Equity attributable to owners of the company		
Share capital	11	1,000,000
Other reserves		(852,610,784)
Retained earnings		2,523,894,290
Total equity		1,672,283,506
Liabilities		
Current liabilities		
Borrowings	12	6,188,148,000
Total liabilities		6,188,148,000
Total equity and liabilities		7,860,431,506

The notes on pages 10 to 24 are an integral part of these financial statements.

The financial statements on pages 5 to 24 were approved by the Director on 11 August 2015 and were signed on its behalf.

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Director

Dongfeng Motor (Hong Kong) International Limited
(Incorporated in Hong Kong with limited liability)
Statement of changes in equity
For the period from 24 March 2014 (incorporation date) to 31 December 2014

	Note	Share capital RMB	Other reserves RMB	Retained earnings RMB	Total equity RMB
Balance at 24 March 2014 (incorporation date)		-	-	-	-
Profit for the period		-	-	2,523,894,290	2,523,894,290
Other comprehensive income：					
Currency translation differences	9	-	(1,098,722,195)	-	(1,098,722,195)
Share of other comprehensive income of interests accounted for using the equity method	9	-	195,074,483	-	195,074,483
Total comprehensive income		-	(903,647,712)	2,523,894,290	1,620,246,578
Proceeds from shares issued		1,000,000	-	-	1,000,000
Share of other reserve of investment accounted for using the equity method	9	-	51,036,928	-	51,036,928
Balance at 31 December 2014		1,000,000	(852,610,784)	2,523,894,290	1,672,283,506

Dongfeng Motor (Hong Kong) International Limited
(Incorporated in Hong Kong with limited liability)
Statement of cash flows
For the period from 24 March 2014 (incorporation date) to 31 December 2014

	Note	For the period from 24 March 2014 (incorporation date) to 31 December 2014 RMB
Cash flows used in operating activities		
Cash used in operations	13	(48,939,364)
Interest paid		(25,424,168)
Net cash used in operating activities		(74,363,532)
Cash flows used in investing activities		
Acquisition of investment accounted for using the equity method	9	(6,800,819,284)
Net cash used in investing activities		(6,800,819,284)
Cash flows from financing activities		
Proceeds from issue of ordinary shares		1,000,000
Proceeds from borrowings		7,048,626,800
Cash payments relating to other financing activities		(159,000,642)
Net cash from financing activities		6,890,626,158
Net increase in cash and cash equivalents		15,443,342
Cash and cash equivalents at beginning of period		-
Exchange losses on cash and cash equivalents		(14,442,999)
Cash and cash equivalents at end of the period	10	1,000,343

The notes on pages 10 to 24 are an integral part of these financial statements.

1 General information

Dongfeng Motor (Hong Kong) International Ltd (the "Company") is engaged in assets management and investment.

The Company is a limited liability company incorporated in Hong Kong on 24 March 2014. The address of its registered office is 2/F, Kam Chung Commbldg, 19-21 Hennessy road, Wanchai, Hong Kong.

These financial statements are presented in RMB, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the whole period presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Dongfeng Motor (Hong Kong) International Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

As at 31 December 2014, the Company's current liabilities exceed its current assets by RMB 6,049,351,076. For the period from 24 March 2014 (incorporation date) to 31 December 2014, the cash outflow from operating activities was RMB 74,363,532. The going concern of the company principally relies on the persistent capital support from the shareholder of the company. The shareholder of the company has given a written statement to present its sustainable financial support so that the Company can pay debts at maturity in the foreseeable future. Therefore, the director of the Company assures the going concern of the company and the financial statements are based on going concern basis.

2.2 Change in accounting policies and disclosures

(i) New and amended standards adopted by the Company

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

Amendment to HKAS 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.

HK (IFRIC) 21 'Levies' is effective for annual periods beginning on or after 1 January 2014. It is an interpretation of HKAS 37 'Provisions, contingent liabilities and contingent assets'. HKAS 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 Company assessed the adoption of this standard and concluded that it did not have a significant impact on the Company's results and financial position, except that certain new disclosures are introduced.

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

The Company 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 HKAS19 regarding defined benefit plans, effective for annual periods beginning on or after 1 July 2014.

Annual improvements 2012 that affect following standards: HKFRS8 'Operating segments' , HKAS16 'Property, plant and equipment', HKAS38 'Intangible assets' and HKAS 24 'Related Party Disclosures', effective for annual periods beginning on or after 1 July 2014.

2.2 Change in accounting policies and disclosures(continued)

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

Annual improvements 2013 that affect following standards: HKFRS3 ‘'Business combinations’, HKFRS13 ‘Fair value measurement’ and HKAS40 'Investment property', effective for annual periods beginning on or after 1 July 2014.

HKFRS 14 ‘Regulatory Deferral Accounts’, effective for annual periods beginning on or after 1 January 2016.

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

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

Amendments to HKFRS 10 and HKAS 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 HKAS 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: HKFRS 7 ‘Financial instruments: Disclosures’, HKAS 19 ‘Employee benefits’ and HKAS 34 'Interim financial reporting', effective for annual periods beginning on or after 1 January 2016.

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

HKFRS15 ‘Revenue from Contracts with Customers’, effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 ‘Financial Instruments’, effective for annual periods beginning on or after 1 January 2018.

2.2 Change in accounting policies and disclosures(continued)

(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 Company is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622).

2.3 Associates

An associate is an entity in which the Company 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 Company holds less than 20% of the equity voting rights of the investee but can clearly demonstrate it has significant influence over the investee, the Company 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.

The Company’s investment in associate are stated in the statement of financial position at the Company’s share of net assets under the equity method of accounting, less any impairment losses. The Company’s investment in associate includes goodwill identified on acquisition. Upon the acquisition, any difference between the cost of the associates and the Company’s share of the net fair value of the associates, identifiable assets and liabilities is accounted for as goodwill or share of profit of associates.

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

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

2.3 Associates(continued)

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, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in RMB, which is the Company's functional and the presentation currency.

(b) 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.

2.5 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.7 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (Note 2.8).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, if mandatorily redeemable at a specific date or redeemable at the option of the holder, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.9 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Company operates in Hong Kong and is exposed to foreign exchange risk arising primarily with respect to Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2014, if RMB had weakened/strengthened by 10% against the Euro dollar with all other variables held constant, profit before tax for the period would have been RMB605,035,141 lower/higher, mainly as a result of foreign exchange losses/gains on translation of Euro-denominated borrowings and cash.

3 Financial risk management(continued)

3.1 Financial risk factors(continued)

(ii) Cash flow interest rate risk

The Company's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates.

At 31 December 2014, if interest rates on Euro-denominated borrowings had been 0.5% basis points higher/lower with all other variables held constant, post-tax profit for the period would have been RMB20,656,710 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk is managed on company basis. Credit risk arises mainly from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Cash flow forecasting is performed in the Company. Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions and the continuing financial support from the company's shareholders.

3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt. The gearing ratio at 31 December 2014 was as follows:

	31 December 2014 RMB
Total borrowings (Note 12)	6,188,148,000
Less: cash and bank balances (Note 10)	(138,796,924)
Net debt	6,049,351,076
Total equity	1,672,283,506
Total capital	7,721,634,582
Gearing ratio	78%

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value of associate's identifiable assets and liabilities

During the period, the Company acquired an associated company (Note 9). Upon the acquisition, the Company initially recognised the investments in associates as the Company'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.

5 Expenses by nature

	For the period from 24 March 2014 (incorporation date) to 31 December 2014 RMB
Consulting fees	33,073,268
Bank commission charge	21,204,060
Intermediary service fees	15,872,410
Total administrative expenses	70,149,738

6 Other losses – net

	For the period from 24 March 2014 (incorporation date) to 31 December 2014 RMB
Net foreign exchange losses	14,442,999

7 Finance income - net

	For the period from 24 March 2014 (incorporation date) to 31 December 2014 RMB
Interest expense on bank borrowings	25,424,168
Net foreign exchange gains on financing activities	(860,478,800)
Total finance income-net	(835,054,632)

8 Income tax expenses

For the period from 24 March 2014 (incorporation date) to 31 December 2014, there was no provision for Hong Kong profits tax since the Company does not have estimated assessable profit for the year. The Hong Kong profits tax rate applicable to the Company is 16.5%.

	For the period from 24 March 2014 (incorporation date) to 31 December 2014 RMB
Profit before tax	2,523,894,290
Tax calculated at domestic tax rates applicable to profits in Hong Kong	416,442,558
Tax effects of income not subject to tax	(416,442,558)
Income tax expense	-

9 Investment accounted for using the equity method

The amount recognised in the balance sheet is as follows:

	2014 RMB
Share of net asset value of an associate	7,721,634,582

9 Investment accounted for using the equity method (continued)

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

	2014
	RMB
Share of post-acquisition loss of the associate	(516,621,505)
Gain from negative goodwill arising from acquisition of the associate	2,290,047,586
Total profit from investment accounted for using equity method	1,773,426,081

The movements in investments in associates are as follows:

	2014
	RMB
Initial recognized identifiable assets and liabilities	9,090,866,871
Share of post-acquisition loss of the associate	(516,621,505)
Other comprehensive income	195,074,483
Other changes in equity	51,036,928
Currency translation differences	(1,098,722,195)
At 31 December 2014	7,721,634,582

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

Name of entity	Place of business/country of incorporation	% of ownership interest	Measurement method
PSA Peugeot Citroën Company ("PSA")	France	14.1	Equity

In May 2014 , the Company 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 EUR 800 million (approximately RMB 6,801 million). The investment in PSA is accounted for as an investment in associate using equity method since the Company has significant influence over PSA as the Company has the power to participate in the financial and operating policy decisions of PSA mainly by virtue of the fact that the Company is one of the three equal largest shareholders of PSA and the Company has certain representation on the governing body.

A gain before taxation amounting to RMB 2,290,047,586 arising from the negative goodwill, being 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 consolidated income statement.

9 Investment accounted for using the equity method (continued)

Set out below is the summarised financial information of PSA which is accounted for using the equity method.

(i) Summarised financial position

	31 December 2014
	RMB Million
Current assets	302,749
Non-current assets	140,022
Total assets	442,771
Current liabilities	291,932
Non-current liabilities	87,895
Total liabilities	379,827
Non-controlling interests	8,181
Equity attributable to equity holders of the parent	54,763
Interest held by the Company	14.1%
Equity attributable to the Company's investment	7,721

(ii) Summarised post-acquisition comprehensive income

	2014
	RMB Million
Revenue	235,014
Profit after tax	(2,547)
Other comprehensive income	1,689
Total comprehensive income	858
Profit after tax attributable to equity holders of the parent	(3,660)
Other comprehensive income attributable to equity holders of the parent	1,383
Interest held by the Company	14.1%
Attributable to the Company:	
- Profit after tax	(517)
- Other comprehensive income	195

The information above reflects the amounts presented in the financial statements of the associate adjusted for differences in accounting policies between the Company and the associate.

10 Cash and bank balances

	31 December 2014 RMB
Cash and cash equivalents	1,000,343
Restrict cash	137,796,581
Cash and cash equivalents	138,796,924

The cash and cash equivalents represent cash at bank are dominated mainly in EUR. As at 31 December 2014, EUR 18,482,293 (equivalent to RMB137,796,581) is pledged in a bank as a reserve to repay bank borrowing.

11 Share capital

	31 December 2014	
	Numbers of shares	Amount RMB
Issued and fully paid:		
At 24 March 2014 (incorporation date)		
Share capital from shareholder	1,000,000	1,000,000
At 31 December 2014	1,000,000	1,000,000

12 Borrowings

	31 December 2014 RMB
Current	
Bank borrowing	6,188,148,000
	6,188,148,000

The Hong Kong and Shanghai Banking Corporation Limited, Bank of China(Hong Kong) Limited, BNP Paribas Hong Kong Branch, Societe Generale Hong Kong Branch, Industrial and Commercial Bank of China Limited provides an one year syndicated loan of EUR 830,000,000, equivalent to approximately RMB 6,188,148,000 to the Company. The loan carries an interest rate of 0.59% per annum. The bank borrowing is guaranteed by a related party, Dongfeng Motor Group Co., Ltd.

The fair value of the borrowing equals its carrying amount as the impact of discounting is not significant.

13 Cash used in operations

	For the period from 24 March 2014 (incorporation date) to 31 December 2014
	RMB
Profit before income tax	2,523,894,290
Adjustments for:	
– Finance income - net (Note 7)	(835,054,632)
– Profit of investment accounted for using the equity method (Note 9)	(1,773,426,081)
– Bank commission charge (Note 5)	21,204,060
– Foreign exchange losses on operating activities	14,442,999
Cash used in operations	(48,939,364)

14 Related party transactions

The Company is controlled by Dongfeng Motor Investment (Shanghai) Ltd. (incorporated in the People's Republic of China ("PRC")), which owns 100% of the Company's shares. The ultimate parent of the Company is Dongfeng Motor Corporation (incorporated in the PRC).

The following transaction was carried out with related party:

	31 December 2014
	RMB
Guarantee from Dongfeng Motor Group Co.,Ltd.	6,188,148,000

15 Approval of the financial statements

The financial statements were approved and authorised for issue by the director of the Company on 11 August2015.

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