You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the H shares. You should pay particular attention to the fact that the Company is a PRC company and is governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. The business, financial condition or results of operations of the Company could be materially adversely affected if any of these risks materialises. The trading price of the H Shares could decline due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, please refer to Appendix VI — "Summary of Principal PRC Legal and Regulatory Provisions" of this prospectus.

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 Company's future success will be largely dependent on the ability of the Dongfeng Motor Group to launch new models to suit changing customers' needs in the PRC and to continually enhance the performance and reliability of its products. If the products manufactured by the Dongfeng Motor Group do not receive the anticipated market reception, this may, among other things, significantly undermine the Dongfeng Motor Group's future development and market share in the industry, and hence materially and adversely affect the Group's financial condition and results of operations.

In addition, the launch of a new product requires substantial capital investment and generally higher initial production costs. The capital investments in plant and machinery and marketing and promotion associated with the launch of a new product, in addition to product development costs, may result in higher levels of depreciation and amortisation. Therefore, if market acceptance of any of the new products of the Dongfeng Motor Group is lower than anticipated, the Dongfeng Motor Group may be unable to gain the intended economic benefits of its investments and/or incur higher production costs, as a consequence of which the financial condition and results of operations of the Group may be adversely affected.

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 currently plans to increase its production capacity. There is no assurance that demand for, and sales of, the products of the Dongfeng Motor Group will match its increased production capacity. To the extent that the anticipated growth in the passenger and commercial vehicle markets fails to materialise due to market competition, or if the Dongfeng Motor Group experiences any significant adverse change in demand for its products, due to escalated competition or any other reasons, the Dongfeng Motor Group may not be able to recover the investment cost in its production facilities as and when anticipated, which could in turn have a material adverse effect on 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.

It is possible that the market demand for Dongfeng Motor Group's existing products may increase, or market conditions may require Dongfeng Motor Group to continually introduce new products. If the Dongfeng Motor Group fails to expand its production capacity in time to meet the expanding demand for its products, the Dongfeng Motor Group may 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.

The Company's business is principally carried out through a number of Dongfeng Joint Venture Companies, namely Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd, Dongfeng Honda Automobile Co., Ltd and Dongfeng Honda Engine Co., Ltd. These principal Dongfeng Joint Venture Companies were jointly established between, and are managed by, the Company and its joint venture partners, which are not members of the Group. The Company does not own more than 50% of the equity of any of the principal Dongfeng Joint Venture Companies.

Under the joint venture agreements governing the principal Dongfeng Joint Venture Companies, each of the Company and its respective joint venture partner(s) appoints a proportionate number of directors based on its share of the relevant joint venture. Important decisions of any of the principal Dongfeng Joint Venture Companies, including those relating to product selection and introduction, production volumes and capacity expansion, may be made only with the unanimous consent of the Company and the respective joint venture partners. As a result of these joint venture agreements, the Company cannot assure that, in the event of a disagreement between it and a joint venture partner over any of its proposed strategies, policies or objectives in respect of any of the principal Dongfeng Joint Venture Companies, the Company's future proposed strategies, policies, or objectives will be entirely adopted by that Dongfeng Joint Venture Company, which in turn could have a material adverse effect on that Dongfeng Joint Venture Company's future operations and the implementation of its business model.

In addition, the Company has applied for and the Stock Exchange has granted a waiver from compliance with the requirement to enter into written agreements pursuant to Rule 14A.35(1) of the Listing Rules in respect of certain continuing connected transactions relating to the Company's JCEs and a waiver from compliance with independent shareholder approval requirements under Rule 14A.42(3) of the Listing Rules in respect of certain other continuing connected transactions relating to the Company's JCEs. As such, these continuing connected transactions will not be subject to future shareholders approval. Furthermore, certain information relating to the JCEs would not be disclosed in future annual reports. The Company has agreed with the Stock Exchange that it will comply with the annual reporting requirements set out in Rule 14A.45 of the Listing Rules in respect of the JCE transactions, to the extent that, for certain connected transactions, only disclosure of the annual net or aggregate value of the transactions made each year will be made, and for certain other connected transactions, the Company has applied for and the Stock Exchange has granted a waiver from compliance with the requirement under Rule 14A.45(4) of the Listing Rules for the duration of the terms of such transactions. Even though the Stock Exchange has required, as one of the conditions to the listing of the Company, that its existing and future JCEs should in general be regulated in a manner consistent with the regulation of subsidiaries of a listed group for the purposes of applying the Listing Rules (apart from Rules 13.12 to 13.19 of the Listing Rules and to the extent of waivers granted by the Stock Exchange), for the purposes of notifiable and connected transactions under Chapters 14 and 14A of the Listing Rules, respectively, the calculation of the percentage ratio tests will be adjusted to include only the proportion of the transaction attributable to the Group. As such, certain information in respect of certain notifiable and connected transactions relating to the Dongfeng Joint Venture Companies may not be disclosed. For the conditions imposed by the Stock Exchange to the listing of the Company, please refer to the section of this prospectus headed "Information concerning the Listing Rules".

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.

If there is a material dispute between the Company and a joint venture partner in connection with the performance of a party's obligations or the scope of a party's responsibilities under the relevant joint venture agreements, the parties may not be able to resolve their differences through negotiation or arbitration. In the event such a material dispute cannot be resolved, the business and operations of the relevant Dongfeng Joint Venture Company may suffer, and the joint venture agreement may even be terminated by mutual consent of the parties or as a result of a material breach by one of them.

In addition, none of the joint venture agreements of the Dongfeng Joint Venture Companies provides for any dispute resolution mechanisms in the event of a deadlock in the board meeting of the relevant Dongfeng Joint Venture Company. Any such deadlock may cause the board of directors of the relevant Dongfeng Joint Venture Company to fail to make, or delay in making, an important decision, which may adversely affect the financial condition and results of operations of that Dongfeng Joint Venture Company.

It is also possible that one of the Company's joint venture partners may suffer financial or other difficulties, adversely affecting its ability to continue to perform its obligations under the relevant joint venture agreement or other contracts with the Company or other members of the Dongfeng Motor Group, which in turn could have an adverse effect on the business of the Dongfeng Joint Venture Company.

Any of the foregoing events could have a material adverse effect on the Group's financial condition and results of operations.

Failure by the Dongfeng Motor Group to successfully reduce costs could adversely affect its continued competitiveness.

Despite relatively high levels of consumer demand for automobiles in the PRC, competition is putting downward pressure on vehicle prices at the same time that prices of raw materials, including steel, as well as energy costs, are increasing due to high demand. Please refer to the section of this prospectus headed "Risks relating to the PRC Automobile Industry — 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". As a result, it has become necessary for automotive manufacturers in the PRC to reduce costs in order to remain competitive. The Dongfeng Motor Group has taken certain measures to reduce costs in connection with its operations, including adopting new technologies, materials and processes designed to enhance material utilisation and centralising purchase orders in order to reduce the operational cost and obtain the most competitive prices for raw materials and auto parts. However, there is no assurance that such measures will be effective. If the Dongfeng Motor Group is unable to reduce overall costs, its competitive position may suffer, which in turn could adversely affect the Group's financial condition and results of operations.

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.

Raw materials and spare parts used by the Dongfeng Motor Group are, and will continue to be, sourced from companies within the Dongfeng Motor Group and third party suppliers. In the event that the suppliers fail to meet their commitments or to enter into agreements with the Dongfeng Motor Group on commercially reasonable terms, and the Dongfeng Motor Group is unable to locate alternative suppliers in a timely manner, the manufacturing processes of the Dongfeng Motor Group could be disrupted and its manufacturing activities and operations could be materially and adversely affected. In particular, to the extent that a member of the Dongfeng Motor Group is dependent on a sole supplier or a limited number of suppliers for a critical input, it may find it difficult to replace such supplier on a timely basis and at a reasonable market price and the manufacturing activities and operations of the Dongfeng Motor Group may be adversely affected. Any of the foregoing events could have a material adverse effect on the financial condition and results of operations of the Group.

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.

The Dongfeng Motor Group has a non-exclusive license to use the "Dongfeng" name from Dongfeng Motor Corporation. Some of the subsidiaries and associated companies of Dongfeng Motor Corporation and some other entities are also allowed to use the "Dongfeng" name. For example, Dongfeng Motor Corporation has granted to Dongfeng Rongcheng Automotive Co., Ltd (東風榮成汽車有限公司), a company in which neither it nor the Company has any direct or indirect equity interest, a licence to use the Dongfeng trademark and tradename on the "Little Prince" ("小王子") series of passenger cars currently manufactured by Dongfeng Rongcheng Automotive Co., Ltd. If such entities use the "Dongfeng" name in ways that negatively affect the "Dongfeng" name, the reputation of those entities in the Dongfeng Motor Group which produce under the "Dongfeng" name could be damaged, which in turn could have a material adverse effect on the financial condition and results of operations of the Group. In addition, members of the Dongfeng Motor Group have permission to use certain of the trademarks and tradenames of the joint venture partners on the products they produce. Such trademarks and tradenames are also used by other entities, which could use them in ways that negatively affect the corresponding brand, which in turn could have a material adverse effect on the financial condition and results of operations 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.

Dongfeng Motor Corporation will own an aggregate of 70% of the Company's issued share capital after giving effect to the Global Offering (assuming no exercise of the Over-allotment Option). As the Company's controlling shareholder, and subject to the Company's Articles of Association and applicable laws and regulations, Dongfeng Motor Corporation will be able to influence the Company's major policy decisions, including, but not limited to, those relating to the Company's overall strategy and investment, by, among other things:

- Controlling the Company's board of directors and thereby influencing the selection of the Company's senior management and the Company's major business decisions;
- Approving or disapproving the Company's dividend distributions;
- Approving the Company's annual budgets;
- Effecting corporate transactions without the approval of the Company's minority shareholders; and
- Approving the Company's notifiable and connected transactions relating to the Company's Jointly-controlled Entities in lieu of holding a general meeting, where independent shareholders' approval is required for these transactions and where Dongfeng Motor Corporation is entitled to vote if the Company were to convene a general meeting for the approval of these transactions.

To the extent that Dongfeng Motor Corporation has interests that conflict with those of the Company and the Company's other shareholders, it may take actions, in its capacity as a shareholder, that favor its own interests, but which are not in the best interests of the Company's other shareholders.

The Group and the Dongfeng Joint Venture Companies may not be able to obtain adequate additional financing that they may require.

The business of the Group and the Dongfeng Joint Venture Companies requires significant capital investment. The Group made consolidated capital expenditures of RMB2,812 million, RMB3,416 million, RMB3,275 million and RMB1,874 million in respect of purchases of property, plant and equipment and intangible assets in 2002, 2003, 2004 and the first six months of 2005, respectively. The members of the Dongfeng Motor Group have approved capital expenditures aggregating approximately RMB6.1 billion in 2005 and RMB7.3 billion in 2006. Assuming no Over-allotment Option is exercised, all of the net proceeds of the Global Offering will be used to prepay the principal and interest on certain bank loans as soon as practicable after receipt. Please see further the section of this prospectus headed "Future Plans and Use of Proceeds — Use of Proceeds".

As a result, the Dongfeng Motor Group's operations and development may require the Group to obtain additional financing from external sources and/or internally generated cash, principally distributions from the Dongfeng Joint Venture Companies. The Group cannot assure that internally generated cash or external sources of funds will be adequate or available to meet the Group's needs, or that the Group will be able to obtain external financing on terms that are acceptable to the Group or at all. In the event the Group cannot raise sufficient funds to meet its requirements, its development, financial condition and results of operations may be materially and adversely affected.

In addition, the Dongfeng Joint Venture Companies may require additional capital to finance future growth and expansion of their production facilities and businesses. The Company or other members of the Dongfeng Motor Group and the joint venture partners are not obligated to provide any such additional funding to the relevant Dongfeng Joint Venture Companies. If the Company or other members of the Dongfeng Motor Group wishes to contribute funds into one of the Dongfeng Joint Venture Companies, it needs the relevant joint venture partner's consent and approval by the relevant PRC government authorities. The Company cannot assure that the Dongfeng Joint Venture Companies will be able to obtain additional funding that they require on acceptable terms or at all from any of the Company or other members of the Dongfeng Motor Group, the joint venture partners, or third party sources. The failure to obtain such funding may adversely affect the business, financial condition and results of operations of the Dongfeng Joint Venture Companies.

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.

The Dongfeng Joint Venture Companies benefit from certain preferential tax treatments in China. Please refer to Note 8 to Section II "Notes to Financial Information" of the Accountants' Report at Appendix I to this prospectus for further details and reasons of preferential tax treatments enjoyed by the Dongfeng Joint Venture Companies. These preferential tax treatments may be shortened or cancelled due to regulatory review or changes. Any adverse changes in the tax treatment that the Dongfeng Joint Venture Companies currently enjoy could affect the Group's cash flow and profitability and impose additional financial burdens on the Group.

Foreign currency rate fluctuations may adversely affect the Group's financial condition and results of operations.

Most of the Group's revenues are attributable to the principal Dongfeng Joint Venture Companies. It is currently expected that a significant amount of the components and raw materials used by the relevant Dongfeng Joint Venture Companies will be imported, mainly from Europe and Japan, but also from other foreign countries. The costs of such imported components and raw materials are mainly denominated in Euro, Japanese Yen and U.S. dollars. In addition, approximately 25.3% of the interest-bearing borrowings of the Group as at 30th June, 2005 were denominated in Euro, Japanese Yen and U.S. dollar. In the past several years, the values of the Japanese Yen and the Euro have increased against the Renminbi, making the cost of financing and the purchase of raw materials and components more expensive for the Dongfeng Motor Group. If the values of other foreign currencies increase, or continue to increase (as the case may be), against the Renminbi in the currency markets, then the cost of financing and the purchase of raw materials and components will become more expensive for the Dongfeng Motor Group, and as a result, the Group's financial condition and results of operations may be adversely affected. Neither the Company nor any of its major Joint Venture Companies, except Dongfeng Peugeot Citroën Automobiles Company Ltd, engages in any currency hedging activities. Dongfeng Peugeot Citroën Automobiles Company Ltd engages in hedging activities from time to time to reduce its exposure against the Euro's fluctuations in connection with its outstanding debt denominated in Euro. In order to reduce further its own exposure to fluctuations in foreign currencies, in particular, its attributable Euro exposure of Dongfeng Peugeot Citroën

Automobiles Company Ltd, the Company intends to engage in hedging activities from time to time, subject to market developments. As a result, the Company could potentially be exposed to losses arising from the non-performance of the counterparties to such hedging transactions.

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 operations of the Dongfeng Motor Group depend in part on the efficient, adequate and uninterrupted operation of the information technology systems in place or to be implemented at the respective Dongfeng Joint Venture Companies. The information technology systems of the Dongfeng Joint Venture Companies may be subject to damage or interruption from floods, fires, power outages, telecommunications, hardware and software failures, computer viruses and similar events. In the event the information technology systems of any of the Dongfeng Joint Venture Companies suffer serious interruptions or damage, that Dongfeng Joint Venture Company's operations may be interrupted, and the Group's financial condition and results of operations may be materially and adversely affected. In addition, the introduction of a new information technology system, including migration from an existing system, may cause interruptions in a Dongfeng Joint Venture Company's operations and manufacturing activities, which may in turn materially and adversely affect the financial condition and results of operations of the Group.

The Dongfeng Motor Group may not be able to sustain its growth rate.

The sustainability of the Dongfeng Motor Group's growth rate will depend on a number of factors, many of which are beyond the control of the Group, including the level of competition in the PRC automotive industry, changes in market demand and prices of raw materials and components. There can be no assurance that the Dongfeng Motor Group can maintain its growth at any particular level, and to the extent that the Dongfeng Motor Group experiences any significant change in demand for its products or increase in competition, this could have a material adverse effect on the Dongfeng Motor Group's growth and therefore on the Group's financial condition and results of operations.

The Company cannot assure that there will be dividends available for distribution to its shareholders.

The dividends that may be available for distribution by the Company to its shareholders mainly depend on whether profits are available for distribution by the Company, which in turn partly depends on whether dividends are distributed to the Company by the Dongfeng Joint Venture Companies. However, distributions by the Dongfeng Joint Venture Companies require the approval by the board of directors of the relevant Dongfeng Joint Venture Company in accordance with the terms of the relevant joint venture contract. There can be no assurance that the boards of directors of the various Dongfeng Joint Venture Companies, which are in most cases jointly controlled by the Company and the respective joint venture partners, will approve dividend distributions in the future. Furthermore, the Company has no direct control over the decision by the board of directors of the relevant Dongfeng Joint Venture Company to approve such a distribution or not. If there are little or no profit distributions by the Dongfeng Joint Venture Companies, the Company may not be able to make dividend payments to its shareholders. Even if profits are available for distribution by the Company to its shareholders, the Directors may decide that such a distribution would not be in the best interests of the Company.

Profits of the Company and the Dongfeng Joint Venture Companies are determined in accordance with PRC GAAP and the terms of the relevant joint venture contracts. Such profits differ from those that would be calculated using IFRSs in certain significant respects, including the use of different bases of recognition of revenue and expenses. According to the rules of the CSRC, distributable profit of a company listed on the Stock Exchange is the lower of the profits determined under PRC GAAP and that determined under IFRSs. In addition, under the relevant PRC financial regulations, profits available for distribution are determined after transfer to statutory reserve funds required under PRC law.

Dividends declared during the Relevant Periods may not be indicative of the dividend policy of the Group in the future.

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 and was approved in the shareholder's meeting on the same date. There can be no assurance that dividend distributions will continue to be made by the Company in the future. The Company's past dividend distribution record should not be used as a reference or basis to determine or predict the amount of dividends payable in the future.

The Dongfeng Motor Group may face challenges in attracting and retaining senior management talent and key technical experts.

The Dongfeng Motor Group relies on experienced and talented senior managers and highly skilled technical personnel to operate its business. Although the Dongfeng Motor Group has not experienced significant difficulties in hiring and retaining experienced senior managers and skilled technical personnel in the past, the Directors expect that the Dongfeng Motor Group will face increased competition for such employees from other automobile companies, driven in part by strong growth in the PRC automotive industry.

If the Dongfeng Motor Group is unable to attract and retain a sufficient number of such experienced senior managers and skilled employees, its operations may be adversely affected, which could have a material adverse effect on the Group's financial condition and results of operations.

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.

The Group's main businesses are centered around four principal Dongfeng Joint Venture Companies: Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd, Dongfeng Honda Automobile Co., Ltd and Dongfeng Honda Engine Co., Ltd. The financial condition and results of operations of Dongfeng Honda Engine Co., Ltd substantially depend on that of Guangzhou Honda Automobile Co., Ltd as a result of an arrangement described in the section of this prospectus headed "History, Reorganisation and Group Structure — History and Development" and the continuance of that arrangement. Accordingly, such principal Dongfeng Joint Venture Companies have significant influence, both individually and collectively, on the financial condition and results of operations of the Group. In particular, Dongfeng Motor Co., Ltd and its subsidiaries accounted for approximately 98.5% and 48.9% of the commercial and passenger vehicles, respectively, sold by the

Dongfeng Motor Group in the six months ended 30th June, 2005, and contributes materially to the Dongfeng Motor Group's engines and other auto parts business, as a result of which Dongfeng Motor Co., Ltd exercises significant influence over the Dongfeng Motor Group's three largest product segments. As a result of the significant influence that these principal Dongfeng Joint Venture Companies possess over the financial condition of the Group, poor performance by one or more of them would adversely impact the Group's financial performance. Dongfeng Peugeot Citroën Automobiles Company Limited experienced a loss in 2004, of which RMB217 million was attributable to the Group, as prices and sales volumes of its cars fell from 2003, which in turn contributed to the Group's decline in revenue and net profit over the same period. For certain financial information on Dongfeng Peugeot Citroën Automobiles Company Limited, please refer to the section of this prospectus headed "Business — Overview". If any of such principal Dongfeng Joint Venture Companies encounters serious business problems in the future or otherwise does not succeed as anticipated, it would have a material adverse effect on 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.

Dongfeng Motor Corporation and various members of the Dongfeng Motor Group are subject to examination by PRC regulatory authorities from time to time. In the past, Dongfeng Motor Corporation (including certain of its then subsidiaries and associates) has been subject to certain fines and rectification requests (imposed in respect of certain accounting treatment and handling of receipts and payments adopted by the relevant company which was not in accordance with the requirements of PRC regulatory authorities) as a result of some of these examinations. The National Audit Office (the "NAO") conducted an audit on Dongfeng Motor Corporation in relation to a period prior to the Track Record Period in 2001 which resulted in immaterial fines being imposed on Dongfeng Motor Corporation. Dongfeng Motor Corporation has confirmed that all fines imposed by NAO have been paid in full and has requested all its group members and branch units to strictly comply with all finance and accounting regulations in the future. The Company believes that all related problems have been rectified. These fines have not had a material adverse effect on the business, financial condition and results of operations of the Dongfeng Motor Group. According to the relevant PRC regulations, upon the change of the legal representative of Dongfeng Motor Corporation, NAO shall conduct an audit of Dongfeng Motor Corporation and its group members, including the Dongfeng Motor Group. Since the former chairman who was also the legal representative has resigned, such audit has yet to be conducted by NAO. There is no assurance that future examinations by PRC regulatory authorities will not result in further fines, penalties or other actions that could materially adversely affect the business, financial condition and results of operations of the Dongfeng Motor Group 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 companies listed in the PRC ("Share Conversion Reform").

According to a guidance statement jointly issued by the CSRC, the State-Owned Assets Supervision and Administration Commission, the Finance Ministry, the People's Bank of China, and the Ministry of Commerce on 23rd August, 2005, it is the intention of the PRC government to extend the Share Conversion Reform to all listed companies in China. As a result, all listed companies in the PRC would be permitted to convert their non-publicly traded shares into publicly traded shares. The A shares of Dongfeng Automobile Co., Ltd and Dongfeng Electronic Technology Co., Ltd (the "A Share

Companies"), which are subsidiaries of Dongfeng Motor Co., Ltd within the Dongfeng Motor Group, are listed on the Shanghai Stock Exchange. Under the audited financial statements of Dongfeng Automobile Co., Ltd, which are prepared under PRC GAAP, its revenue in the financial year ended 31st December, 2004 and the six months ended 30th June, 2005 amounted to approximately RMB6,100 million and RMB3,987 million, respectively and its total asset value in the same periods amounted to RMB7,111 million and RMB9,156 million, respectively. As at 30th September, 2005, it had a market capitalisation of approximately RMB6,080 million calculated based on 2 billion shares outstanding as at 30th September, 2005 and the closing share price of RMB3.04 on 30th September, 2005.

Under the audited financial statements of Dongfeng Electronic Technology Co., Ltd, which are prepared under PRC GAAP, its revenue in the financial year ended 31st December, 2004 and the six months ended 30th June, 2005, amounted to approximately RMB816 million and RMB493 million, respectively; and its total assets as at 31st December, 2004 and 30th June, 2005 amounted to approximately RMB1,129 million and RMB1,193 million, respectively. As at 30th September, 2005, it had a market capitalisation of approximately RMB843 million calculated based on 313.56 million shares outstanding as at 30th September, 2005 and the closing share price of RMB2.69 on 30th September, 2005.

Under the audited consolidated financial statements of the Group, which are prepared under IFRSs, the Group's revenue in the financial year ended 31st December, 2004 and the six months ended 30th June, 2005 amounted to approximately RMB32,737 million and RMB21,192 million, respectively; and its total assets as at 31st December, 2004 and 30th June, 2005 amounted to approximately RMB33,451 million and RMB36,858 million, respectively.

In the year ended 31st December, 2004 and the six months ended 30th June, 2005, after giving effect to the proportionate consolidation of the financial results of Dongfeng Automobile Co., Ltd, the revenue of Dongfeng Automobile Co., Ltd accounted for approximately 9.3% and 9.4% of the Group's revenue, respectively; and its assets accounted for approximately 10.6% and 12.4% of the Group's total assets, respectively. As at 8th November, 2005, after giving effect to such proportionate consolidation, the market capitalisation of Dongfeng Automobile Co., Ltd accounted for approximately 13.2% of the market capitalisation of the Group assuming the mid-point of the Offer Price range (before any exercise of the Over-allotment Option). After giving effect to the proportionate consolidation of the financial results of Dongfeng Electronic Technology Co., Ltd, its revenue accounted for approximately 1.2% and 1.2% of the Group's revenue and its assets accounted for approximately 1.7% and 1.6% of the Group's total assets in the year ended 31st December, 2004 and the six months ended 30th June, 2005, respectively. As at 8th November, 2005, after giving effect to such proportionate consolidation, the market capitalisation of Dongfeng Electronic Technology Co., Ltd. accounted for approximately 2.2% of the market capitalisation of the Group assuming the mid-point of the Offer Price range (before any exercise of the Over-allotment Option). It is important to note that Dongfeng Automobile Co., Ltd and Dongfeng Electronic Technology Co., Ltd only have publicly available PRC GAAP audited financial information and hence the above percentage amounts reflect amounts calculated using audited financial information of Dongfeng Automobile Co., Ltd and Dongfeng Electronic Technology Co., Ltd prepared under PRC GAAP as described above and audited financial information of the Group prepared under IFRSs as described above, which may be materially different from the actual percentages had IFRSs been applied to calculate the actual percentages.

The Company has confirmed that the A Shares Companies do not have any current intention or plan to proceed with such a share conversion in 2005. If the A Share Companies in the future implement the share conversion, for example, by compensating public shareholders with free shares in return for the public shareholders' approval of the share conversion, the consolidated net profit of the Group would decline as a result of the dilution of Dongfeng Motor Corporation's shareholding of the A Share Companies and the Group's financial condition may be adversely affected. It is impossible to quantify or estimate the impact it will have on the financial statements of the Group as it depends on the actual compensation scheme that may be implemented.

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.

Automobile production in the PRC has been growing steadily. It is expected that the construction of more paved roads and highways in the PRC, together with an increase in the spending power of the general population, will cause the demand for automobiles in the PRC to grow significantly in the near future. In order to capture this increasing demand, the members of the Dongfeng Motor Group currently intend to pursue their respective strategic expansion plans that include expanding their production capacities, pursuing aggressive promotional campaigns and expanding their marketing networks. However, such potential growth in the automobile market has also encouraged, and will likely continue to encourage, other automobile manufacturers, including foreign competitors, Sino-foreign equity joint ventures established in the PRC, and new domestic auto companies, to further expand their production capacities. This has resulted, and may continue to result, in an excess supply of automobiles in the market.

In addition, the growth of the automobile industry in the PRC is linked to the PRC's economic climate. The growth in demand for automobiles in the PRC has slowed down since 2003 due to a variety of macro economic factors. In the event of an economic slowdown in the PRC or the imposition of more restrictive credit terms, the demand for automobiles may slow down further. Continued over-supply of automobiles in the market or a further softening in the market demand for automobiles could have a material adverse effect on the financial condition and results of operations of automotive manufacturers throughout the PRC, including the Dongfeng Motor Group and, therefore, that of the Group.

Automotive manufacturers in the PRC, including the Dongfeng Motor Group, face increasing competition from domestically produced products and foreign imports.

The Directors believe that the Dongfeng Motor Group, like other PRC automotive manufacturers, currently faces competition mainly from domestically produced automotive products, including those produced by joint venture companies in the PRC set up by international automobile manufacturers. A number of these competitors have been increasing their operations and sales in the PRC in recent years and, like the Group, many have recently announced that they plan to further expand their production capacities in the PRC.

Though the Dongfeng Motor Group has built well-known brands in the PRC, the Directors believe that increased competition has contributed to price reductions in 2003, 2004 and 2005, and that any significant further increase in competition could lead to further price reductions and could dilute the Dongfeng Motor Group's market share as a whole and reduce the Group's profit margin. Furthermore, following the PRC's accession to the WTO on 11th December, 2001, the PRC automotive industry, including the Dongfeng Motor Group, may increasingly face competition from foreign imports. To the extent that competing automotive products, whether domestic or foreign, gain a competitive advantage over the products of the Dongfeng Motor Group in terms of pricing, product quality, brand name recognition and financial and technical resources, the market share and therefore the financial condition and results of operations of the Group may be materially and adversely affected.

Market demand for and prices of automotive products may be depressed by further slowdown in the growth rate of, and cyclical fluctuations in, the PRC automotive industry.

The worldwide automotive industry is generally cyclical in nature. It is possible that China's automotive industry may follow this trend. China's economy has experienced significant economic growth in the past decade. Such growth has contributed to, but may not necessarily be sufficient to sustain, an increase in demand for automotive products, particularly as the Chinese economy matures. The period of increased product demand that the Dongfeng Motor Group has experienced for its products may be followed by a period of excess supply and/or decreased demand, causing prices and margins to decline. In particular, the demand for the Dongfeng Motor Group's commercial vehicles is sensitive to general economic conditions in China, which are driven by factors outside the Company's control.

Although the growth rates of sales of passenger and commercial vehicles in the PRC automotive industry for the first six months of 2005 increased steadily, such growth rates had notably slowed down in earlier periods. The growth rates of sales of passenger and commercial vehicles in the first six months of 2005 were approximately 10.6% and 7.1%, respectively. The period on period growth rate of sales of passenger and commercial vehicles in aggregate for the same period, when compared to such rate for the first six months of 2004, had slowed down by approximately 14.8%. Any further slowdown in the growth in the automotive industry could reduce the sales volumes and prices of PRC automotive manufacturers, particularly those manufacturers that, like the Dongfeng Motor Group, sell their products almost exclusively in the PRC. Such development could adversely affect the Group's financial condition and results of operations.

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).

The PRC government approved revised fuel economy standards for new vehicles in September 2004. These new standards require vehicles which fall into any of 32 different weight-based classes to meet certain minimum miles per gallon ("mpg") fuel economy standards, generally between 19 mpg and 38 mpg by July 2005 and between 21 mpg and 43 mpg by 2008. As of November 2004, 66% of automobiles sold in China met the 2005 standards and 35% met the 2008 standards, while only 4% of SUVs and minivans met the 2005 standard. The new standards may have a substantial impact on automakers, particularly those that manufacture larger and more powerful vehicles, which will have to redesign existing models to comply with the new standards.

In addition, the PRC government is considering the introduction of higher automobile taxes and their adoption by next year is considered to be increasingly likely. China now has a 3% one-time consumption tax on compact cars with engine size of 1.0 litre or less, 5% on those between 1.0 and 2.2 litres, and 8% on vehicles with engine size above 2.2 litres. The proposed new policy may, among other things, add two more tax brackets for vehicles with engines larger than 2.2 litres and charge as much as 20% consumption tax on vehicles with engines of 4 litres or more. (There is no assurance that such tax increases will not be even higher if and when they are eventually adopted.) This tax adjustment, like the new fuel economy standards, aims at further relieving China's dependency on oil imports by encouraging the manufacture and consumption of low-emission and environmentally friendly vehicles.

If the proposed tax rate adjustment is adopted, it will increase the sales costs of vehicles with larger engine sizes, such as SUVs and trucks. The magnitude of such increased costs depends on the final amount and parameters of the actual tax increase, if and when it is adopted. Car manufacturers in the PRC may not be able to successfully pass along the increased costs arising from the revised fuel economy standards or the increased consumption taxes to customers in the form of higher prices, which could adversely impact their margins and profitability. Even if such increased costs are added to sales prices, such increase in prices could result in a decline in demand for new vehicles. Such an increase in sales costs and prices and decline in demand may have an adverse effect on the revenues and profits of car manufactures in the PRC, especially those that produce vehicles with larger engines (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.

The Dongfeng Motor Group regards its trademarks, patents and similar intellectual property rights as critical to its success and has obtained or applied for trademarks and patents on various products and technologies as set out in Appendix VIII. Like other PRC automotive manufacturers, the Dongfeng Motor Group seeks to protect its intellectual property rights by taking certain measures. However, policing unauthorised use of intellectual property rights is difficult and sometimes practically infeasible, and there is no assurance that the steps currently taken by the Dongfeng Motor Group will prevent misappropriation or infringement of intellectual property rights of the Dongfeng Motor Group. In particular, there are indications that illegal copies of vehicles and auto parts happen from time to time in the PRC automotive industry. Such misappropriation or infringement could have a material adverse effect on the financial condition and results of operations of the Group.

Although the Dongfeng Motor Group has never received notice of any claims from other third parties alleging that the Dongfeng Motor Group has infringed such third parties' intellectual property rights, there is no assurance that any such claim will not be initiated, or that the Dongfeng Motor Group would prevail in any litigation arising from such a claim seeking damages for or an injunction against the sale of certain of the products of the Dongfeng Motor Group bearing the potentially infringing trademark or utilising the potentially infringing patent or any other intellectual property rights. In the event that any such claim is upheld, the Group's business and financial condition could be materially and adversely affected. Even if the Dongfeng Motor Group is successful in defending against any such claim, there can be no assurance that the costs and resources required would not have a material adverse effect on the Group's financial condition and results of operations.

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.

PRC companies are required to obtain various permits, approvals and consents from PRC government authorities in connection with the establishment of sino-foreign joint venture companies, including, without limitation, a Certificate of Approval and a Business License. In addition, a change in the business scope of existing sino-foreign joint venture companies also requires the approval of the relevant PRC government authorities. There is no assurance that all relevant permits, approvals and consents will be issued and granted when desired by a PRC company or at all. In the event that such a company does not receive the requisite permits, approvals or consents or there is any delay in obtaining such permits, approvals or consents, the establishment and operation of new sino-foreign joint ventures or expansion of existing sino-foreign joint venture companies by the PRC company may not materialise or may be delayed, and as a result, the future development, financial condition and results of operations of such PRC companies could be materially and adversely affected. To the extent that the Dongfeng Motor Group seeks to establish new sino-foreign joint venture companies or to expand the business scope of its existing joint venture companies, it would also be subject to this risk.

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.

Design defects, defective component parts or assembly defects, particularly if they contribute to accidents or injuries, could subject the Dongfeng Motor Group, like other PRC automobile manufacturers, to product liability claims, suits and complaints incidental to its business. Under current laws of the PRC law, automotive manufacturers are not required to maintain product liability insurance coverage. The Dongfeng Motor Group, like other PRC automotive manufacturers, has therefore opted not to maintain such insurance coverage. A serious incident or accident involving the products of the Dongfeng Motor Group could result in financial losses to the Group or the Dongfeng Joint Venture Company deemed to be liable due to liability claims against the Group or such Dongfeng Joint Venture Company.

Although no product liability claims have so far been made or threatened against the Dongfeng Motor Group in the past, the Company cannot guarantee that such claims will not be brought against the Dongfeng Motor Group in the future, or that the PRC government or the government in other relevant jurisdictions will not impose requirements for sufficient insurance to be maintained to cover any risks associated with product liabilities or the operation of the business of the Dongfeng Motor Group, or that the Dongfeng Motor Group will be able to procure such insurance cover on terms or with premiums that are acceptable to the Dongfeng Motor Group. Should the products of the Dongfeng Motor Group be found defective and/or should they cause proprietary damage or physical injury to any person, the Dongfeng Motor Group may be required to devote significant resources to defend any resulting claims or to provide compensation to the victims. Such events may also result in negative publicity, which could adversely affect the relationship of the Dongfeng Motor Group with its customers.

In addition, in recent years, the manufacture of components of low quality, including safety-related components such as brake pads and suspension parts, has happened from time to time in the PRC, and it is possible that the Dongfeng Motor Group may inadvertently purchase such components from third party suppliers, thereby exposing itself to the risk of liability for products purchased from third parties. If there is a material product liability claim against the Dongfeng Motor Group or the Dongfeng Motor Group is required to obtain product liability insurance, the financial condition and results of operations of the Group may be adversely affected.

Unexpected business interruptions could adversely affect the Dongfeng Motor Group's business.

The Dongfeng Motor Group's operations are vulnerable to interruption by fire, floods, earthquakes and other events beyond its control. Recently a flood interrupted production at one of Dongfeng Honda Engine Co., Ltd's factories. Although the interruption lasted only one day and did not have a material effect on production, future floods or other such events could have a material adverse effect on the operations of the Dongfeng Motor Group. The Dongfeng Motor Group does not carry business interruption insurance to compensate it for losses that may occur as a result of such events because it is not required to do so under current PRC law.

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.

In the PRC, the Regulation on Recall of Defective Vehicles came into effect on 1st October, 2004. This regulation requires the Dongfeng Motor Group, like other PRC automotive manufacturers, to undertake service actions or recall campaigns. Dongfeng Peugeot Citroën Automobiles Ltd voluntarily recalled 7,539 Picasso models in September 2004, due to defective air conditioning systems. Any such actions or campaigns may require automotive manufacturers such as the Dongfeng Motor Group to expend considerable resources in correcting potential design defects, defective component parts or assembly defects in its products, which could influence purchasing decisions of potential purchasers of the vehicles of the Dongfeng Motor Group or adversely affect the reputation of the products of the Dongfeng Motor Group, thereby negatively affecting future sales and profitability of the Group.

Future increases in defaults in automobile consumption loans, if they occur, may have an adverse effect on growth in the PRC automobile market.

Currently, the risk of default associated with such automobile consumption loans in the PRC is generally borne by the insurance firms which guarantee the borrower's performance. It has been reported that the non-performing rate of automobile consumption loans has been increasing recently. The growing rate of defaults in automobile loans in recent years has prompted some PRC insurance firms to announce a suspension in sales of automobile insurance policies. As such, commercial banks have reduced the grants of automobile consumption loans.

To the extent that some insurance firms remain reluctant to sell automobile insurance policies and banks continue the reduction of grants of automobile consumption loans, certain potential automobile buyers may continue to have difficulty purchasing automobiles. This trend may have already contributed to slower growth in the PRC automobile market. To the extent that there is any prolonged suspension or decline in applications for, or in the approval rate of, automobile consumption loans were to affect the ability of car distributors to finance inventory, the demand for automobiles in the PRC, and therefore the business of PRC automotive manufacturers, may suffer, as a result of which the Group's financial condition and results of operations may be adversely affected.

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.

Like most PRC automotive manufacturers, the Dongfeng Motor Group obtains a large portion of raw materials, automobile components and energy used in the manufacture of automobiles from third party suppliers. During the past year, the prices of raw materials used in the manufacture of automobiles, including the prices of steel and iron, as well as the price of energy used in the manufacturing process, have increased significantly due to high demand, and such prices might continue increasing in the future. These price increases have led, and may continue to lead, to increases in the cost of manufacturing automotive products, including the products of the Dongfeng Motor Group. If costs of raw materials and automobile components and energy continue to rise, and if the Dongfeng Motor Group is not able to compensate for these cost increases by undertaking cost saving measures elsewhere in its operations or by increasing the selling prices of vehicles and components produced by the Dongfeng Motor Group, the financial condition and results of operations of the Group may be materially and adversely affected.

Changes in the regulatory environment may adversely affect the production and profitability of PRC automotive manufacturers such as the Dongfeng Motor Group.

The PRC government has promulgated and is proposing to implement various laws, rules and regulations to regulate the domestic automobile manufacturing industry at both the national and regional levels, including those concerning the safety of automobiles and automotive parts and components, emissions and noise control, as well as fuel consumption levels. All automobile manufacturers and all models of automobile manufactured by them must be approved by the NDRC (formerly by the SETC) and registered in the Approved Catalogue before such models can be legally produced and sold in the PRC. All automobiles are subject to, among other things, the tests for compliance with relevant governmental emission and safety standards before they are registered in the Approved Catalogue. The SETC announced that with effect from the 1st January, 2001, an updated Approved Catalogue will no longer be issued. Approved automobile manufacturers and the model number of automobiles will be published by way of a Public Notice.

In September 2004, the PRC government approved new fuel economy standards designed to conserve energy and reduce reliance on oil imports from overseas. The Directors believe that the environmental protection policies currently adopted by the Dongfeng Motor Group are adequate for compliance with currently applicable PRC national and municipal environmental regulations. However, there is no assurance that the PRC will not impose additional requirements applicable to the PRC automotive industry generally and/or to the products of the Dongfeng Motor Group . Should there be any such additional requirements, the Dongfeng Motor Group may be required to incur extra costs to comply with such regulatory requirements, which could have a material adverse effect on the Group's financial condition and results of operations. In addition, failure to comply with such laws and regulations by the Dongfeng Motor Group could result in fines, penalties or lawsuits. Please refer to Appendix VI — "Summary of principal PRC legal and regulatory provisions" of this prospectus for details.

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.

Existing PRC automotive industry policies impose certain restrictions on investment by foreign vehicle manufacturers in vehicle production projects in China. Please refer to Appendix VI — "Summary of principal PRC legal and regulatory provisions" of this prospectus. If these policies were changed to relax these restrictions, this could lead to a higher level of participation by foreign vehicle manufacturers in the PRC automotive market, which in turn would increase the level of competition throughout the market. Increased competition could lead to lower vehicle prices and lower profits for vehicle manufacturers, among other consequences, which could have a material adverse effect on the financial condition and results of operations of PRC domestic automotive manufacturers, including the Dongfeng Motor Group, and, therefore, the 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.

Pursuant to current legislation and regulations imposed by transport authorities in some provinces and municipalities in the PRC, certain restrictions on road use and traffic control regulations apply to trucks that are over particular weight limits. Such measures include time and segmental restrictions. These restrictions on road use and traffic control regulations have been implemented in certain large cities, including, but not limited to, Beijing and Shanghai. Sales of certain types of trucks of the Dongfeng Motor Group in those cities, like those of other commercial vehicle manufacturers, will be directly affected by these measures. There is no assurance that other provincial or municipal governments will not impose similar restrictions. If such restrictions are imposed, the sale of certain types of products of some automotive manufacturers, including the Dongfeng Motor Group, will be adversely affected, as a consequence of which the Group's financial condition and results of operations could be materially and adversely affected.

Fuel shortages and increases in fuel prices may adversely affect the demand for automobiles.

Fuel prices are inherently volatile and have remained high since 2002. Any surge in fuel prices will have an adverse effect on world economies and, in particular, on the world's automobile industries. In the PRC this year, rising global oil prices and rising demand for fuel have led to fuel shortages in the south. This is due in part to increased automobile ownership as well as government controls over fuel prices.

If the PRC central government continues to control the price of domestic refined oil to stabilize the market and demand for fuel in China continues to increase in line with rising annual GDP, it is possible that further shortages will occur. If the cost of fuel in the PRC continues to increase, consumers may elect to use alternative means of transportation, and demand for automobiles, particularly those with large engine capacities, may decline.

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 PRC became a member of the WTO on 11th December, 2001. Current tax benefits and other government grants granted to domestic enterprises by the PRC government may be regarded as unfair treatment by other members of the WTO. Therefore, benefits currently enjoyed by the Dongfeng Motor Group, and in particular, the preferential tax treatment referred to in Note 8 to Section II "Notes to Financial Statements" of the Accountants' Report at Appendix I of this prospectus, may be discontinued. Should any or all of these benefits be reduced or withdrawn completely, the financial condition and results of operations of the Group may be materially and adversely affected.

The PRC's accession to the WTO will also bring about several regulatory changes in the PRC automobile industry. These include, but are not limited to, the following:

- the reduction of import tariffs to 25% for foreign automobiles by 2006;

- the reduction of import tariffs to an average of 10% for car parts and components by 2006;
- the gradual increase and eventual phasing out of import quotas;
- the eventual elimination and/or relaxation of restrictions on foreign investment in various aspects of the PRC automobile market; and
- the lifting of restrictions on foreign participation on issues of automobile-related loans.

All of the above regulatory changes will work to the detriment of the business of PRC automotive manufacturers such as the Dongfeng Motor Group to the extent that they allow for an easier entrance into the PRC automobile market by foreign competitors. Should the Dongfeng Motor Group fail to effectively respond to such regulatory changes and/or increases in competition in a timely fashion, it may lose any competitive advantages that it has, which in turn could have a material adverse effect on the financial condition and results of operations of the 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).

The PRC government is considering adopting the Regulations on Non-Commercial Passenger Vehicle Repair, Exchange and Return Responsibilities (commonly referred to as the "three guarantees" policy) in the near future. The new regulations are designed to make it easier for buyers of vehicles which are to be used for non-commercial purposes to hold the PRC manufacturers and dealers accountable for quality defects and thereby encourage the improvement of PRC automotive manufacturers' quality control practices. These regulations provide, among other things, that a purchaser can return a vehicle to the dealers at no cost or, in some circumstances, at a nominal cost, if (i) a major quality problem occurs within 30 days of the purchase or (ii) such vehicle has the same quality problem after five repair attempts or (iii) the aggregate time for all quality-related repairs of such vehicle exceeds 35 days over a specified term (usually two years).

If these regulations are introduced as described above or in a similar form, the costs of compliance with such regulations could have a material adverse effect on automobile dealers in the PRC and, if such dealers attempt to pass along such additional costs to the manufacturers, the regulations could have a material adverse effect on automotive manufacturers in the PRC (including the Dongfeng Motor Group). Even if manufacturers pass along such costs to consumers in the form of higher sales prices, the increase in sales prices could cause a decline in market demand and result in a material adverse effect on the revenues and profits of car manufacturers in the PRC (including the Dongfeng Motor Group).

RISKS RELATING TO THE PRC

Substantially all of the assets of the Dongfeng Motor Group are located in the PRC and substantially all of the revenues of the Dongfeng Motor Group are sourced from the PRC. Accordingly, the Group's results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in 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.

The economy of the PRC differs from the economies of most developed countries in many respects, including:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market oriented economy. For the past two decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. Although the Directors believe that these reforms will have a positive effect on the Dongfeng Motor Group's overall and long-term development, they cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on the Group's current or future business, results of operations or financial condition.

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 Dongfeng Motor Group currently records substantially all of its revenues in Renminbi. Conversion of Renminbi is under strict government regulation in the PRC. Current foreign exchange regulations have already significantly reduced the government's foreign exchange control on routine transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. Under the existing foreign exchange regulations in the PRC, following completion of the Global Offering, the Company will be able to pay dividends in foreign currencies without prior approval from the State Administration of Financial Exchange, or SAFE, by complying with certain procedural requirements. However, there is no assurance that these foreign policies regarding payment of dividends in foreign currencies will continue in the future.

The value of Renminbi may fluctuate due to a number of factors. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on the PBOC Rate. Since 1994, the official exchange rate for the conversion of Renminbi to U.S. dollars has generally been stable. As of 21st July, 2005, Renminbi will no longer be pegged to the U.S. dollar but to a basket of currencies. On 21st July, 2005, this revaluation resulted in Renminbi appreciating against U.S. dollar and Hong Kong dollar by approximately 2%. The relaxation of the Reminbi-U.S. dollar peg may contribute to volatility or increased fluctuations in the value of Renminbi. Therefore, any fluctuation in exchange rate or any shortage of foreign currency may have an adverse impact on the export business, operating costs and financial conditions of the Dongfeng Motor Group.

In addition, since the income and profit of the Dongfeng Motor Group are denominated in Renminbi, any decrease in the value of Renminbi would adversely affect the value of, and dividends, if any, payable on, the H Shares by the Company in foreign currency terms, and any increase in the value of Renminbi would cause imported products which compete with those of the Dongfeng Motor Group to be relatively less expensive for Chinese consumers.

The PRC legal system is continuously evolving and has inherent uncertainties and the legal protections available to the Company's shareholders may be limited.

The Company was incorporated under PRC law. As substantially all of the Dongfeng Motor Group's businesses are conducted in the PRC, its operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, interpretation of PRC laws and regulations will involve a degree of uncertainty.

As a PRC company offering and listing its H Shares outside the PRC, the Company is subject to the Special Regulations and the Mandatory Provisions. Upon the listing of the H Shares on the Stock Exchange, the Listing Rules will become the principal basis for protection of shareholders' rights. The Listing Rules contain particular standards of conduct and disclosure for the Company, its Directors and its controlling shareholders. As far as the Company is aware, the PRC has not published any case report that involves a request by a holder of H shares of a PRC company to exercise his or her rights under any constitutional document of any joint stock company with limited liability, the Company Law or any regulatory provisions of the PRC applicable to PRC joint stock limited companies.

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.

The legal framework to which the Company is subject is materially different from the Companies Ordinance or corporate law generally in the United States with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which the Company is subject are also relatively undeveloped and untested. In the PRC, even if a corporation has failed to enforce the rights of its shareholders, the shareholders do not have the right to commence an action against the directors, supervisors, officers or other shareholders on behalf of the corporation.

Although the Company will be subject to the Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, upon the listing of the H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law and only provide standards of acceptable commercial conduct for takeover and merger transactions and share repurchases in Hong Kong.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with countries such as the United States, the United Kingdom and Japan, and therefore enforcement in the PRC of judgments of a court in these jurisdictions may be difficult or impossible. The Articles of Association and the Listing Rules provide that most disputes between holders of H Shares and the Company, its Directors, Supervisors, officers or holders of Domestic Shares arising out of its Articles of Association or the Company Law and related regulations concerning its affairs, such as transfer of its H Shares, are to be resolved through arbitration.

On 18th June, 1999, an arrangement was made between Hong Kong and the PRC for the reciprocal enforcement of arbitral awards. This arrangement was approved by the Supreme Court of the PRC and the Hong Kong Legislative Council and became effective on 1st February, 2000. The arrangement was made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958. Under the arrangement, awards that are made by the PRC arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong, while awards made by Hong Kong arbitral authorities are also enforceable in the PRC. However, so far as the Company is aware, no action has been brought in the PRC by a holder of H Shares to enforce an arbitral award made by the PRC arbitral authorities or Hong Kong arbitral authorities, and there are uncertainties as to the outcome of any action brought in the PRC to enforce an arbitral award made in favor of a holder of H Shares.

The exemption from withholding tax on dividends and income available to holders of H Shares may not continue in the future.

Under current PRC tax laws, regulations and rulings, dividends paid by the Company to holders of H Shares outside the PRC are currently exempted from PRC income tax. In addition, gains realized by holders of H Shares upon the sale or other disposition of H Shares are currently exempted from PRC income tax. If the exemptions are withdrawn in the future, holders of H Shares may be required to pay PRC income tax, or the Company may be required to withhold such tax from dividend payments. Such PRC income tax or withholding tax on dividends is currently imposed at the rate of 20%, unless there is an applicable tax treaty between the PRC and the jurisdiction in which such overseas holders of H Shares reside which reduces or exempts the relevant tax. Please refer to the section of this prospectus headed “Appendix V — Taxation”.

The PRC economy may experience inflationary pressure, which may lead to an increase in interest rates and a slowdown in economic growth.

In response to concerns that the PRC’s high rate of growth in industrial production, bank credit, fixed investment and money supply, the PRC government has taken measures to slow economic growth to a more manageable level. Among the measures that the PRC government has taken are restrictions on bank loans in certain sectors. These measures have contributed to a slowdown in economic growth in the PRC, and a reduction in demand for consumer goods, including automobiles. These measures and any additional such measures, including an increase in interest rates, if it occured, could contribute to a further slowdown in the PRC economy.

Electricity shortages in the PRC may lead to reduced economic growth.

Many businesses, particularly in Jiangsu and Zhejiang, are reported to be experiencing rotating electricity shutdowns and are expecting worse disruptions as warmer weather and the greater use of air conditioners puts additional strain on electricity demand. Although the Dongfeng Motor Group has not yet suffered from blackouts or a shortage of electricity generally, it may do so in the future. Even if the Dongfeng Motor Group itself does not experience problems with its electricity supply, nationwide shortages could adversely affect industrial production, and therefore economic growth, in the PRC generally, which could lead to a decline in demand for the Dongfeng Motor Group’s products.

The outbreak of the Severe Acute Respiratory Syndrome ("SARS") or other epidemics could adversely affect the operations of the Dongfeng Motor Group.

Certain areas of China are susceptible to epidemics such as SARS. An outbreak of SARS or any outbreak of other epidemics in China might result in material disruptions of the operations of the Dongfeng Motor Group, which in turn would adversely affect the Group's financial condition and results of operations.

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.

Recently, certain Asian countries, including China, have encountered incidents of Avian Flu. This disease, which is spread through poultry populations, is capable in certain circumstances of being transmitted to humans and could be fatal. If any of the Dongfeng Motor Group's employees are identified as a possible source of spreading Avian Flu or any other similar epidemic, the Dongfeng Motor Group may be required to quarantine the employees that have been suspected of becoming infected, as well as others that have come into contact with those employees. The Dongfeng Motor Group may also be required to disinfect its affected factories, which could cause a temporary suspension of its manufacturing capacity, thus adversely affecting its operations. Even if the Dongfeng Motor Group is not directly affected by the epidemic, an outbreak of Avian Flu or other similar epidemic, whether inside or outside China, could slow down or disrupt exporting activities and/or restrict the level of economic activity generally, which could in turn adversely affect the operations of the Dongfeng Motor Group 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.

Prior to the Global Offering, there has been no public market for the H Shares. The initial issue price range to the public for the H Shares was the result of negotiations between the Company and the Underwriters, and the Offer Price may differ significantly from the market price for the H Shares following the Global Offering. The Company has applied to list and deal in the H Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for the H Shares. In addition, the price and trading volumes of the H Shares may be volatile. Factors such as variation in the Group's revenues, earnings and cashflows or any other developments of the Group may affect the volume and price at which the H Shares will be traded.

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.

The Offer Price of the H Shares is higher than the net tangible book value per Share. Therefore, purchasers of the H Shares in the Global Offering will experience an immediate dilution in net tangible book value per H Share.

The shareholders' interest may be diluted as a result of additional equity fund-raising.

The Company may need to raise additional funds in the future to finance expansion of or new developments relating to its existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro-rata basis to existing shareholders, the percentage ownership of such shareholders in the Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

Forward-looking information included in this prospectus may prove inaccurate.

This prospectus contains certain forward-looking statements and information relating to the members of the Dongfeng Motor Group that are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this document, the words "anticipate," "believe," "estimate," "expect," "going forward" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current views of the Company's management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the other risk factors described in this prospectus. The risks and uncertainties facing the Dongfeng Motor Group which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- the business prospects of the Dongfeng Motor Group;
- the Dongfeng Motor Group's future debt levels and capital needs;
- future developments, trends and conditions in the PRC's automotive market;
- the strategy, plans, objectives and goals of the Dongfeng Motor Group;
- general economic conditions;
- changes to regulatory and operating conditions in the market in which the Dongfeng Motor Group operates;
- the ability of the Dongfeng Motor Group to reduce costs;
- capital market developments;
- the actions and developments of the competitors of the Dongfeng Motor Group;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical fact.

The Company does not intend to update these forward-looking statements.

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.

Facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC economy and the PRC automotive industry have been derived from government publications generally believed to be reliable. However, the Company cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by the Company, the Underwriters or any of its or their respective affiliates or advisors and, therefore, the Company makes no representation as to the accuracy of such facts, and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

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.

There have been press coverages regarding the Group and the Global Offering which included certain financial information, financial and operation projections, valuations, and other information that do not appear in this prospectus about the Group (the "**Information**"). Press articles which have contained Information include the China Daily (25th October, 2005), Wen Wei Pao (25th October, 2005), the Hong Kong Economic Journal (25th October, 2005), the Ming Pao Daily News (25th October, 2005), Ta Kung Pao (25th October, 2005), the Standard (25th October, 2005), the South China Morning Post (26th October, 2005), the China Daily (26th October, 2005), the Oriental Daily News (26th October, 2005), the Sun (26th October, 2005), the Hong Kong Economic Journal (26th October, 2005), Wen Wai Pao (28th October, 2005), the Ming Pao Daily News (1st November, 2005), the Hong Kong Economic Journal (7th November, 2005), and the Sun (9th November, 2005). The Group wishes to emphasise to potential investors that it does not accept any responsibility for the accuracy or completeness of the Information and that the Information was not sourced from or authorised by the Group. The Group makes no representation as to appropriateness, accuracy, completeness or reliability of any of the Information. To the extent that any of the Information is inconsistent with, or conflicts with, the information contained in this prospectus, the Group disclaims it. Accordingly, prospective investors should not rely on any of the Information.