

# Chairman's Statement

Dear shareholders,

I am pleased to submit the annual report for the year ended 31 December 2006 of Dongfeng Motor Group Company Limited for your review.

With the dynamic progress and healthy development in the PRC economy, its automotive industry continued to grow rapidly in 2006. On the basis of statistics published by the China Association of Automobile Manufacturers, the whole automotive manufacturing sector produced approximately 7.28 million vehicles and sold approximately 7.22 million vehicles in 2006, representing an increase of approximately 27% and 25% respectively compared to last year.


The year 2006 was a significant one in the development of the Dongfeng Motor Group. Besides its overall production and sales growth in line with other players, the performance of its passenger vehicle business excelled in the market and all of the joint ventures' operations were back on a rising track. During the year, the Dongfeng Motor Group manufactured approximately 756,000 vehicles, and realized sales of approximately 751,000 vehicles, representing a growth of 26.4% and 26.3% on the previous year, and the sales took up approximately 10.4% of the market share according to the information of the China Association of Automobile Manufacturers. Hence, the combined sales achieved was RMB48,264 million and profit attributable to equity holders of the parent amounted to RMB2,081 million. Dongfeng Peugeot Citroën Automobiles Company Ltd, the joint venture between the Company, Peugeot Citroën Automobiles, Automobiles Citroën and Automobiles Peugeot was profitable for the year, laying a solid groundwork for its continuous development.

During 2006, the Dongfeng Motor Group moved steadily and proactively in the expansion of production capacity, Research and Development, product launches and construction of the after-sales service network. The aggregate production capacity reached 945,000 vehicles as at 31 December 2006 with reasonable utilization rate attained. The Dongfeng Motor Group had made progress in various major Research and Development projects. In particular, 36 vehicle models with over 100 varieties including 東風天龍, 大力神, which signified a new generation of medium and heavy commercial vehicles were launched on the market. With regard to passenger vehicles, 7 new models were launched. These innovations have ensured the continuity of technological and product development and have provided greater depth to cater for the needs of the market. During the year, the composition of the after-sales service network was fine-tuned and its market coverage was further enlarged. Meanwhile, the Dongfeng Motor Group also continued to emphasize the importance of safety conditions and environmental protection. The Dongfeng Motor Group also continued to pay particular attention to the protection of our staff's legal rights and to corporate social responsibility. These are pivotal to the Dongfeng Motor Group's harmonious working environment and the continuous and stable growth.

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However, the Board was aware that the development of commercial vehicle business of the Dongfeng Motor Group was unstable, especially for heavy and medium trucks. The outcome of marketing efforts for the new products was not meeting the expectation in full. However, there were signs of improvement in the second half of the year and with the implementation of adjustment of product mix, there is considerable room to enhance the Group's profitability.

The Board considers that the business segments of the Dongfeng Motor Group as a whole contributed to encouraging results in 2006. On the other hand, the Dongfeng Motor Group has been facing long-term challenges. Our honorable shareholders, please be assured that we always uphold the philosophy of adding value for you regardless of setbacks or accomplishments. The Board is committed to enhancing and strengthening the Company's profitability and position in the industry in order to push forward its lasting development in 2007 and the years to come.



**Xu Ping**

*Chairman*

Wuhan, the PRC  
18 April 2007