

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the H Shares. There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set out in the section headed "Risk Factors". You should read that section carefully before you decide to invest in the H Shares.

Overview

The Group, together with the Dongfeng Joint Venture Companies and their respective subsidiaries and associates, was one of the three largest automotive manufacturers in the PRC in terms of sales revenue in 2004. It comprises the majority of businesses, and is the key business unit, of the Dongfeng Motor Corporation Group, which was one of the three largest automotive manufacturers in the PRC in terms of sales volume for the six months ended 30th June, 2005, accounting for approximately 12.9% of total units of domestically manufactured vehicles sold in the PRC, according to the China Association of Automobile Manufacturers. For the six months ended 30th June, 2005, the Dongfeng Motor Group accounted for approximately 84.7% of total vehicles, 92.9% of total commercial vehicles and 78.8% of total passenger vehicles sold by, the Dongfeng Motor Corporation Group, respectively.

The total revenue of the Group from continuing operations for the three years ended 31st December, 2004 and the six months ended 30th June, 2005 was approximately RMB40,412 million, RMB36,556 million, RMB32,737 million and RMB21,192 million, respectively. For the same periods, the Net Profit of the Group were approximately RMB3,069 million, RMB3,339 million, RMB2,598 million and RMB660 million, respectively. The Group recognises in its consolidated accounts a share of each of the Dongfeng Joint Venture Companies' assets, liabilities, income and expenses reflecting its proportional equity interest in such companies.

The commercial vehicle manufacturing business of the Dongfeng Motor Group was established in 1969, and for many years has commanded a leading position in the PRC commercial vehicle industry. The Dongfeng Motor Group is one of the two leading manufacturers of heavy and medium trucks in the PRC, commanding a market share (in terms of domestic sales volumes of heavy and medium trucks combined) in China of approximately 31.1% for the six months ended 30th June, 2005, according to the China Association of Automobile Manufacturers. In 2004, sales to external customers of trucks and other commercial vehicles accounted for approximately 44.5% of the Group's revenue from sales to external customers.

Currently, the Dongfeng Motor Group passenger vehicle business principally consists of the following companies: Dongfeng Motor Co., Ltd (the joint venture between the Company and Nissan Motor Co., Ltd (through Nissan (China) Investment Co., Ltd, a wholly-owned subsidiary of Nissan Motor Co., Ltd), Dongfeng Peugeot Citroën Automobiles Company Ltd (the joint venture between the Company, Peugeot Citroën Automobiles, Automobiles Citroën and Automobiles Peugeot) and Dongfeng Honda Automobile Co., Ltd (the joint venture between the Company and Honda Motor Co., Ltd (partly through Honda Motor (China) Investment Co., Ltd, a wholly-owned subsidiary of Honda Motor Co., Ltd)). For the six months ended 30th June, 2005, the Dongfeng Motor Group was one of the largest passenger vehicle manufacturers in the PRC, accounting for approximately 11.9% of domestic sales volume of passenger vehicles (not including cross-over vehicles) and for approximately 8.9% of

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domestic sales volume of passenger vehicles (including cross-over vehicles), according to the China Association of Automobile Manufacturers. In 2004, sales to external customers of passenger vehicles accounted for approximately 28.1% of the Group's revenue from sales to external customers.

The following table sets out the sales volumes of vehicles manufactured by the Dongfeng Motor Group for the three years ended 31st December, 2004, and the six months ended 30th June, 2005:

Sales volumes of vehicles manufactured by the Dongfeng Motor Group

<u>Category</u>	<u>Year ended 31st December,</u>			<u>Six months ended</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>30th June, 2005²</u>
	<u>Units¹</u>	<u>Units¹</u>	<u>Units¹</u>	<u>Units¹</u>
Total vehicles	379,744	402,769	422,676	305,248
Commercial vehicles	250,750	224,439	245,702	140,758
— <i>Heavy trucks</i>	82,554	82,323	110,131	47,732
Passenger vehicles	128,994	178,330	176,974	164,490

Notes:

(1) Sales data reflects the total units sold by the Dongfeng Motor Group and not only units sold by the Group.

(2) Data in 2005 include those data relating to the vehicles sold by Zhengzhou Nissan Automobile Co., Ltd (鄭州日產汽車有限公司). The acquisition of Zhengzhou Nissan Automobile Co., Ltd by Dongfeng Automobile Co., Ltd was approved by Ministry of Commerce on 24th December, 2004 and was completed in March 2005.

Apart from manufacturing commercial and passenger vehicles, members of the Dongfeng Motor Group also manufacture commercial and passenger vehicle engines and a comprehensive range of auto parts for various vehicles, both in order to support the Dongfeng Motor Group's internal vehicle manufacturing businesses and also for external sales. In 2004, sales to external customers of engines and other auto parts accounted for approximately 23.5% of the Group's revenue from sales to external customers.

In addition, the Dongfeng Motor Group is also engaged in the manufacture of vehicle manufacturing equipment, both in order to support the Dongfeng Motor Group's vehicle manufacturing businesses and also for external sales. The Group has also developed automotive-related businesses, such as vehicle and vehicle manufacturing equipment import/export businesses, auto finance businesses, insurance agency businesses and used car businesses. In 2004, the total sales to external customers attributable to vehicle manufacturing equipment and these other businesses accounted for approximately 3.9% of the Group's revenue from sales to external customers.

Contribution of the Dongfeng Motor Group's major business segments to the Group's revenue from sales to external customers in 2004

<u>Business Segments</u>	<u>% contribution</u>
Commercial vehicles	44.5%
Passenger vehicles	28.1%
Engines and other auto parts	23.5%
Corporate and others	<u>3.9%</u>
	100%

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Commercial and passenger vehicle manufacturing businesses

The Dongfeng Motor Group's commercial and passenger vehicle manufacturing business is currently centred around three major Joint Venture Companies with three leading international manufacturers: Nissan Motor Co., Ltd (through Nissan (China) Investment Co., Ltd, a wholly-owned subsidiary of Nissan Motor Co., Ltd), the PSA Peugeot Citroën group (consisting of Peugeot Citroën Automobiles, Automobiles Citroën and Automobiles Peugeot) and Honda Motor Co., Ltd (partly through Honda Motor (China) Investment Co., Ltd, a wholly-owned subsidiary of Honda Motor Co., Ltd).

Details of these Joint Venture Companies are as follows:

Major Dongfeng Joint Venture Companies engaged in the manufacture of commercial and passenger vehicles¹

<u>Joint Venture Company</u>	<u>Foreign Joint Venture Partner(s)</u>	<u>% Equity Interests</u>	<u>Major Products</u>	<u>Term</u>
Dongfeng Motor Co., Ltd	Nissan Motor Co., Ltd (through Nissan (China) Investment Co., Ltd)	Company — 50%, Nissan (China) Investment Co., Ltd — 50%	Dongfeng series of commercial vehicles, Nissan series of passenger vehicles and the Dongfeng Future MPV and the Zhengzhou Nissan SUV ² and light trucks	50 years from May 2003
Dongfeng Peugeot Citroën Automobiles Company Ltd	The PSA Peugeot Citroën group consisting of Peugeot Citroën Automobiles, Automobiles Citroën and Automobiles Peugeot	Company — 50%, Peugeot Citroën Automobiles — 43.6108%, Automobiles Citroën — 3.1946%, Automobiles Peugeot — 3.1946%	Citroën series of passenger vehicles and Peugeot series of passenger vehicles	35 years from May 1992
Dongfeng Honda Automobile Co., Ltd	Honda Motor Co., Ltd (partly through Honda Motor (China) Investment Co., Ltd)	Company — 50%, Honda Motor Co., Ltd — 40%, Honda Motor (China) Investment Co., Ltd — 10%	Honda series of passenger vehicles	50 years from January 1993 ³

Notes:

- (1) *In addition, the Company is also engaged in a joint venture, namely Dongfeng Nissan Diesel Motor Co., Ltd, for the manufacture of commercial vehicles with Nissan Diesel Motor Co., Ltd. The Company owns 50% of the equity interests in Dongfeng Nissan Diesel Motor Co., Ltd. Further details of this joint venture are set out in the section of this prospectus headed "History, Reorganisation and Group Structure".*
- (2) *The acquisition of Zhengzhou Nissan Automobile Co. Ltd by Dongfeng Automobile Co., Ltd was approved by the Ministry of Commerce on 24th December, 2004 and was completed in March 2005.*
- (3) *Dongfeng Honda Automobile Co., Ltd was formed in July 2003 by reorganising Wuhan Wantong Motor Co., Ltd (武漢萬通汽車有限公司), an existing sino-foreign joint venture company in which the Company had equity interests, into Dongfeng Honda Automobile Co., Ltd, a sino-foreign joint venture company whose equity interests are owned as to 50% by each of the Company and Honda Motor Co., Ltd. Consequently, the term of this joint venture commences from the date of incorporation of Wuhan Wantong Motor Co., Ltd, i.e. 20th January, 1993, rather than July 2003. In June 2005, Honda Motor Co., Ltd transferred 10% of its equity interest in Dongfeng Honda Automobile Co., Ltd to Honda Motor (China) Investment Co., Ltd. Accordingly, the equity interests of Dongfeng Honda Automobile Co., Ltd are currently owned as to 50% by the Company, 40% by Honda Motor Co., Ltd and 10% by Honda Motor (China) Investment Co., Ltd.*

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Each of Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd and Dongfeng Honda Automobile Co., Ltd is accounted for as a Jointly-controlled Entity and is consolidated into the accounts of the Group on a proportionate consolidation basis as permitted by IFRSs. Further details of these and other Dongfeng Joint Venture Companies are set out in the sections headed “History, Reorganisation and Group Structure” and “Business” in this prospectus. Further details of the products manufactured by these Dongfeng Joint Venture Companies and other members of the Dongfeng Motor Group are set out in the section headed “Business — Details of Products Manufactured by the Dongfeng Motor Group”.

For the six months ended 30th June, 2005, the Dongfeng Motor Group produced 298,285 commercial and passenger vehicles and sold 305,248 commercial and passenger vehicles. Its market share in terms of domestic sales volumes of commercial and passenger vehicles during the six months ended 30th June, 2005 was approximately 10.9%. The following table sets out the sales and production volumes of the Dongfeng Motor Group for commercial and passenger vehicles, as well as its market share in terms of sales volumes for the six months ended 30th June, 2005:

	No. of units produced (units)	No. of units sold (units)	Market share in terms of sales volume (%) ^{1&2}
Commercial Vehicles			
— <i>Trucks</i>			
— <i>Heavy trucks</i>	50,696	47,732	32.5
— <i>Medium trucks</i>	32,860	33,076	29.3
— <i>Light trucks</i>	46,991	45,912	10.2
— <i>Buses</i>			
— <i>Large buses</i>	728	873	7.1
— <i>Medium buses</i>	5,374	5,462	19.8
— <i>Light buses</i>	7,726	7,703	9.3
Passenger Vehicles			
— <i>Passenger cars</i>	128,265	138,946	11.3
— <i>MPVs</i>	10,400	10,009	13.5
— <i>SUVs</i>	15,245	15,535	18.8

- Notes:
- (1) The market share in terms of sales volume was calculated based on the total number of units produced and sold sourced from the China Association of Automobile Manufacturers.
 - (2) Rounded to the nearest decimal place.

Engines, auto parts, vehicle manufacturing equipment and other businesses

The Dongfeng Motor Group conducts its engines, auto parts and vehicle manufacturing equipment businesses mainly through various Dongfeng Joint Venture Companies, including Dongfeng Motor Co., Ltd and Dongfeng Honda Engine Co., Ltd. Each of the two Joint Venture Companies is accounted for and consolidated into the audited consolidated accounts of the Group as Jointly-controlled Entities.

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Major Dongfeng Joint Venture Companies engaged in the manufacture of engines and other auto parts¹

Joint Venture Company	Foreign Joint Venture Partner(s)	% Equity Interests	Major Products	Term
Dongfeng Motor Co., Ltd	Nissan Motor Co., Ltd (through Nissan (China) Investment Co., Ltd)	Company — 50% Nissan (China) Investment Co., Ltd — 50%	Dongfeng series diesel and petrol commercial vehicle engines, Dongfeng Cummins B and C series commercial vehicle engines, other Dongfeng series engines and auto parts	50 years from May 2003
Dongfeng Honda Engine Co., Ltd	Honda Motor Co., Ltd (partly through Honda Motor (China) Investment Co Ltd)	Company — 50% Honda Motor Co., Ltd — 40% Honda Motor (China) Investment Co., Ltd — 10%	Honda passenger vehicle engines	30 years from May 1998

Note:

(1) In addition, the Company is also engaged in a joint venture with Honda Motor Co., Ltd (partly through Honda Motor (China) Investment Co., Ltd) for the manufacture of auto parts.

Further details of these Dongfeng Joint Venture Companies are set out in the sections of this prospectus headed “History, Reorganisation and Group Structure — Details of Major Dongfeng Joint Venture Companies” and “Business”. In addition, Dongfeng Motor Co., Ltd (a Dongfeng Joint Venture Company which the Company owns together with Nissan (China) Investment Co., Ltd) is also engaged in several joint ventures to manufacture engines and auto parts with leading international engine and auto part manufacturers, including Cummins, Inc. Please refer to the section headed “Business — Details of Products manufactured by the Dongfeng Motor Group” for details of the revenue of the Group which is attributable to these and the other ancillary businesses of the Dongfeng Motor Group.

Manufacturing facilities

The principal automotive manufacturing facilities which are owned and operated by the members of Dongfeng Motor Group as at 30th June, 2005 are located in Wuhan, Shiyan and Xiangfan of Hubei Province, Zhengzhou of Henan Province in Central China, Huadu of Guangdong Province, Liuzhou of the Guangxi Zhuang Autonomous Region in Southern China, Hangzhou of Zhejiang Province in Eastern China and Urumqi of the Xinjiang Uygur Autonomous Region in Northwest of China. As at 30th June, 2005, the total annual production capacity of the Dongfeng Motor Group was approximately 745,500 motor vehicles, comprising approximately 320,500 commercial vehicles and approximately 425,000 passenger vehicles. Please refer to the section of this prospectus headed “Business — Production — Production Facilities” for details of the production capacity expansion plans of the Dongfeng Motor Group.

Sales and services network

Commercial vehicles manufactured by the Dongfeng Motor Group are currently sold and serviced mainly through three major sales and services networks devoted exclusively to the provision of sales and services for the commercial vehicles manufactured by the Dongfeng Motor Group.

Together, these three major sales and services networks comprising of 671 sales outlets and 1,549 after-sales service outlets form one of the most extensive commercial vehicle sales and services networks in the PRC.

The Nissan, Citroën, Peugeot, Honda and Dongfeng Future series of passenger vehicles manufactured by the Dongfeng Motor Group are currently sold and serviced in the PRC through five independently managed sales and services networks with extensive nationwide coverage. Each of these five sales and services networks is devoted to the provision of sales and services for one brand of passenger vehicle only.

Competitive Strengths

The Directors believe that the Dongfeng Motor Group is well positioned to benefit from both the rapid growth of the PRC automotive industry as well as any industry consolidation which may take place in the near future. The Directors believe that the principal competitive strengths of the Group are as follows:

- The Dongfeng Motor Group is one of the largest automotive manufacturers in the PRC with strong market share in both the commercial and passenger vehicle sectors;
- The Dongfeng Motor Group's balanced and extensive portfolio of products positions it well to participate in growth in different sectors of the PRC automotive market;
- The Group has aligned itself with leading international automotive companies through joint ventures with them;
- The Dongfeng Motor Group benefits from the strong "Dongfeng" brand name;
- The Dongfeng Motor Group has strong research and development capabilities and experience as compared with its domestic peers;
- The extensive sales and services networks and in-depth market knowledge of the Dongfeng Motor Group enable it to cater to increasing demand for its products;
- The Dongfeng Motor Group enjoys lower procurement costs through economies of scale and global purchasing avenues; and
- The Group has highly experienced, highly regarded, progressive and motivated management whose interests are tied to the interests of the Dongfeng Motor Group's shareholders through performance incentives, including stock appreciation rights.

Please refer to the section of this prospectus headed "Business — Competitive Strengths" for a more detailed discussion of these strengths.

Business Development Strategies of the Group

The Group aims to make the Dongfeng Motor Group one of the most profitable automotive manufacturers in the PRC, as well as one of the PRC's two largest automotive manufacturers with both leading commercial and passenger vehicle operations. The Group will also focus on achieving sustainable growth and creating long-term shareholder value.

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In particular, the Group plans to pursue the following key business strategies:

- Further expand both the product range and production capacity of the Dongfeng Motor Group's passenger vehicle operations;
- Further expand the Dongfeng Motor Group's market share with a particular focus on the heavy and light truck sub-sectors;
- Further enhance the competitiveness of commercial vehicle heavy-duty engines and components in order to consolidate the Dongfeng Motor Group's leading position in the PRC commercial vehicles market;
- Continue to improve returns through the aggressive pursuit of cost efficiency initiatives;
- Improve the coverage, efficiency and effectiveness of the sales and after-sales services networks of the Dongfeng Motor Group; and
- Further enhance the Dongfeng Motor Group's research and development capabilities.

Please refer to the section of this prospectus headed "Business — Business Development Strategies of the Group" for a more detailed discussion of these strategies.

Trading Record

Revenue

The total revenue of the Group from continuing operations for the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 2005 was approximately RMB40,412 million, RMB36,556 million, RMB32,737 million, RMB15,759 million and RMB21,192 million respectively. For the same periods, the Net Profit of the Group was approximately RMB3,069 million, RMB3,339 million, RMB2,598 million, RMB745 million and RMB660 million, respectively.

Gross Profit Margin

The following table sets forth the gross profit margin (being gross profit as a percentage of revenue) of the Group from continuing operations (including intra-group transactions) for each of the major business segments of the Dongfeng Motor Group in 2002, 2003 and 2004 and the six months ended 30th June, 2004 and 2005:

<u>Business segment</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Six months ended 30th June, 2004</u>	<u>Six months ended 30th June, 2005</u>
	(%)	(%)	(%)	(%)	(%)
Commercial Vehicles	12.1	10.3	8.3	9.6	7.7
Passenger Vehicles	29.7	27.9	18.8	22.1	11.6
Engines and other auto parts	31.5	21.9	21.8	22.0	19.7
Corporate and others	13.3	13.2	11.9	7.4	7.6

Impact of Joint Venture Companies

Substantially all of the Dongfeng Motor Group's businesses are operated through Joint Venture Companies, the majority of which are accounted for as Jointly-controlled Entities and consolidated into the accounts of the Group on a proportionate consolidation basis in accordance with IFRSs. In the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 2005, the three jointly-

controlled Joint Venture Companies which were the largest contributors to the Group's revenue and net assets were:

- (i) Dongfeng Motor Co., Ltd, which was established in May 2003 and which was proportionately consolidated into the Group's financial results on a 50% basis in the second half of 2003, the year ended 31st December, 2004 and the six months ended 30th June, 2005;
- (ii) Dongfeng Peugeot Citroën Automobiles Company Ltd, which was established in May 1992 and which was proportionately consolidated into the Group's financial results on a 31% basis in 2002, on a 31.51% basis in 2003, on an approximately 31.95% basis for the eight months ended 31st August, 2004, on an approximately 40.97% basis for the next three months ended 30th November, 2004, and on a 50% basis for the rest of 2004 and the six months ended 30th June, 2005; and
- (iii) Dongfeng Honda Engine Co., Ltd, which was established in May 1998 and which was proportionately consolidated into the Group's financial results on a 50% basis for the three years ended 31st December, 2002, 2003, 2004 and the six months ended 30th June, 2005.

Please refer to the section of this prospectus headed "Business — Overview of the Business of the Group" for further details on the relative importance of these Dongfeng Joint Venture Companies as contributors to the Group's results of operations during each of the Relevant Periods. Other details of these Dongfeng Joint Venture Companies are set out in the section of this prospectus headed "History, Reorganisation and Group Structure".

Comparability of financial results

Due to the change in the structure of the Group and events requiring proportionate consolidation, the financial information of 2002 is not be comparable with that of 2003 and the financial information of 2003 is not be comparable with that of 2004. Please refer to the sections of this prospectus headed "History, Reorganisation and Group Structure" and "Financial Information" for further information on joint venture arrangements and on the impact of joint venture arrangements on the trading record of the Group respectively.

In particular, the following events requiring proportionate consolidation have affected the comparability of financial information:

- (i) In July 2003, as part of the arrangements relating to the establishment of Dongfeng Motor Co., Ltd, (A) the Company injected the majority of its commercial vehicle businesses, its entire business of manufacturing the Nissan series of passenger vehicles, and the majority of its auto parts manufacturing businesses and all of its vehicle manufacturing equipment businesses into Dongfeng Motor Co., Ltd, and (B) Nissan Motor Co., Ltd contributed in cash in U.S. dollars equivalent to approximately RMB3,602 million to Dongfeng Motor Co., Ltd as part of its capital contribution (approximately 43.1% of the total agreed capital contribution to be paid by Nissan Motor Co., Ltd under the relevant joint venture agreement).
- (ii) In February 2004, the Company injected its entire 98.78% equity interests in Xiangfan Dongfeng Motor Electrical Equipment Co., Ltd into Dongfeng Motor Co., Ltd as part of an agreed capital contribution to Dongfeng Motor Co., Ltd while Nissan Motor Co., Ltd contributed in cash in U.S. dollars equivalent to RMB94 million to Dongfeng Motor Co., Ltd as its corresponding capital contribution to Dongfeng Motor Co., Ltd.

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- (iii) On 1st July 2004, the Company injected its entire equity interest in two of its then subsidiaries, Dongfeng Automobile Co., Ltd (which is engaged in the manufacture and sale of light trucks and engines), and Dongfeng Electronic Technology Co., Ltd (which is engaged in the manufacture and sale of auto parts) into Dongfeng Motor Co., Ltd as part of an agreed capital contribution to Dongfeng Motor Co., Ltd. Both Dongfeng Automobile Co., Ltd and Dongfeng Electronic Technology Co., Ltd have “A” shares which are listed on the Shanghai Stock Exchange. At the same time, the Company further injected RMB115 million into Dongfeng Motor Co., Ltd. These injections of equity interests and cash by the Company were matched by an injection in cash in U.S. dollars equivalent to approximately RMB4,654 million to Dongfeng Motor Co., Ltd by Nissan (China) Investment Co., Ltd.
- (iv) During the Relevant Periods, the Company’s equity interest in Dongfeng Peugeot Citroën Automobiles Company Ltd increased from 31% in 2002 to 50% at the end of 2004.

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Selected historical financial information of the Group

Set out below are the consolidated income statements for the three years ended 31st December, 2004 and for the two six month periods ended 30th June, 2004 and 2005, and the selected consolidated balance sheet information as of 31st December, 2002, 2003 and 2004 and 30th June, 2005, which are derived from the Accountants' Report set out in Appendix I to this prospectus. In preparing the consolidated financial information for the Group, financial data not originally stated in IFRSs were converted to IFRSs and further adjustments were made for proportionate consolidation as permitted by IFRSs. The basis of presentation is set out in Note 1 to Section II "Notes to Financial Statements" of the Accountants' Report set out in Appendix I to this prospectus.

Consolidated Income Statements

	Year ended 31 st December,			Six months ended 30 th June,	
	2002	2003	2004	2004	2005
	RMB million	RMB million	RMB million	RMB million	RMB million
Continuing operations:					
Revenue — Sales of goods	40,412	36,556	32,737	15,759	21,192
Cost of sales	(30,619)	(28,326)	(26,952)	(12,627)	(18,426)
Gross profit	9,793	8,230	5,785	3,132	2,766
Other income	425	420	430	132	333
Gain on acquisition of subsidiaries and an associate	301	12	—	—	—
Gain / (loss) on dilution of interests in certain businesses and investments, net	—	1,180	852	(6)	—
Selling and distribution costs	(1,234)	(1,247)	(1,384)	(676)	(802)
Administrative expenses	(2,712)	(1,999)	(1,793)	(886)	(873)
Other expenses, net	(915)	(1,606)	(654)	(391)	(270)
Net finance costs	(389)	(252)	(104)	(39)	(144)
Share of profits and losses of associates	257	49	42	20	12
Profit before tax	5,526	4,787	3,174	1,286	1,022
Income tax expense	(876)	(211)	(308)	(387)	(258)
Profit for the year/period from continuing operations	4,650	4,576	2,866	899	764
Discontinued operations:					
Loss for the year from discontinued operations	(492)	(363)	—	—	—
Profit for the year/period	4,158	4,213	2,866	899	764
Attributable to:					
Equity holders of the parent	3,069	3,339	2,598	745	660
Minority interests	1,089	874	268	154	104
	4,158	4,213	2,866	899	764
Dividends	200	200	—	—	1,390
Earnings per Share: (Note)					
— basic for the year/period	28.86 cents	31.40 cents	28.38 cents	7.01 cents	10.96 cents
— diluted for the year/period	N/A	N/A	N/A	N/A	N/A

Note:

The calculation of basic earnings per Share amounts is based on the Net Profit of the Group for the Relevant Periods divided by the weighted average number of Domestic Shares of the Company in issue during those respective periods. The Company's weighted average number of Domestic Shares in issue during the Relevant Periods used in the basic earnings per share calculation is determined on the assumption that the 6,020,000,000 Domestic Shares of RMB1.00 each issued as a result of the Reorganisation had been in issue throughout the Relevant Periods and as adjusted to add back the deemed 4,613,500,000 Domestic Shares of RMB1.00 each in issue for the period prior to 6th September, 2004 (the effective date when the Company repurchased such shares pursuant to the Equity Repurchase Transaction).

No diluted earnings per Share are disclosed as no diluting events occurred during the Relevant Periods.

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Selected Consolidated Balance Sheets Information

	As at 31 st December,			As at
	2002	2003	2004	30 th June, 2005
	RMB million	RMB million	RMB million	RMB million
ASSETS				
Non-current assets	18,470	11,115	14,015	15,517
Current assets	25,065	17,675	19,436	21,341
Total assets	<u>43,535</u>	<u>28,790</u>	<u>33,451</u>	<u>36,858</u>
EQUITY AND LIABILITIES				
Total equity	13,316	12,606	10,115	10,792
Non-current liabilities	4,832	1,813	3,665	4,211
Current liabilities	25,387	14,371	19,671	21,855
Total equity and liabilities	<u>43,535</u>	<u>28,790</u>	<u>33,451</u>	<u>36,858</u>

Profit Forecast for the Year Ending 31st December, 2005

Forecast consolidated profit attributable to the equity holders of the parent¹ . . . not less than RMB1,520 million (HK\$1,458 million)⁴

Forecast earnings per Share

(a) Pro forma fully diluted² RMB18.36 cents (HK¢17.61)⁴

(b) Weighted average³ RMB24.62 cents (HK¢23.61)⁴

Notes:

- (1) *The bases on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.*
- (2) *The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the Group's forecast consolidated profit attributable to the equity holders of the parent of RMB1,520 million for the year ending 31st December, 2005 assuming that the Company had been listed since 1st January, 2005 and a total of 8,277,500,000 Shares were in issue during the entire year. This calculation assumes that the Over-allotment Option will not be exercised and the H Shares issued pursuant to the Global Offering will be issued on 7th December, 2005.*
- (3) *The calculation of the forecast earnings per Share on a weighted average basis is based on the Group's forecast consolidated profit attributable to the equity holders of the parent of RMB1,520 million for the year ending 31st December, 2005 and a weighted average number of 6,174,623,288 Shares issued and outstanding during the year. The calculation assumes that the Over-allotment Option will not be exercised and the H Shares issued pursuant to the Global Offering will be issued on 7th December, 2005.*
- (4) *The profit forecast figure and forecast earnings per Share figures are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB1.0428, based on the PBOC Rate prevailing on 7th November, 2005.*

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Offer Statistics

	Based on an Offer Price per H Share of HK\$1.45	Based on an Offer Price per H Share of HK\$1.85
Market capitalisation of the H Shares ¹	HK\$3.60 billion	HK\$4.59 billion
Prospective price/earnings multiple ⁵		
(a) Pro forma fully diluted basis ²	8.23 times	10.51 times
(b) Weighted average ³	6.14 times	7.84 times
Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾ ..	HK\$1.23	HK\$1.34

Notes:

- (1) The calculation of market capitalisation is based on 2,483,250,000 H Shares expected to be in issue following the Global Offering assuming that the Over-allotment Option is not exercised.
- (2) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share for the year ending 31st December, 2005 on a pro forma fully diluted basis at the respective Offer Price of HK\$1.45 and HK\$1.85 per H Share assuming that the Over-allotment Option is not exercised.
- (3) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the above forecast earnings per Share for the year ending 31st December, 2005 on a weighted average basis at the respective Offer Price of HK\$1.45 and HK\$1.85 per H Share assuming that the Over-allotment Option is not exercised.
- (4) The adjusted net tangible asset value per Share is based on 8,277,500,000 Shares expected to be in issue following the Global Offering at the respective Offer Price of HK\$1.45 and HK\$1.85 per H Share without taking into account any H Shares which may be issued upon exercise of the Over-allotment Option and the dividend of RMB1,390 million approved in the shareholder's meeting of the Company on 29th October, 2005.
- (5) The prospective price/earnings multiple and the unaudited proforma adjusted net tangible assets per Share are calculated at an exchange rate of RMB1.0428 to HK\$1.00, based on the PBOC Rate prevailing on 7th November, 2005.

Dividends

For 2002 and 2003, the Company declared and paid dividends of RMB200 million each year. No dividend was declared for 2004.

On 29th October, 2005, the Directors proposed to declare a dividend of RMB23.09 cents per Domestic Share amounting to RMB1,390 million to Dongfeng Motor Corporation that was approved in the shareholder's meeting on the same date. The dividend of RMB1,390 million was paid by the Company to Dongfeng Motor Corporation in November 2005 by drawing several unsecured bank loans in November 2005 which are repayable in May 2006 and November 2008. See the section of the prospectus headed "Financial Information — Indebtedness" for further information on such loans.

According to PRC regulations and the Articles of Association, the distribution of dividends of the Company shall be based on the lower of after-tax profits as determined under the PRC GAAP and IFRSs. The amount which the Company's subsidiaries and its Jointly-controlled Entities could legally distribute by way of dividend was determined by reference to the net profits as reflected in their PRC statutory financial statements prepared in accordance with the PRC GAAP. These profits differ from those reflected in this prospectus, which are prepared in accordance with IFRSs.

Under the PRC law, the Company can only distribute dividends from its distributable profits.

Subject to the limitations imposed by the Articles of Association and the Company Law, and subject to the distribution of dividends to the Company by its subsidiaries, its Jointly-controlled Entities and other entities in which it has direct equity interests, the Directors currently intend to declare dividends of between 15% and 20% of the Company's distributable profits after the Listing.

Reasons for the Global Offering and Use of Proceeds

The listing of the H Shares will increase the Company's exposure to international investors and extend its financing avenues to international capital markets. The Directors also expect that the levels of accountability and transparency to which the Company will be subject after the Global Offering will lead to improved corporate governance, the adoption of international management best practices and increased investor confidence in the Group.

The proceeds of the Global Offering accruing to the Company (after taking into account the underwriting fees and estimated expenses payable by the Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$2.89 billion assuming an Offer Price per H Share of HK\$1.45, or approximately HK\$3.76 billion assuming an Offer Price per H Share of HK\$1.85 (or if the Over-allotment Option is exercised in full, approximately HK\$4.37 billion assuming an Offer Price per H Share of HK\$1.85). The Company intends to remit the net proceeds of the Global Offering back to its bank accounts in the PRC within one month.

The Company currently intends to use the net proceeds of the Global Offering (including the Over-allotment Option if it is exercised):

- to finance the prepayment of bank loans of approximately RMB4.16 billion which is the principal amount outstanding (such loans were used to repay the whole outstanding balance owed to China Huarong Asset Management Corporation (中國華融資產管理公司), China Cinda Asset Management Corporation (中國信達資產管理公司), China Orient Asset Management Corporation (中國東方資產管理公司), China Development Bank (國家開發銀行) and China Great Wall Asset Management Corporation (中國長城資產管理公司) as a result of the equity buy-back undertaken between the Company and these financial institutions in 2004 as part of Dongfeng Motor Corporation's debt restructuring); and
- any remaining balance will be used for general working capital purposes.

Should the net proceeds be insufficient to prepay all of the above bank loans, the Company currently intends that such proceeds be used to prepay and reduce these bank loans to the extent possible and to repay the remaining bank loans in accordance with their repayment schedules.

Please refer to the section of this prospectus entitled "Future Plans and Use of Proceeds — Use of Proceeds" for a detailed account of how the Group intends to employ the net proceeds of the Global Offering.

Pending the use of the net proceeds of the Global Offering for the purposes described above, the Company intends to invest the net proceeds, to the extent permitted by relevant PRC laws and regulations, in short-term deposits with banks or in government bonds (in view of the low interest rates currently offered by banks in the PRC).

The Company will not receive any of the proceeds from the sale of the State-owned Shares by the Selling Shareholder in the International Offering. All of the proceeds from the sale of the State-owned Shares by the Selling Shareholder are required to be remitted to the NSSF, or as it may direct, in accordance with the relevant PRC government requirements.

RISK FACTORS

The Directors consider that there are certain risks and considerations relating to the Dongfeng Motor Group, the automotive industry in the PRC, the PRC in general and the Global Offering. These risk factors are set out under the section headed “Risk Factors” in this prospectus and are summarised as follows:

Risks relating to the Group

- Failure by the Dongfeng Motor Group to introduce products that are accepted by the market as anticipated may cause it to lose market share and fail to gain the anticipated economic benefits of such new models.
- The market demand for and sales of products of the Dongfeng Motor Group may not match its expanded production capacity, which may adversely affect the Group’s financial condition and results of operations.
- The Dongfeng Motor Group’s production capacity may not be sufficient to meet market demand for its products, which may cause it to lose market share.
- The requirement for unanimous consent on important decisions may impair the Company’s control over the principal Dongfeng Joint Venture Companies, and the Company therefore cannot assure that its strategies, policies or objectives will be entirely adopted by the principal Dongfeng Joint Venture Companies. In addition, certain information in respect of certain notifiable and connected transactions relating to the Dongfeng Joint Venture Companies may not be disclosed.
- Any material disputes between the Company and a joint venture partner may adversely affect the results of operations and financial condition of the relevant Dongfeng Joint Venture Company and the Group and if unresolved, could potentially lead to a termination of that Dongfeng Joint Venture Company.
- Failure by the Dongfeng Motor Group to successfully reduce costs could adversely affect its continued competitiveness.
- Failure by the Dongfeng Motor Group to obtain raw materials and spare parts in a timely fashion or at a reasonable market price could adversely affect its manufacturing activities and operations.
- A third party’s inappropriate use of the trademark and tradename “Dongfeng” or any of the trademarks and tradenames of the joint venture partners that the Dongfeng Motor Group uses could negatively affect the results of operations and financial condition of the Group.
- Dongfeng Motor Corporation, as the Company’s controlling shareholder, can exert influence on the Company and could cause the Company to make decisions that may not be in the best interests of its shareholders.
- The Group and the Dongfeng Joint Venture companies may not be able to obtain adequate additional financing that they may require.
- Some of the preferential tax treatments to which the Dongfeng Joint Venture Companies are entitled may be subject to change. There can be no assurance that any preferential tax treatment will continue in the future.

- Foreign currency rate fluctuations may adversely affect the Group's financial condition and results of operations.
- Failure of the information technology systems or material inefficiency of information management of the Dongfeng Motor Group may adversely affect its operations and manufacturing activities.
- The Dongfeng Motor Group may not be able to sustain its growth rate.
- The Company cannot assure that there will be dividends available for distribution to its shareholders.
- Dividends declared during the Relevant Periods may not be indicative of the dividend policy of the Group in the future.
- The Dongfeng Motor Group may face challenges in attracting and retaining senior management talent and key technical experts.
- Any material adverse change in the financial condition and results of operations of any of the principal Dongfeng Joint Venture Companies could adversely affect the Group's financial condition and results of operations.
- Future examinations by PRC regulatory authorities may result in fines, other penalties or actions that could materially and adversely affect the Dongfeng Motor Group's business, financial condition and results of operations as well as its reputation.
- The Dongfeng Motor Group's interest in two subsidiaries of Dongfeng Motor Co., Ltd may be diluted as a result of the PRC Government's reform on public tradability of non publicly tradable shares of the companies listed in the PRC.

Risks relating to the PRC Automotive Industry

- Overcapacity in the PRC automobile market could have a material adverse effect on PRC automotive manufacturers, including the Dongfeng Motor Group.
- Automotive manufacturers in the PRC, including the Dongfeng Motor Group, face increasing competition from domestically produced products and foreign imports.
- Market demand for and prices of automotive products may be depressed by further slow down in the growth rate of, and cyclical fluctuations in, the PRC automotive industry.
- The imposition of fuel economy standards on PRC automotive manufacturers and the proposed imposition of higher automobile consumption taxes may have a negative effect on the revenues and profits of PRC automotive manufacturers (including the Dongfeng Motor Group).
- Automotive manufacturers in the PRC, including the Dongfeng Motor Group, may be unable to adequately protect their intellectual property rights and may be subject to intellectual property infringement claims, either of which may substantially harm their business.
- Failure of PRC companies, including the Dongfeng Motor Group, to obtain the necessary PRC government approvals and consents in respect of establishing new sino-foreign joint venture companies or expanding the business scope of existing sino-foreign joint venture companies, when required, may adversely affect the development, financial condition and results of operations of such PRC companies.

SUMMARY

- The general practice of not purchasing product liability insurance in the PRC automobile industry may result in PRC automotive manufacturers, including the Dongfeng Motor Group, being required to cover potential product liability claims made against them.
- Unexpected business interruptions could adversely affect the Dongfeng Motor Group's business.
- Automotive manufacturers in the PRC, including the Dongfeng Motor Group, may expend considerable resources in order to comply with the Regulation on Recall of Defective Vehicles which took effect in October 2004.
- Future increases in defaults in automobile consumption loans, if they occur, may have an adverse effect on growth in the PRC automobile market.
- Increases in the cost of raw materials and energy have increased, and may continue to increase, the cost of manufacturing throughout the PRC automotive industry.
- Changes in the regulatory environment may adversely affect the production and profitability of PRC automotive manufacturers such as the Dongfeng Motor Group.
- Changes in automotive industrial policies may adversely affect the financial condition and results of operations of PRC automotive manufacturers such as the Dongfeng Motor Group.
- Imposition of restrictions on road use and traffic control legislation and regulations in the cities may have an adverse effect on producers of commercial vehicles in the PRC, including the Dongfeng Motor Group.
- Fuel shortages and increases in fuel prices may adversely affect the demand for automobiles.
- Certain changes in tax and other benefits, as well as several regulatory changes arising as a result of the PRC's accession to the World Trade Organisation, may adversely affect the results of operations and financial condition of PRC automotive manufacturers (including the Dongfeng Motor Group).
- The proposed introduction of the "three guarantees" policy on vehicles sold in China may have a negative effect on the revenues and profits of PRC automotive manufacturers (including the Dongfeng Motor Group).

Risks relating to the PRC

- Adverse changes in the PRC's economic, political, social conditions and government policies could have a material adverse effect on the overall economic growth of the PRC, which could adversely affect the results of operations and financial condition of the Group.
- Changes in foreign exchange regulations and future movements in the exchange rate of Renminbi may adversely affect the results of operations and financial condition of the Group and the Company's ability to pay dividends.
- The PRC legal system is continuously evolving and has inherent uncertainties and the legal protections available to the Company's shareholders may be limited.
- It may be difficult to enforce any judgments obtained from non-PRC courts against the Company or its Directors, Supervisors or executive officers who live inside the PRC.

SUMMARY

- The exemption from withholding tax on dividends and income available to holders of H Shares may not continue in the future.
- The PRC economy may experience inflationary pressure, which may lead to an increase in interest rates and a slowdown in economic growth.
- Electricity shortages in the PRC may lead to reduced economic growth.
- The outbreak of the Severe Acute Respiratory Syndrome or other epidemics could adversely affect the operations of the Dongfeng Motor Group.
- An outbreak of the H5N1 strain of bird flu (Avian Flu) or any other similar epidemic may, directly or indirectly, adversely affect the Dongfeng Motor Group's operating results and the price of the H Shares.

Risks relating to the Global Offering

- There has been no prior public market for the H Shares. The liquidity and market price of the H Shares following the Global Offering may be volatile.
- Because the Offer Price is higher than the net tangible book value per share of the Company, the holders of the H Shares will incur immediate dilution.
- Shareholders' interest may be diluted as a result of additional equity fund-raising.
- Forward-looking information included in this prospectus may prove inaccurate.
- The Company cannot guarantee the accuracy of facts, forecasts and other statistics with respect to the PRC, the PRC economy and the PRC automotive industry contained in this prospectus.
- Investors should read the entire prospectus carefully and the Group strongly cautions investors not to place any reliance on any information contained in press articles or other media, certain of which may not be consistent with information contained herein.