

**HISTORY AND DEVELOPMENT****History of the Company**

In September 1969, Second Automotive Works (第二汽車制造廠), the predecessor of Dongfeng Motor Corporation, the parent of the Company, was established by the PRC Government in Shiyan, Hubei Province, PRC.

Until 1992, Dongfeng Motor Corporation was primarily engaged in the manufacture of commercial vehicles. In 1990, Dongfeng Motor Corporation (then called Second Automotive Works) entered into its first joint venture agreement for the manufacture of passenger vehicles. The joint venture partner was Automobiles Citroën, a member of the PSA Peugeot Citroën group, and the resulting Dongfeng Joint Venture Company, Dongfeng Peugeot Citroën Automobiles Company Ltd, was incorporated in 1992. That same year, Dongfeng Peugeot Citroën Automobiles Company Ltd commenced production of its first series of passenger vehicles - the Dongfeng Citroën Fukang.

In 2000, Dongfeng Motor Corporation underwent a debt restructuring arrangement which was approved by the then SETC in 2000. As part of this debt restructuring arrangement, Dongfeng Motor Corporation entered into a debt restructuring agreement in May 2000 under which it agreed, with effect 1<sup>st</sup> April, 2000, to inject its beneficial interests in certain automotive related assets and liabilities (including, amongst others, its interests in its joint ventures with Automobiles Citroën, Honda Motor Co., Ltd and Nissan Diesel Motor Co., Ltd) into the Company as part of its capital contribution, in consideration for China Huarong Asset Management Corporation, China Cinda Asset Management Corporation, China Orient Asset Management Corporation, China Great Wall Asset Management Corporation and China Development Bank converting the outstanding debt in an aggregate amount of RMB4,613.5 million into the equity interests in the Company. The arrangements set out in the debt restructuring agreement were approved by the Central Government of the PRC. The debt restructuring was completed in 2001. On 18<sup>th</sup> May, 2001, the Company was incorporated when it obtained its business licence.

The Company's name at the time of incorporation in 2001 was Dongfeng Motor Co., Ltd (東風汽車有限公司), with its 57.14% equity interests held by Dongfeng Motor Corporation and the remaining 42.86% equity interests held by the financial institutions set out above.

The Company rapidly expanded its passenger vehicle business. In 2001, it expanded the scope of the operations of Dongfeng Peugeot Citroën Automobiles Company Ltd to include the manufacture of Peugeot passenger cars in addition to the Citroën passenger cars already manufactured by it. In 2003, the Company entered into a joint venture, Dongfeng Honda Automobile Co., Ltd, for the manufacture of Honda series of passenger vehicles by reorganising an existing joint venture company with Honda Motor Co., Ltd.

In 2003, the Company entered into a joint venture, Dongfeng Motor Co., Ltd, for the manufacture of passenger vehicles and commercial vehicles with Nissan Motor Co., Ltd (which transferred its equity interests in the Joint Venture Company to Nissan (China) Investment Co., Ltd, a wholly-owned subsidiary of Nissan Motor Co., Ltd in 2004). The Company was renamed Dongfeng Automotive Industry Investment Co., Ltd (東風汽車工業投資有限公司) upon the formation of this joint venture (see below for further details). The Company was also granted the right to operate as an investment company by the State Council, thus enabling the Company's investments in other limited liability companies and joint stock limited companies to exceed 50% of its net asset value (at the time of making the investment) under PRC law.

In July 2003, as part of the arrangements relating to the establishment of Dongfeng Motor Co., Ltd, the Company injected the majority of its commercial vehicle businesses, its entire business of manufacturing the Nissan series of passenger vehicles, the majority of its auto parts manufacturing businesses and all of its vehicles equipment manufacturing businesses into Dongfeng Motor Co., Ltd. In February 2004, the Company further injected its entire 98.78% equity interest in Xiangfan Dongfeng Motor Electrical Equipment Co., Ltd into Dongfeng Motor Co., Ltd as part of its capital contribution to Dongfeng Motor Co., Ltd. In July 2004, the Company made a further equity injection of its entire equity interest in two of its 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), to Dongfeng Motor Co., Ltd as part of its capital contribution to Dongfeng Motor Co., Ltd.

As a result of these equity and business investments and injections, substantially all of the Dongfeng Motor Group's businesses are now operated through Dongfeng 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.

### Joint Venture Developments

Since the early 1990s, both the Group and the Parent Group have entered into joint ventures with major international car manufacturers.

- ***Dongfeng Peugeot Citroën Automobiles Company Ltd***

In December 1990, Dongfeng Motor Corporation entered into a joint venture agreement with Automobiles Citroën, a member of the PSA Peugeot Citroën group engaged in sales and trading of Citroën passenger cars and related auto parts, for the manufacture and sale of Citroën passenger vehicles. Dongfeng Peugeot Citroën Automobiles Company Ltd was incorporated on 11<sup>th</sup> May, 1992. At the time of its incorporation, 70% of the equity interest of Dongfeng Peugeot Citroën Automobiles Company Ltd was held by Dongfeng Motor Corporation, 25% of its equity interest was held by Automobiles Citroën, 4% of its equity interest was held by Société Générale and 1% of its equity interest was held by BNP Paribas (then known as Banque Nationale de Paris).

In 2000, as a result of debt for equity swap arrangements under which each of China Development Bank and China Orient Asset Management Corporation swapped RMB1.17 billion of debt owed to it by Dongfeng Peugeot Citroën Automobiles Company Ltd for a 19.5% equity stake in Dongfeng Peugeot Citroën Automobiles Company Ltd, as well as certain related capital injection arrangements, Dongfeng Peugeot Citroën Automobiles Company Ltd's shareholding structure changed such that its equity interests were held as to 31% by Dongfeng Motor Corporation, as to 19.5% by China Orient Asset Management Corporation, as to 19.5% by China Development Bank, as to 26.875% by Automobiles Citroën, as to 2.5% by Société Générale and as to 0.625% by BNP Paribas.

In the same year (2000), as part of the debt restructuring arrangements approved by the then SETC and undertaken by Dongfeng Motor Corporation, Dongfeng Motor Corporation agreed to transfer its equity interest in Dongfeng Peugeot Citroën Automobiles Company Ltd to the Company, with effect from 1<sup>st</sup> April, 2000, as part of its capital contribution to the Company. The actual injection of these equity interests was completed in that same year and Dongfeng Motor Corporation's beneficial interests in

Dongfeng Peugeot Citroën Automobiles Ltd were transferred to the Company with effect from 1<sup>st</sup> April, 2000, although the relevant transfer procedures needed to vest legal title to the equity interests in Dongfeng Peugeot Citroën Automobiles Ltd were not yet completed.

In November 2001, Dongfeng Motor Corporation and PSA Peugeot Citroën (the holding company of the PSA Peugeot Citroën group consisting of Peugeot Citroën Automobiles, Automobiles Citroën and Automobiles Peugeot) agreed to strengthen and broaden their scope of co-operation through Dongfeng Peugeot Citroën Automobiles Company Ltd, diversify and extend the product portfolio of Dongfeng Peugeot Citroën Automobiles Company Ltd and realise the dual brand strategy of the PSA Peugeot Citroën group by extending Dongfeng Peugeot Citroën Automobiles Company Ltd's scope of operations to include the manufacture and assembly of Peugeot passenger vehicles. In September 2002, the level of co-operation between Dongfeng Motor Corporation and the PSA Peugeot Citroën group was further increased when Automobiles Citroën transferred part of its equity interest in the joint venture to Peugeot Citroën Automobiles, an automotive company engaged in the manufacture of Peugeot and Citroën passenger cars, and Automobiles Peugeot, an automotive company engaged in sales and trading of Peugeot passenger cars and related auto parts.

In October 2002, in order to facilitate further development of Dongfeng Peugeot Citroën Automobiles Ltd and to improve its asset/liability ratio, Dongfeng Peugeot Citroën Automobiles Ltd's shareholding structure was again reorganised in December 2002 and additional capital was injected in January 2003, such that its equity interests were held as to 31.95% by Dongfeng Motor Corporation, as to 31.95% by the various members of the PSA Peugeot Citroën group, as to 16.71% by each of China Orient Asset Management Corporation and China Development Bank respectively, as to 2.14% by Société Générale and as to 0.54% by BNP Paribas. The shareholders also agreed that the respective shareholdings of the Dongfeng Motor Corporation and the PSA Peugeot Citroën group would eventually be raised to 50% each.

In April 2004, the dual brand strategy of the PSA Peugeot Citroën group was implemented at Dongfeng Peugeot Citroën Automobiles Company Ltd as it commenced marketing of the Dongfeng Peugeot 307.

In September 2004, after obtaining approval from the Ministry of Commerce, China Development Bank transferred its holding of 16.71% equity interests Dongfeng Peugeot Citroën Automobiles Company Ltd to the Company and PSA Peugeot Citroën group as to 9.02% and 7.69%, respectively. At the same time, the share transfer procedures required to transfer the equity interests of Dongfeng Motor Corporation in Dongfeng Peugeot Citroën Automobiles Company Ltd to the Company under PRC law were completed when the consent from the PSA Peugeot Citroën group and the approval of the Ministry of Commerce were obtained and the 40.97% equity interest of Dongfeng Motor Corporation in Dongfeng Peugeot Citroën Automobiles Company Ltd was legally vested in the Company.

In November 2004, the Company and the members of the PSA Peugeot Citroën group purchased the equity interests of China Orient Assets Management Corporation, Société Générale and BNP Paribas in Dongfeng Peugeot Citroën Automobiles Company Ltd, and the equity interests in Dongfeng Peugeot Citroën Automobiles Company Ltd were reorganised such that Dongfeng Peugeot Citroën Automobiles Company Ltd was owned

as to 50% by the Company, as to 43.6108% by Peugeot Citroën Automobiles, as to 3.1946% by Automobiles Citroën and as to 3.1946% by Automobiles Peugeot. Dongfeng Peugeot Citroën Automobiles Company Ltd has been accounted for and proportionately consolidated into the audited consolidated accounts of the Group as a JCE during each of the Relevant Periods as no joint venture partner has unilateral control over the financial and operating policies of it. Although the Company's legal title to the equity interests in Dongfeng Peugeot Citroën Automobiles Ltd only vested in the Company in 2004, based on (i) the approval of the then SETC issued in 2000, (ii) the approval granted in respect of the debt reorganisation agreement of May 2000 and (iii) the approval (Document No. 623 of 2000) of valuation report issued by the Ministry of Finance in respect of the debt restructuring arrangements, the effective date of the injection of Dongfeng Motor Corporation's equity interests in Dongfeng Peugeot Citroën Automobiles Company Ltd into the Company was 1<sup>st</sup> April, 2000.

- ***Dongfeng Honda Auto Parts Co., Ltd***

In October 1994, Dongfeng Motor Corporation entered into a joint venture agreement with, amongst others, Honda Motor Co., Ltd for the manufacture of auto parts. The resulting Joint Venture Company, Dongfeng Honda Auto Parts Co., Ltd, was incorporated on 23<sup>rd</sup> December, 1994.

In 2000, as part of the debt restructuring arrangements approved by the then SETC and undertaken by Dongfeng Motor Corporation, Dongfeng Motor Corporation entered into a Central Government approved debt restructuring agreement in May 2000 under which Dongfeng Motor Corporation agreed, with effect from 1<sup>st</sup> April, 2000, to transfer its equity interest in Dongfeng Honda Auto Parts Co., Ltd to the Company as part of its capital contribution to the Company. Although Dongfeng Motor Corporation's beneficial interest in Dongfeng Honda Auto Parts Co., Ltd was transferred to the Company with effect from 1<sup>st</sup> April, 2000, the legal title to the equity interest in Dongfeng Honda Auto Parts Co., Ltd remained in Dongfeng Motor Corporation, and Dongfeng Motor Corporation remained the party to the relevant joint venture contract until September 2004, when all the relevant procedures required to vest Dongfeng Motor Corporation's legal title to the equity interest in Dongfeng Honda Auto Parts Co., Ltd (including the obtaining of consent from Honda Motor Co., Ltd and the approval of the Ministry of Commerce and the registration with the State Administration of Industry and Commerce) were completed.

In September 2004, Honda Motor Co., Ltd transferred 10% of its equity interests in Dongfeng Honda Auto Parts Co., Ltd to its subsidiary, Honda Motor (China) Investment Co., Ltd.

In June 2005, as approved by the Huizhou External Trade Economical Bureau, Dongfeng Honda Auto Parts Co., Ltd completed its reorganisation and increase in registered capital. Currently, the total investment of Dongfeng Honda Auto Parts Co., Ltd is U.S.\$37.5 million, its registered capital is U.S.\$37.5 million and its actual capital is U.S.\$37.5 million.

Dongfeng Honda Auto Parts Co., Ltd is currently owned as to 44% by the Company, as to 30.67% by Honda Motor Co., Ltd, and as to 25.33% by Honda Motor (China) Investment Co., Ltd.

Despite the Company's legal title to the equity interest in the Dongfeng Honda Auto Parts Co., Ltd only vesting in the Company in 2004, Dongfeng Honda Auto Parts Co., Ltd was

accounted for and proportionately consolidated into the audited consolidated accounts of the Group as a JCE during each of the Relevant Periods. This is because based on: (i) the approval of the then SETC issued in 2000, (ii) the approval granted in respect of the debt reorganisation agreement of May 2000, and (iii) the approval (Document No. 623 of 2000) of the valuation report issued by the Ministry of Finance in respect of the debt restructuring arrangements, the effective date of the injection of Dongfeng Motor Corporation's equity interests in Dongfeng Honda Auto Parts Co., Ltd into the Company was 1<sup>st</sup> April, 2000.

- ***Dongfeng Nissan Diesel Motor Co., Ltd***

In May 1996, Dongfeng Motor Corporation entered into a joint venture agreement with, amongst others, Nissan Diesel Motor Co., Ltd for the manufacture of chasses for diesel trucks. The resulting Joint Venture Company, Dongfeng Nissan Diesel Motor Co., Ltd, was incorporated on 29<sup>th</sup> May, 1996, and is currently engaged in the manufacture of commercial vehicles.

In 2000, as part of the debt restructuring arrangements approved by the then SETC and undertaken by Dongfeng Motor Corporation, Dongfeng Motor Corporation agreed, with effect from 1<sup>st</sup> April, 2000, to transfer its equity interest in Dongfeng Nissan Diesel Motor Co., Ltd to the Company as part of its capital contribution to the Company.

Although Dongfeng Motor Corporation's beneficial interests in Dongfeng Nissan Diesel Motor Co., Ltd were transferred to the Company with effect from 1<sup>st</sup> April, 2000, the legal title to the equity interests in Dongfeng Nissan Diesel Motor Co., Ltd remained in Dongfeng Motor Corporation, and Dongfeng Motor Corporation remained the party to the relevant joint venture contract, until September 2004, when all the relevant procedures needed to vest Dongfeng Motor Corporation's legal title to the equity interests in Dongfeng Nissan Diesel Motor Co., Ltd (including the obtaining of consent from Nissan Diesel Motor Co., Ltd and the approval from of the Ministry of Commerce and the registration with the State Administration of Industry and Commerce) were completed.

In July 2005, Sumitomo Corporation and Tan Chong & Sons Company (Singapore) Private Limited transferred 15% and 10% of their respective equity interests in Dongfeng Nissan Diesel Motor Co., Ltd to Nissan Diesel Motor Co., Ltd.

Dongfeng Nissan Diesel Motor Co., Ltd is currently owned as to 50% by the Company, and as to 50% by Nissan Diesel Motor Co., Ltd.

Despite the Company's legal title to the equity interests in the Dongfeng Nissan Diesel Motor Co., Ltd only vesting in the Company in 2004, Dongfeng Nissan Diesel Motor Co., Ltd was accounted for and proportionately consolidated into the audited consolidated accounts of the Group as a jointly-controlled entity during each of the Relevant Periods. This is because, based on (i) the approval of the SETC issued in 2000, (ii) the approval granted by the Central Government in respect of the debt reorganisation agreement of May 2000 and (iii) the approval (Document No. 623 of 2000) issued by the Ministry of Finance in respect of the debt restructuring arrangements, the effective date of the injection of Dongfeng Motor Corporation's equity interests in Dongfeng Nissan Diesel Motor Co., Ltd into the Company was 1<sup>st</sup> April, 2000.

- ***Dongfeng Honda Engine Co., Ltd***

In May 1998, Dongfeng Motor Corporation and Honda Motor Co., Ltd established a 50/50 joint venture company, Dongfeng Honda Engine Co., Ltd, for the manufacture of engines and other related auto parts. In October 2004, Honda Motor Co., Ltd completed the transfer of 10% of its equity interests in Dongfeng Honda Engine Co., Ltd to its wholly-owned subsidiary, Honda Motor (China) Investment Co., Ltd. Dongfeng Honda Engine Co., Ltd is currently owned as to 50% by the Company, as to 40% by Honda Motor Co., Ltd and as to 10% by Honda Motor (China) Investment Co., Ltd.

In 2000, as part of the debt restructuring arrangements approved by the then SETC and undertaken by Dongfeng Motor Corporation, Dongfeng Motor Corporation agreed, with effect from 1<sup>st</sup> April, 2000, to transfer its equity interests in Dongfeng Honda Engine Co., Ltd to the Company as part of its capital contribution to the Company.

Although Dongfeng Motor Corporation's beneficial interests in Dongfeng Honda Engine Co., Ltd were transferred to the Company with effect from 1<sup>st</sup> April, 2000, the legal title to the equity interests in Dongfeng Honda Engine Co., Ltd remained in Dongfeng Motor Corporation, and Dongfeng Motor Corporation remained the party to the relevant joint venture contract relating to Dongfeng Honda Engine Co., Ltd, until October 2004, when all the relevant procedures needed to vest Dongfeng Motor Corporation's legal title to the equity interests in Dongfeng Honda Engine Co., Ltd (including the obtaining of consent from Honda Motor Co., Ltd and the approval from of the Ministry of Commerce and the registration with the State Administration of Industry and Commerce) were completed.

Dongfeng Honda Engine Co., Ltd was accounted for and proportionately consolidated into the audited accounts of the Group as a Jointly-controlled Entity during each of the Relevant Periods. This is because based on the approval of the SETC issued in 2000, the effective date of the injection of Dongfeng Motor Corporation's equity interests in Dongfeng Honda Engine Co., Ltd into the Company was 1<sup>st</sup> April, 2000.

The establishment of Dongfeng Honda Engine Co., Ltd forms part of a venture entered into among Dongfeng Motor Corporation, Honda Motor Co., Ltd and Guangzhou Automobile Group Co., Ltd in April 1998, pursuant to which (i) Guangzhou Honda Automobile Co., Ltd, a joint venture company between Guangzhou Automobile Group Co., Ltd and Honda Motor Co., Ltd, was established for the manufacture of Honda passenger cars; (ii) Dongfeng Honda Engine Co., Ltd was established for the manufacture of engines and other related auto parts for sale to Guangzhou Honda Automobile Co., Ltd and, as determined by the three parties, other customers at prices to be determined by the three parties; (iii) Guangzhou Honda Automobile Co., Ltd would only purchase engines and other related auto parts needed by it to manufacture passenger vehicles from Dongfeng Honda Engine Co., Ltd; (iv) Guangzhou Honda Automobile Co., Ltd would purchase all engines and certain other related auto parts needed by it to manufacture passenger vehicles from Dongfeng Honda Engine Co., Ltd at such prices as would enable the investment return on Dongfeng Honda Engine Co., Ltd and the investment return on Guangzhou Honda Automobile Co., Ltd to be proportionate to the initial investment in these two companies (U.S.\$60,060,000 in the case of Dongfeng Honda Engine Co., Ltd and U.S.\$139,940,000 in the case of Guangzhou Honda Automobile Co., Ltd); and (v) Dongfeng Motor Corporation, Honda Motor Co., Ltd and Guangzhou Automobile Group Co., Ltd would together decide

on certain important matters relating to Dongfeng Honda Engine Co., Ltd and Guangzhou Honda Automobile Co., Ltd, including changes in either company's share capital or shareholding, technology improvements for products subject to the relevant joint venture contract, and material investments, plant improvements and expansions in production capacity. The foregoing arrangements among Dongfeng Motor Corporation, Honda Motor Co., Ltd and Guangzhou Automobile Group Co., Ltd will continue to have effect until Dongfeng Honda Engine Co., Ltd and Guangzhou Honda Automobile Co., Ltd are merged into a single entity, and may only be otherwise terminated in circumstances permitted under PRC law. (Please see the section in this prospectus headed "Appendix VI — Summary of Principal PRC Legal and Regulatory Provisions — 3. Joint Ventures — Termination" for further information). On 29<sup>th</sup> October, 2005, Dongfeng Motor Corporation undertook, as part of the Reorganisation Agreement, to exercise its rights and obligations under the arrangements between Dongfeng Motor Corporation, Honda Motor Co., Ltd and Guangzhou Automobile Group Co., Ltd as directed by the Company.

- ***Dongfeng Motor Co., Ltd***

In April 2003, the Company entered into a joint venture agreement with Nissan Motor Co., Ltd pursuant to which Dongfeng Motor Co., Ltd, a sino-foreign joint venture company engaged in the manufacture of the Nissan series of passenger vehicles, commercial vehicles (including the Dongfeng series of commercial vehicles), auto parts, vehicle manufacturing equipment and other automotive-related products and services, was incorporated on 20<sup>th</sup> May, 2003. As part of the joint venture arrangements, the majority of the Company's commercial vehicle businesses, all of its business of manufacturing the Nissan series of passenger vehicles, the majority of its auto parts manufacturing businesses and all of its vehicle manufacturing equipment businesses of approximately RMB3,602 million were injected into Dongfeng Motor Co., Ltd. In February 2004, the Company further injected its entire 98.78% equity interest in Xiangfan Dongfeng Motor Electrical Equipment Co., Ltd into Dongfeng Motor Co., Ltd as part of its capital contribution to Dongfeng Motor Co., Ltd while Nissan Motor Co., Ltd contributed U.S. dollars in the approximate amount of RMB94 million to Dongfeng Motor Co., Ltd as its corresponding capital contribution to Dongfeng Motor Co., Ltd. On 1<sup>st</sup> July, 2004, the Company made an equity injection of 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 its 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 injected cash of RMB115 million into Dongfeng Motor Co., Ltd. This injection of equity interest by the Company was matched by a cash contribution to Dongfeng Motor Co., Ltd of U.S. dollars in the approximate amount of RMB4,654 million by Nissan (China) Investment Co., Ltd.

Until 24<sup>th</sup> June, 2004, each of the Company and Nissan Motor Co., Ltd held 50% of the equity interests in Dongfeng Motor Co., Ltd. On 24<sup>th</sup> June, 2004, Nissan Motor Co., Ltd transferred its equity interests in Dongfeng Motor Co., Ltd to Nissan (China) Investment Co., Ltd, its wholly-owned subsidiary. As a result, the equity interests in Dongfeng Motor Co., Ltd are currently held as to 50% by the Company and as to 50% by Nissan (China)

Investment Co., Ltd. Dongfeng Motor Co., Ltd is accounted for and proportionately consolidated into the audited consolidated accounts of the Group as a Jointly-controlled Entity. Dongfeng Motor Co., Ltd is currently the largest sino-foreign automotive joint venture in China in terms of investment scale, and the largest of Nissan Motor Co., Ltd's overseas joint venture companies.

The assets of the Company which were injected into Dongfeng Motor Co., Ltd included Dongfeng Automobile Co., Ltd's equity interest in Dongfeng Cummins Engines Co., Ltd which was incorporated on 14<sup>th</sup> May, 1996. Currently, Dongfeng Automobile Co., Ltd, Cummins Co., Ltd and Cummins (China) Investment Co., Ltd hold 50%, 40% and 10% of the equity interest in Dongfeng Cummins Engines Co., Ltd, respectively. Dongfeng Cummins Engines Co., Ltd's main business is to develop, manufacture and sell diesel engines and related auto parts and to provide after-sale services.

The assets of the Company which were injected into Dongfeng Motor Co., Ltd included the Company's equity interests in Guangzhou Aeolus Automobile Co., Ltd, a sino-foreign joint venture company which was engaged in the manufacture of "Aeolus" ("風神") brand passenger cars, and whose equity interests were then held as to 60% by the Company and as to 40% (indirectly) by Yulon Motor Co., Ltd (a Taiwanese company engaged in the manufacture of automotive products as well as the provision of automotive related services).

As the transfer of the equity interests in Guangzhou Aeolus Automobile Co., Ltd from the Company to Dongfeng Motor Co., Ltd would result in foreign parties holding more than 50% of the direct and indirect equity interests in Guangzhou Aeolus Automobile Co., Ltd, in order to comply with PRC Government regulations which provide that foreign equity interests in vehicle manufacturers should not exceed 50%, and in order to facilitate the transfer of the Company's equity interests in Guangzhou Aeolus Automobile Co., Ltd to Dongfeng Motor Co., Ltd, Yulon Motor Co., Ltd consented to changing Guangzhou Aeolus Automobile Co., Ltd's business from the manufacture of whole vehicles to the provision of certain automotive-related services to Dongfeng Motor Co., Ltd and its subsidiaries.

In consideration for the above change of business scope:

- (i) Yulon Nissan Motor Co., Ltd (an affiliate of Yulon Motor Co., Ltd) agreeing that the operations of Guangzhou Aeolus Automobile Co., Ltd and certain other joint venture companies in which Yulon Nissan Motor Co., Ltd has equity interests (including joint venture companies engaged in sales and marketing services and rental services) would be under the uniform management structure of Dongfeng Motor Co., Ltd;
- (ii) Yulon Nissan Motor Co., Ltd agreeing to maintain the percentage of its equity interests (both direct and indirect) in Guangzhou Aeolus Automobile Co., Ltd and certain other joint venture companies in which Yulon Nissan Motor Co., Ltd has equity interests; and
- (iii) Yulon Nissan Motor Co., Ltd agreeing to send key employees to Dongfeng Motor Co., Ltd, its subsidiaries or certain other joint venture companies in which Yulon Nissan Motor Co., Ltd has equity interests, as well as make available to Dongfeng Motor Co., Ltd its research and development abilities and supplier platform;

and in order to facilitate regular future contributions by Yulon Nissan Motor Co., Ltd to Dongfeng Motor Co., Ltd, the Company, Nissan Motor Co., Ltd, Yulon Nissan Motor Co.,



Ltd agreed that the various joint venture companies in which Yulon Nissan Motor Co., Ltd has equity interests (including Guangzhou Aeolus Automobile Co., Ltd) would, starting from 1<sup>st</sup> January, 2004 and for the duration of the joint venture term of Dongfeng Motor Co., Ltd, provide to Dongfeng Motor Co., Ltd certain value added services in return for payment of such service fees as would enable an indirect subsidiary of Yulon Nissan Motor Co., Ltd to receive, through whose direct and indirect equity interests in these joint venture companies, a variable annual amount (adjusted each year in accordance with the value of services rendered by Yulon Nissan Motor Co., Ltd, its subsidiaries and these joint venture companies in the course of the year) equal to 8% plus  $\alpha\%$  inclusive ( $\alpha\%$  ranging from 0% to 4% inclusive) of the annual consolidated profit of Dongfeng Motor Co., Ltd under PRC GAAP after deduction of (a) tax and (b) all minority interests other than those minority interests which are attributable to that indirect subsidiary of Yulon Nissan Motor Co., Ltd.

On 15<sup>th</sup> October, 2004, Dongfeng Automobile Co., Ltd, in which Dongfeng Motor Co., Ltd has direct equity interests of 70% (and in which the Company has indirect equity interests of 35%), entered into an agreement to acquire (i) 35% of the equity interests in Zhengzhou Nissan Automobile Co., Ltd from CITIC Automobile Co., Ltd (中信汽車公司) for a consideration of RMB241.8 million, and (ii) 16% of the equity interests in Zhengzhou Nissan Automobile Co., Ltd from Zhengzhou Light Vehicle Manufacture Plant (鄭州輕型汽車制造廠) for a consideration of RMB110.6 million, both of which amounts were negotiated on normal commercial terms. Approval from the Ministry of Commerce was received on 24<sup>th</sup> December, 2004. This acquisition was completed in March 2005 and the results of operations of Zhengzhou Nissan Automobile Co., Ltd have been proportionately consolidated into the results of operations of the Dongfeng Motor Group accordingly since March 2005. The sales volume attributable to Zhengzhou Nissan Automobile Co., Ltd disclosed in this prospectus had not been included in the sales data relating to the Dongfeng Motor Group for the three years ended 31<sup>st</sup> December, 2004. In 2004, Zhengzhou Nissan Automobile Co., Ltd sold approximately 9,000 Zhengzhou Nissan Paladin SUVs and approximately 12,000 light trucks according to statistics from China Passenger Vehicles Market Statistics Commission (全國乘用車市場信息聯席會) and China Pick-up Trucks Market Statistics Commission (全國皮卡市場數據信息聯合會).

- ***Dongfeng Honda Automobile Co., Ltd***

In July 2003, the Company and Honda Motor Co., Ltd entered into a joint venture, Dongfeng Honda Automobile Co., Ltd, for the manufacture of Honda passenger vehicles by reorganising Wuhan Wantong Motor Co., Ltd, an existing sino-foreign joint venture company in which the Company had equity interests. In June 2005, Honda Motor Co., Ltd transferred 10% of its equity interests in Dongfeng Honda Automobile Co., Ltd to its wholly-owned subsidiary, Honda Motor (China) Investment Co., Ltd. Dongfeng Honda Automobile Co., Ltd is currently owned as to 50% by the Company, as to 40% by Honda Motor Co., Ltd and as to 10% by Honda Motor (China) Investment Co., Ltd. Dongfeng Honda Automobile Co., Ltd has been accounted for in the annual consolidated accounts of the Group as a Jointly-controlled Entity from the date of establishment. Dongfeng Honda Automobile Co., Ltd was formerly known as Dongfeng Honda Automobile (Wuhan) Co., Ltd prior to 3<sup>rd</sup> November, 2004.

Please refer to the section of this prospectus headed “History, Reorganisation and Group Structure — Details of Major Dongfeng Joint Venture Companies” for further details of these Dongfeng Joint Venture Companies. Commerce & Finance Law Offices, the PRC legal adviser to the Company, has confirmed that the Company has complied with all relevant laws and regulations and has obtained all permits, approvals and consents from the appropriate PRC regulatory authorities in respect of the establishment and business scopes of the Dongfeng Joint Venture Companies described above.

### The Reorganisation

In order to prepare for the Global Offering, the Dongfeng Motor Group has undertaken the Reorganisation, pursuant to which the Company was first transformed from a limited liability company to a state wholly-owned limited liability company through the repurchase by the Company of equity interests held by China Huarong Asset Management Corporation, China Cinda Asset Management Corporation, China Orient Asset Management Corporation, China Development Bank and China Great Wall Asset Management Corporation and in addition, the Company transferred to Dongfeng Motor Corporation of certain non-core assets of the Company including, without limitation, auxiliary businesses and insolvent companies. Subsequently, with SASAC’s approval, the Company was transformed from a state wholly owned limited liability company into a joint stock limited company, and then further transformed into an overseas subscription company.

The Reorganisation included the following:

- Pursuant to the share repurchase agreement with an effective date of 11<sup>th</sup> August, 2004, the Company repurchased 42.86% of the Company’s equity interests from China Huarong Asset Management Corporation, China Cinda Asset Management Corporation, China Orient Asset Management Corporation (中國東方資產管理公司), China Development Bank and China Great Wall Asset Management Corporation, at an aggregate consideration of RMB4,613.5 million, to be fully paid in three cash installments by 31<sup>st</sup> May, 2005 in accordance with the following schedule:
  - RMB2,306.75 million was paid on 30<sup>th</sup> September, 2004;
  - RMB922.7 million was paid on 31<sup>st</sup> March, 2005; and
  - RMB1,384.05 million was paid on 31<sup>st</sup> May, 2005.

Prior to this share repurchase, the equity interest in the Company was held as to 57.14% by Dongfeng Motor Corporation, and as to 42.86% by the foregoing financial institutions. Upon this share repurchase becoming effective, the equity interest in the Company were held as to 100% by Dongfeng Motor Corporation.

- Pursuant to the asset transfer agreement dated 26<sup>th</sup> August, 2004, the Company transferred its assets in relation to certain auxiliary businesses, social benefits and insolvent companies to Dongfeng Motor Corporation. The transferred assets included assets in relation to providing social welfare and benefits, such as schools, kindergartens, hospitals, a TV broadcasting station, publicity services and public security services; facilities for power, heating and water supplies; interests in the companies which are not engaged in the automotive-related businesses and interests in certain companies engaging in automotive-related businesses which are insolvent or loss making, or otherwise unsuitable for inclusion in the Group. Details of all competing businesses which have been retained by

the Parent Group are set out in the section of this prospectus entitled “Business — Relationship with the Parent Group — Competition with Dongfeng Motor Corporation”.

- As a result of the above share repurchase and asset transfer, the registered capital of the Company was reduced from RMB10,763,110,000 to RMB3,102,470,000, and the Company was transformed into a state wholly-owned limited liability company, with Dongfeng Motor Corporation being its sole shareholder.
- Upon obtaining PRC regulatory approval, the Company was further changed from a state wholly-owned limited company into a joint stock limited company with its name changed to Dongfeng Motor Group Company Limited (東風汽車集團股份有限公司) on 12<sup>th</sup> October, 2004. According to the Company’s audited net asset value (net of asset transfer) on 31<sup>st</sup> December, 2003 as adjusted by a reduction of RMB4,613.5 million pursuant to the share repurchase agreement, the Company divided its capital into 6,020,000,000 shares with a par value of RMB1.00 each, and allocated all the shares to Dongfeng Motor Corporation.
- Pursuant to the Reorganisation Agreement, the Company transferred certain auxiliary businesses, social benefits and insolvent companies not attributable to the core vehicle manufacturing and related businesses of the Company to Dongfeng Motor Corporation, with effect from 31<sup>st</sup> December, 2003 (being the “Effective Date of the Reorganisation”). Dongfeng Motor Corporation injected all of its core vehicle manufacturing (except for certain vehicle manufacturing) and related businesses into the Company and related businesses that could not be injected into the Company due to various technical difficulties, and kept all of the social services, certain investments in non-vehicle manufacturing related businesses and certain real properties. (Please see further the section in this prospectus headed “Business — Competition with Dongfeng Motor Corporation” for an explanation of Dongfeng Motor Corporation’s reasons for not injecting certain vehicle manufacturing and related business into the Group. Such reasons include technical difficulties, companies undergoing asset and debt restructuring or companies as to which the joint venture partner had not agreed to such injection, which render a company unsuitable for injection. Other vehicle manufacturing and related business that have not been injected into the Group and are not described under the section in this prospectus headed “Business — Competition with Dongfeng Motor Corporation” are non-core vehicle manufacturing and related businesses of Dongfeng Motor Corporation.)

Subject to certain provisions as contained in the Reorganisation Agreement, Dongfeng Motor Corporation has agreed to promptly and fully indemnify the Company for any claims, prosecution, litigation, arbitration, losses, damages, payments, costs, fees and expenses incurred in connection with or arising from, amongst other things:

- (i) all taxes and fees which relate to or which may arise out of the assets transferred prior to the Effective Date of the Reorganisation (including such date), whether imposed or payable on, before or after the Effective Date of the Reorganisation;
- (ii) all taxes and fees which relate to or which may arise out of the assets, interests, liabilities and related undertakings retained by Dongfeng Motor Corporation pursuant to the reorganisation documents and accounting statements;
- (iii) all taxes and fees arising after the Effective Date of the Reorganisation in connection with the holding, management and operation of the assets transferred except for those

arising out of and relating to the transfer of assets pursuant to the reorganisation documents and accounting statements;

- (iv) the transfer of assets to Dongfeng Motor Corporation or any matter in relation to the assets transferred, suffered by the Company, which arises on or before the Effective Date of the Reorganisation, except to the extent that the same has been disclosed or provided for in the accounting statements;
- (v) any negligence and default of Dongfeng Motor Corporation while the Company is holding the assets to be transferred on behalf and in the interest of Dongfeng Motor Corporation after the Effective Date of the Reorganisation pursuant to the Reorganisation Agreement;
- (vi) the transfer of assets before, on and after the Effective Date of the Reorganisation; and
- (vii) any breach by Dongfeng Motor Corporation of any terms of the Reorganisation Agreement.

Further, in relation to the arrangements among Dongfeng Motor Corporation, Honda Motor Co., Ltd and Guangzhou Automobile Group Co., Ltd, Dongfeng Motor Corporation has undertaken in the Reorganisation Agreement to transfer its rights and obligations under the arrangements to the Company at the earliest opportunity. This is due to the intention of the State Council to balance the local government's and central government's interests by dividing the development of passenger vehicles in the Guangzhou area into two separate joint ventures which are co-ordinated under a single project. Before such transfer, Dongfeng Motor Corporation has undertaken to:

- (i) exercise all its rights and obligations under the arrangements in accordance with the Company's directions, and
- (ii) notify the Company immediately should any event come to Dongfeng Motor Corporation's attention which would require an exercise of any of its rights or performance of any of its obligations under the arrangements or which would affect the businesses, financial condition or results of operations of Dongfeng Honda Engine Co., Ltd.

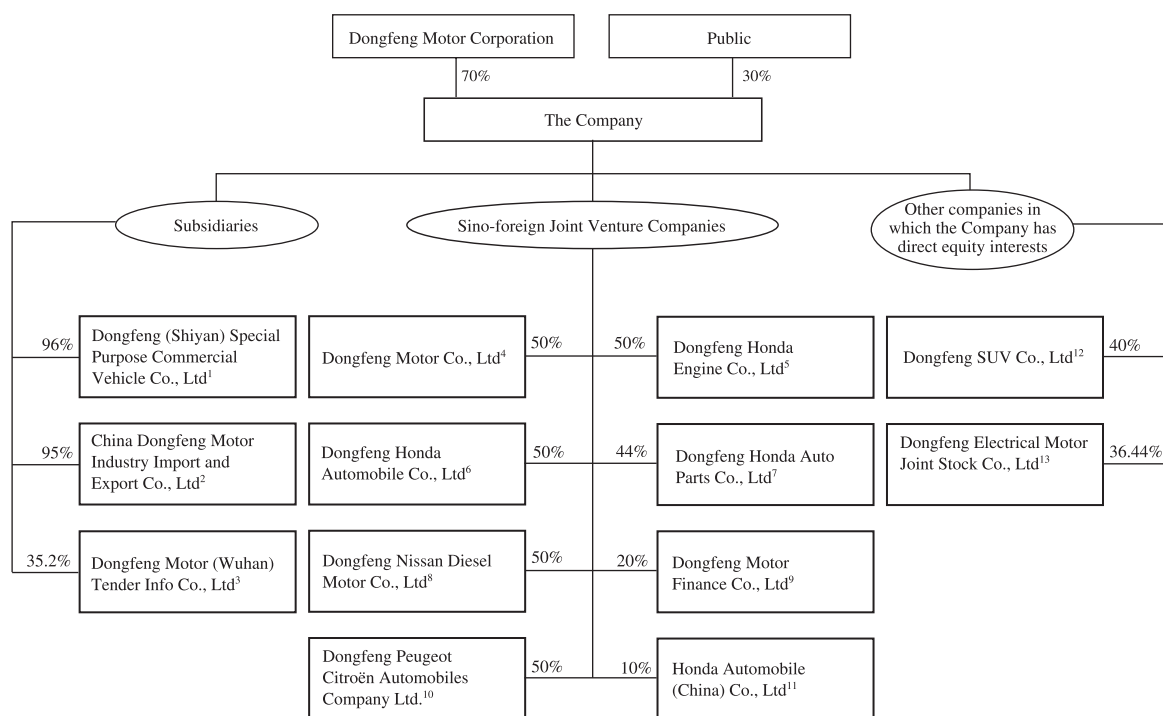
Dongfeng Motor Corporation has undertaken in the Reorganisation Agreement to indemnify the Company upon demand against all losses, expenses, costs and damages suffered by the Company which are caused by, related to, or arise from its failure to act in accordance with the Company's directions (which must be given within the authority granted to the Company under the Reorganisation Agreement in relation to the arrangements. The above indemnity obligations of Dongfeng Motor Corporation in relation to the arrangements will continue without limit in time.

- Upon approval being granted by the SASAC, the Company was permitted to become an overseas subscription company.

For details relating to the Reorganisation, please refer to the section headed "I. Further Information about the Company — 4. Corporate Reorganisation" in Appendix VIII to this prospectus.

## SIMPLIFIED CORPORATE STRUCTURE OF THE DONGFENG MOTOR GROUP

The following chart sets out the simplified corporate structure of the Dongfeng Motor Group upon completion of the Global Offering (assuming no exercise of the Over-allotment Option).



**Notes:**

1. The Company holds 96% of the equity interests in Dongfeng (Shiyan) Special Purpose Commercial Vehicle Co., Ltd, and the other 4% of equity interest is held by Dongfeng Special Purpose Automobile Co., Ltd. Since 95.83% of the equity interest in Dongfeng Special Purpose Automobile Co., Ltd is held by Dongfeng Motor Co., Ltd, the Company holds a total of 97.9% direct and indirect equity interest in Dongfeng (Shiyan) Special Purpose Commercial Vehicle Co., Ltd. Dongfeng (Shiyan) Special Purpose Commercial Vehicle Co., Ltd is engaged in the manufacture and sale of special purpose commercial vehicles.
2. The Company holds 95% of the equity interest in China Dongfeng Motor Industry Import and Export Co., Ltd, and the other 5% of the equity interest is held by Shenzhen Dongfeng Properties Co., Ltd. Since 95% of the equity interest of Shenzhen Dongfeng Properties Co., Ltd is held by Dongfeng Motor Co., Ltd, the Company holds a total of 97.4% direct and indirect equity interest in China Dongfeng Motor Industry Import and Export Co., Ltd. China Dongfeng Motor Industry Import and Export Co., Ltd is engaged in import/export businesses.
3. The Company holds 35.2%, Dongfeng Motor Corporation holds 24.8%, China Dongfeng Motor Industry Import and Export Co., Ltd (a subsidiary of the Company — see footnote 2 above) holds 20%, Wuhan Shenlong Hongtai Investment Company Limited (a non-listed company which was incorporated in Wuhan, Hubei Province, PRC and which is principally engaged in investments) holds 20% of the equity interest in Dongfeng (Wuhan) Tender and Consultant Co., Ltd. Since 95% of the equity interest of China Dongfeng Motor Industry Import and Export Co., Ltd is held by the Company, the Company holds a total of 54.2% direct and indirect equity interest in Dongfeng (Wuhan) Tender and Consultant Co., Ltd. Dongfeng (Wuhan) Tender and Consultant Co., Ltd is engaged in engineering projects, tendering for electrical facilities, the provision of investment consultancy services and management services in respect of engineering projects and information services.
4. The Company holds 50% of the equity interest in Dongfeng Motor Co., Ltd and the other 50% of the equity interest is held by Nissan (China) Investment Co., Ltd, a wholly-owned subsidiary of Nissan Motor Co., Ltd.
5. The Company holds 50% of the equity interest in Dongfeng Honda Engine Co., Ltd, 40% of the equity interest is held by Honda Motor Co. Ltd and 10% of the equity interest is held by Honda Motor (China) Investment Co., Ltd, a wholly-owned subsidiary of Honda Motor Co. Ltd.
6. The Company holds 50% of the equity interest in Dongfeng Honda Automobile Co., Ltd, 40% of equity interest is held by Honda Motor Co. Ltd and the other 10% of the equity interest is held by Honda Motor (China) Investment Co., Ltd.
7. The Company holds 44%, Honda Motor Co., Ltd holds 30.67%, Honda Motor (China) Investment Co., Ltd, a wholly-owned subsidiary of Honda Motor Co., Ltd holds 25.33% of the equity interest in Dongfeng Honda Auto Parts Co., Ltd. Dongfeng Honda Auto Parts Co., Ltd engages primarily in the manufacture of auto parts for passenger vehicles.

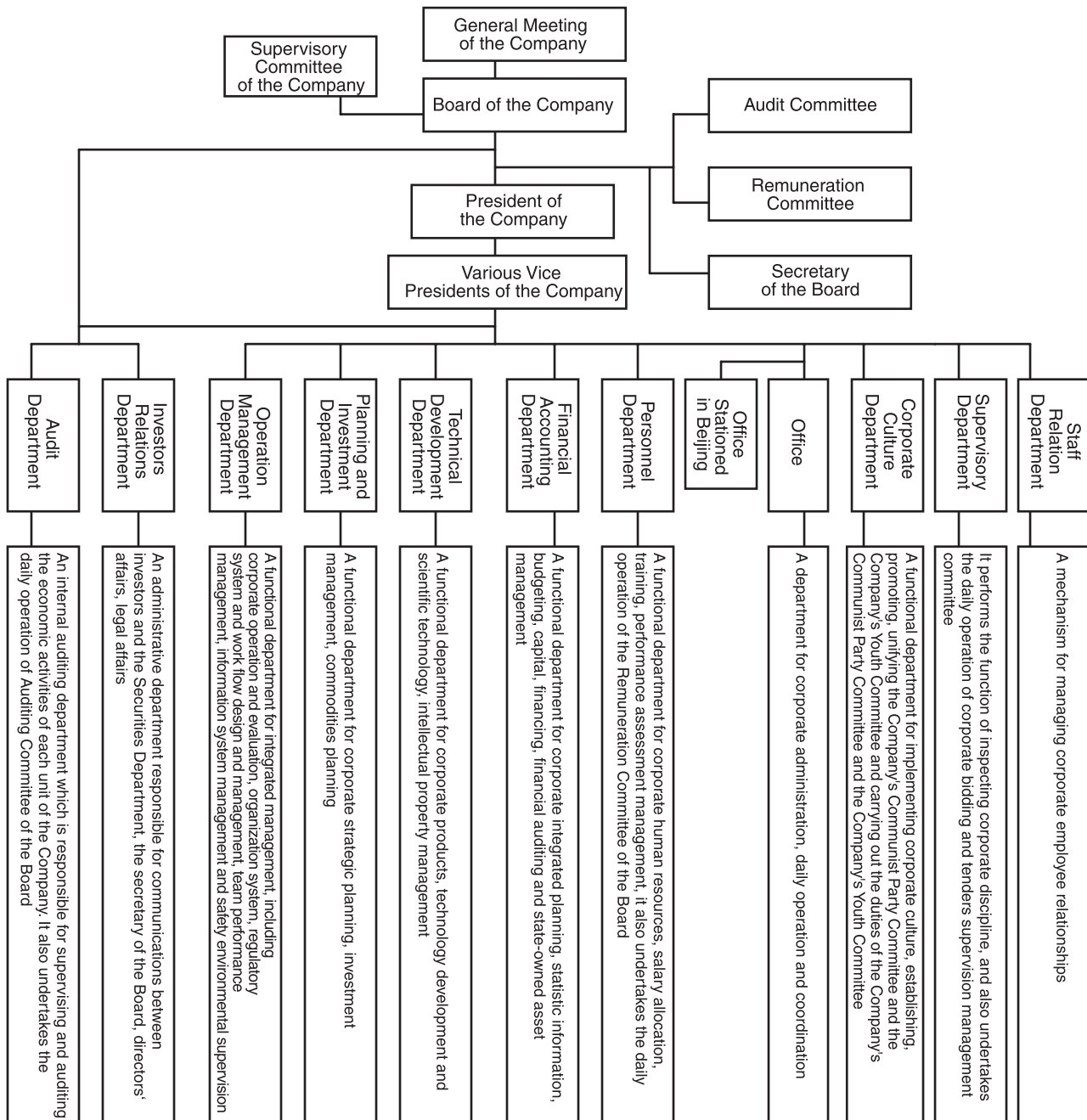
---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

8. *The Company holds 50% and Nissan Diesel Motor Co., Ltd, an entity held as to approximately 23.9% by Nissan Motor Co., Ltd, holds the other 50% of the equity interest in Dongfeng Nissan Diesel Motor Co. Ltd.*
9. *The Company holds 20%, Dongfeng Motor Co., Ltd holds 55% and Taiwan Acceptance (BVI) Limited, an independent third party, holds 25% of the equity interest in Dongfeng Motor Finance Co., Ltd. Since 50% of the equity interest of Dongfeng Motor Co., Ltd is held by the Company, the Company holds a 47.5% direct and indirect equity interest in Dongfeng Motor Finance Co., Ltd. Dongfeng Motor Finance Co., Ltd is engaged in the provision of financial services to other members of Dongfeng Motor Group, which includes taking deposit, issuing corporate bonds, granting loans and arranging financial lease, accepting and discounting bills of exchange, underwriting corporate bonds, acting as financial advisers, providing guarantee and other businesses approved by China Banking Regulatory Commission.*
10. *The Company holds 50% of the equity interest in Dongfeng Peugeot Citroën Automobiles Company Ltd, and the other 50% of equity interest is collectively held by Peugeot Citroën Automobiles (43.6108%), Automobiles Citroën (3.1946%) and Automobiles Peugeot (3.1946%).*
11. *The Company holds 10%, Honda Motor Co., Ltd holds 55%, Honda Motor (China) Investment Co., Ltd holds 10% and Guangzhou Automobile Group Co., Ltd holds 25% of the equity interest in Honda Automobile (China) Co., Ltd. Honda Automobile (China) Co., Ltd is engaged in the manufacture of the Honda series passenger vehicles for export outside China.*
12. *The Company holds 40% equity interest in Dongfeng SUV Co., Ltd and the other 60% of equity interest is held by Xiang Torch Motor Group Company Limited. Dongfeng SUV Co., Ltd is primarily engaged in the manufacture of cross-country vehicles.*
13. *The Company holds 36.44%, Hubei Province High Tech Development and Promotion Center holds 18.22%, Wuhan Jingkai Investment Company Limited holds 18.22%, Wuhan Huazhong Technology University Industrial Group Company Limited holds 9.11%, Wuhan University of Technology Industrial Group Company Limited holds 9.11%, Wuhan Dongdian Investment and Management Company Limited holds 5.26% and Wuhan Torch Technology Investment Company Limited holds 3.64% of the equity interest in Dongfeng Electric Vehicle Co., Ltd . Dongfeng Electric Vehicle Co., Ltd is engaged in the manufacture of electric-powered vehicles.*

## Management Structure Chart of the Company



# HISTORY, REORGANISATION AND GROUP STRUCTURE

## DETAILS OF MAJOR DONGFENG JOINT VENTURE COMPANIES

Further details of the major sino-foreign equity Dongfeng Joint Venture Companies set out in the simplified corporate structure chart above are as follows:

Dongfeng Joint Venture Company	Registered Capital	Shareholders and Shareholding ratio	Date of Incorporation	Term of joint venture	Directors	Registered address
Dongfeng Motor Co., Ltd	RMB16,700,000,000	The Company — 50% Nissan (China) Investment Co., Ltd — 50%	20 <sup>th</sup> May, 2003	50 years	Eight (Four to be appointed by the Company and four to be appointed by Nissan (China) Investment Co., Ltd )	29 Baiye Lu, Wuhan Economic Technology Development Zone , City of Wuhan, Hubei Province
Dongfeng Peugeot Citroën Automobiles Company Ltd	RMB7,000,000,000	The Company — 50% Peugeot Citroën Automobiles — 43.6108% Automobiles Citroën — 3.1946% Automobiles Peugeot — 3.1946%	11 <sup>th</sup> May, 1992	35 years	Eight (four to be appointed by the Company, two to be appointed by Peugeot Citroën Automobiles, one to be appointed by Automobiles Citroën and one to be appointed by Automobiles Peugeot)	Wuhan Economic Technology Development Zone , City of Wuhan, Hubei Province
Dongfeng Honda Automobile Co., Ltd	U.S.\$200,000,000	The Company — 50% Honda Motor Co., Ltd — 40% Honda Motor (China) Investment Co., Ltd — 10%	20 <sup>th</sup> January, 1993. However, Honda Motor Co., Ltd only became a shareholder of Dongfeng Honda Automobile Co., Ltd in July 2003	50 years	Eight (Four to be appointed by the Company and three to be appointed by Honda Motor Co., Ltd and one to be appointed by Honda Motor (China) Investment Co., Ltd)	Che Cheng Dong Dao, Wuhan Economic Technology Development Zone
Dongfeng Nissan Diesel Motor Co., Ltd	RMB289,900,700	The Company — 50% Nissan Diesel Motor Co., Ltd — 50%	29 <sup>th</sup> May, 1996	30 years	Six (Three to be appointed by the Company, three to be appointed by Nissan Diesel Motor Co., Ltd)	No. 171, Shenban Road, Hangzhou city, Zhejiang Province
Dongfeng Honda Engine Co., Ltd	U.S.\$60,060,000	The Company — 50% Honda Motor Co., Ltd — 40% Honda Motor (China) Investment Co., Ltd — 10%	26 <sup>th</sup> May, 1998	30 years	Eight (Four to be appointed by the Company and three to be appointed by Honda Motor Co., Ltd and one to be appointed by Honda Motor (China) Investment Co., Ltd)	111 Hengsha Guangben Road, Huangpu District, Guangzhou city, Guangdong Province
Dongfeng Honda Auto Parts Co. Ltd	U.S.\$37,500,000	The Company — 44% Honda Motor Co., Ltd — 30.67% Honda Motor (China) Investment Co., Ltd — 25.33%	23 <sup>th</sup> December, 1994	30 years	Seven (Three to be appointed by the Company, three to be appointed by Honda Motor Co., Ltd and one to be appointed by Honda Motor (China) Investment Co., Ltd)	Da Ya Wan Economic and Technology Zone, Huizhou City, Guangdong Province

Please refer to Appendix VI of this prospectus (“Summary of Principal PRC Legal and Regulatory Provisions — 3. Joint Ventures”) for an account of the main PRC legal requirements relating to the above Dongfeng Joint Venture Companies.