

Chairman's Statement

Dear shareholders,

I am pleased to enclose the annual report for the year ended 31 December 2005 of Dongfeng Motor Group Company Limited for your review.

Being both the last year of the "Tenth Five-year Plan" and the foundation year of the "Eleventh Five-year Plan", the year 2005 was a remarkable year for the development of the PRC economy, with gross domestic product ("GDP") of RMB18.23 trillion representing a growth of 9.9%, and GDP per capita exceeding USD1,700, on the basis of statistics published by the National Bureau of Statistics of China. The PRC's comprehensive national strength was further enhanced in 2005.

On the basis of statistics published by the China Association of Automobile Manufactures, the year 2005 was also a remarkable year for the development of the PRC automotive industry, with total sales increasing by 13.5% to 5.758 million vehicles, representing a moderately rapid overall growth. As one of the world's top three automobile consumer markets, the PRC has become an important integral part of the international automobile market. The sustainable growth prospects for the PRC automobile market are promising.

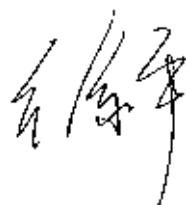
The year 2005 was a brilliant year for the Dongfeng Motor Group. Benefiting from the continued growth of the PRC economy and automobile market, and its extensive and balanced product mix, the Dongfeng Motor Group realised a sales volume of vehicles of 595 thousand units for the year, representing an increase of 40.7% on the previous year, being 27.1 percentage points higher than the industry growth rate, ranking it first among the five largest automobile enterprises in China. On the basis of statistics published by the China Association of Automobile Manufactures, 351 thousand units of passenger vehicles were sold, representing a growth of 98.5% on the previous year, being more than 4 times higher than the passenger vehicle industry average. The market share in the passenger vehicle market is 3.4 percentage points higher than that of the previous year, reaching 8.8% with 244 thousand units of commercial vehicles being sold. We continue to maintain the leading position in the commercial vehicle market.

Looking ahead, the next five years will be decisive for the Company as it seeks to strengthen and grow from its new starting point. We will focus on the cultivation and enhancement of our capability in the three areas of "sustainable profitability, autonomous innovation and internationalized operations". Our vision is to become a leading domestic, and a first-class international, automotive manufacturer, with sustainable long term growth and maintaining and improving the capability of making ever rising profit and returns.

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The year 2006 is the first year of the “Eleventh Five-year Plan” of the PRC. The PRC economy is expected to maintain its rapid growth, while the automotive market is expected to grow steadily and improve overall compared to the previous year. On the basis of statistics published by the China Association of Automobile Manufacturers, the PRC automotive market will maintain a growth rate of approximately 10–15% in 2006, and the sales of automobiles for the full year is expected to exceed 6.4 million units. The Dongfeng Motor Group will maintain its operational policy of prioritizing efficiency, continue to strengthen the localization of production to reduce costs, continue to promote managerial improvement, further improve operational quality and endeavor to consolidate and maintain the leading operating profit margins in the industry, so as to ensure the success of its newly launched passenger vehicles and its new generation of medium and heavy trucks. We will proactively capture new market opportunities. In addition to consolidating our dominant market position in our traditional market, we will exploit international markets and expand rural markets, focus on structural optimization and technical advancement, conduct projects selectively and enhance the sustainability of our core businesses.

The successful listing of the Company on The Stock Exchange of Hong Kong Limited in December 2005 was the largest initial public offering in the automotive industry of the PRC in history. The successful listing laid the foundation for full accession to the international capital market and participation in international capital operations for the Group. With full support and cooperation from investors, administrative and regulatory authorities, the Company was successfully listed and achieved good progress. With sincere aspiration and abundant confidence, we will achieve our commitments to the capital market with benign operation and sustainable growth, continuously creating value for our shareholders, customers, employees and society.



Xu Ping

Chairman of the Board of Directors

Wuhan, the PRC
19 April, 2006