

Chairman's Statement

Dear shareholders,

By the order of the Board of Directors, I hereby present the interim report of the Company for the Period for your review.

The Company achieved outstanding results in the Period, contributed by the stable and rapid growth of the domestic economy and automobile industry of the PRC. The sales volume of vehicles of the Dongfeng Motor Group during the Period was approximately 358,000 units, representing an increase of 17.3% over the corresponding period last year. A sales volume of approximately 233,000 units for passenger vehicles was realised, representing an increase of 41.7% over the corresponding period last year, which outperformed the growth rate of the industry. The consolidated revenue and consolidated net profit was approximately RMB23,282 million and RMB1,114 million, representing a respective increase of 9.9% and 68.8% over the corresponding period last year. The position of the Dongfeng Motor Group was further consolidated among the industry.

In the Period, the Dongfeng Motor Group moved a stable step and achieved outstanding results in the construction of production capacities, product development and introduction and market development. In the Period, the sales of Dongfeng Honda Civic, Dongfeng Peugeot 206 and Dongfeng Citroen C-Triomphe, which were introduced to the market together with the partners, achieved satisfactory performance. At the same time, the Dongfeng Motor Group strived to control the quality and costs and to accelerate the rate of localisation, with an aim to maintain sustainable market competitiveness of the products. Dongfeng Peugeot Citroen Automobiles Company Ltd, the joint venture between the Company and PSA, returned to profitability in the Period, which laid a solid foundation for its further development. The Dongfeng Motor Group also took up the responsibility of public interests for energy saving and environmental protection.

We also recognised that we encountered some problems. The major one was that, to a certain extent, the production and sales of commercial vehicles in the Period was decreased when compared with the corresponding period last year. It was mainly due to the product structural adjustment to the commercial vehicle products of the Dongfeng Motor Group. The fluctuation was expected to be short term. The Dongfeng Motor Group has implemented and will continue to implement relevant strategies and tactics to achieve rapid improvements to the sales of both heavy and medium trucks.

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In the second half of 2006, all staff of the Dongfeng Motor Group, including the management, will continue to be energetic, aggressive and enthusiastic in promoting each of the businesses by persistently adhering to the strategy of achieving high profitability. We will further enhance the management, optimise business structure, promote technological advancement, improve quality, reduce costs, develop markets and focus on the introduction of the three new passenger vehicle models. We strive to achieve the targets throughout 2006 and present a satisfactory result to our shareholders.

Xu Ping

Chairman of the Board of Directors

Wuhan, the PRC

28 August 2006