



DONGFENG MOTOR GROUP COMPANY LIMITED

東風汽車集團股份有限公司*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0489)

ANNOUNCEMENT OF EXTRACTS FROM 2005 SUMMARY ANNUAL REPORT OF SUBSIDIARY DONGFENG ELECTRONICS TECHNOLOGY CO., LTD.

This announcement contains certain extracts from the 2005 Summary Annual Report of Dongfeng Electronics Technology Co., Ltd. Such information was, amongst others, announced by Dongfeng Electronics Technology Co., Ltd. in Chinese to the public in the PRC in accordance with the Share Listing Rules of the Shanghai Stock Exchange on 22 February 2006. The English version of the extracts is provided by Dongfeng Motor Group Company Limited for information only.

SUMMARY

Dongfeng Electronics Technology Co., Ltd., a company listed on the Shanghai Stock Exchange which was established under the laws of the People's Republic of China, is a subsidiary of Dongfeng Motor Co., Ltd., which has a 75% equity interest in the company. Dongfeng Motor Co., Ltd. is a jointly-controlled entity of Dongfeng Motor Group Company Limited. The board of directors of Dongfeng Electronics Technology Co., Ltd. approved its 2005 Annual Report on 20 February 2006. The Annual Report was published on the website of the Shanghai Stock Exchange on 22 February 2006.

Dongfeng Electronics Technology Co., Ltd. (“DFET”), a company listed on the Shanghai Stock Exchange which was established under the laws of the People’s Republic of China, is a subsidiary of Dongfeng Motor Co., Ltd., which has a 75% equity interest in DFET. Dongfeng Motor Co., Ltd. is a jointly-controlled entity of Dongfeng Motor Group Company Limited. The board of directors of DFET approved its 2005 Annual Report on 20 February 2006. The Annual Report was published on the website of the Shanghai Stock Exchange on 22 February 2006. Certain extracts from the 2005 Summary Annual Report of DFET are set out below (The extracted paragraphs are renumbered for convenience):

“1. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

1.1 Principal accounting data

*Unit: Yuan
Currency: RMB*

	2005	2004	Increase/ decrease from preceding year (%)	2003
Revenue from major operations	904,431,844.32	815,515,642.65	10.90	742,614,057.30
Total profit	-119,434,047.68	45,104,686.04	-364.79	79,670,301.60
Net profit	-115,422,129.39	36,514,652.67	-416.10	52,479,617.36
Net profit after extraordinary profits and losses	-115,490,111.65	33,295,901.51	-446.86	40,633,887.66
Net cash flow from operating activities	-3,155,420.44	75,298,386.44	-104.19	-2,678,988.77
			Increase/ decrease from preceding year end (%)	End of 2003
Total assets	1,093,785,756.48	1,129,188,309.50	-3.14	1,036,848,924.78
Shareholders’ equity (excluding minority interest)	388,133,938.98	550,590,068.37	-29.51	513,595,415.70

1.2 Principal Financial Indicators

*Unit: Yuan
Currency: RMB*

	2005	2004	Increase/ decrease from preceding year (%)	2003
Earnings per share	-0.37	0.12	-408.33	0.22
Latest earnings per share				
Return on net assets (%)	-29.74	6.63	-548.57	10.22
Return on net assets based on net profit after excluding extraordinary profits and losses (%)	-29.76	6.05	-591.9	7.91
Net cash flow from operating activities per share	-0.01	0.24	-104.17	-0.01

	End of 2005	End of 2004	Increase/ decrease from preceding year end (%)	End of 2003
Net assets per share	1.2378	1.7559	-29.50	2.1293
Adjusted net assets per share	1.2079	1.7457	-30.81	2.0802

*Unit: Yuan
Currency: RMB*

Extraordinary profit and loss items	Amount
Short-term investment gains, excluding (short-term investment gains obtained through qualified financial institutions established with the approval of relevant PRC authorities)	2,339,051.60
Other non-operating revenue and expenses after ordinary provision for diminution in asset's value made in accordance with the requirements of the Enterprise Accounting System	-2,338,570.99
Other extraordinary profit and loss items	96,422.03
Effect of income tax	-28,920.38
Total	67,982.26

2. MOVEMENT IN SHARE CAPITAL

unit: share

	Position before movement		Issue of new shares	Changes during the year (+, -)				Sub-total	Position after movement	
	Number of shares	Percentage (%)		Bonus issue	Capitalisation of common reserve fund	Others	Number of shares		Percentage (%)	
1. Unlisted shares										
1. Shares of promoter comprising:										
Shares held by the State Domestic legal person shares	235,170,000	75	—	—	—	—	—	235,170,000	75	
Overseas legal person shares	—	—	—	—	—	—	—	—	—	
Others	—	—	—	—	—	—	—	—	—	
2. shares subscribed by legal persons	—	—	—	—	—	—	—	—	—	
3. Shares held by employees	—	—	—	—	—	—	—	—	—	
4. Preferred Shares or others	—	—	—	—	—	—	—	—	—	
Total unlisted shares	235,170,000	75	—	—	—	—	—	235,170,000	75	
2. Listed shares	—	—	—	—	—	—	—	—	—	
1. Renminbi ordinary shares	78,390,000	25	—	—	—	—	—	78,390,000	25	
2. Domestic listed foreign	—	—	—	—	—	—	—	—	—	
Invested shares	—	—	—	—	—	—	—	—	—	
3. Overseas-listed foreign	—	—	—	—	—	—	—	—	—	
Invested shares	—	—	—	—	—	—	—	—	—	
4. Others	—	—	—	—	—	—	—	—	—	
Total listed shares	78,390,000	25	—	—	—	—	—	78,390,000	25	
3. Total number of shares	313,560,000	100	—	—	—	—	—	313,560,000	100	

3. OVERALL TRADING POSITION OF DFET DURING THE REPORTING PERIOD

In the year 2005, DFET recorded a revenue from principal operations of RMB 904.4318 million, representing an increase of 10.90% compared with the corresponding period of the previous year, and a profit from principal operations amounted to RMB 59.9407 million, a decrease of 55.61 % compared with the corresponding period of the previous year; net profit amounted to -115.4221 million, representing a decrease of 416.10% compared with the corresponding period of the previous year. Although its revenue from principal operations increased by 10.90% from the corresponding period of the previous year, profit from principal operations of DFET decreased substantially due to such factors as changes in the sales structure of DFET's major products, decrease in sales prices and increase in the energy and raw material prices. In addition, since the business of Jin Xin Trust Investment Joint Stock Company Limited (of which DFET is a shareholder) was suspended for the purpose of restructuring, DFET made 100% provision for impairment, leading to a substantial loss, such that DFET was unable to achieve the operating targets for the year set by its board of directors.

Other than objective factors such as increase in energy and raw material prices, changes in the sales structure of DFET's products and decrease in sales prices, the relatively substantial losses suffered by DFET in 2005 were also due to:

- (1) the inability of the adverse impact on the profit of DFET due to decrease in sales prices and changes in the sales structure of DFET's products to be set off by the internal cost control and reduction of expenses.
- (2) the inability of adjusting the structure of products to meet market changes and development.

3.1 Principal operations by industry and by product

Unit: Yuan
Currency: RMB

By industry or by product	Revenue from principal operating activities	Cost of principal operating activities	Profit margin of principal operating activities (%)	Increase/ decrease in revenue compared with the previous year (%)	Increase/ decrease in cost compared with the previous year (%)	Increase/ decrease in profit margin compared with the previous year (%)
Industry						
Auto parts	674,171,467.04	619,071,515.64	7.58	9.70	28.45	-63.42
Sales of automobiles	230,260,377.28	221,420,367.14	3.83	14.58	14.52	1.03
Comprising: connected transactions	372,731,736.52	320,200,173.85	14.09	13.20	26.97	-39.8
Product						
Combined metres, sensors, soft axles	158,805,585.47	131,676,057.18	16.08	-14.16	-6.65	-29.07
Fuel system, braking system, die-cast articles, interior trimming	515,365,881.57	487,395,458.46	4.97	19.98	42.97	-75.04
Sales of passenger cars, trucks, vehicle spare parts	230,260,377.28	221,420,367.14	3.83	14.58	14.52	1.03
Comprising: connected transactions	372,731,736.52	320,200,173.85	14.09	13.20	26.97	-39.8

3.2 Significant movements in asset structure and profit and loss items

Item	Accumulated amount for the current year	Accumulated amount for the previous year	Amount of increase or decrease	Percentage of increase or decrease
Profits from other operations	9,068,454.47	16,295,742.49	-7,227,288.02	-44.35%
Operating expenses	39,242,496.92	21,242,194.55	18,000,302.37	84.74%
Administrative expenses	102,321,954.45	75,939,344.23	26,382,610.22	34.74%
Income tax	1,077,912.87	7,734,667.50	-6,656,754.63	-86.06%

3.3 Composition of cash flows

	Accumulated amount for the current year	Accumulated amount for the previous year	Amount of increase or decrease	Proportion of increase or decrease
Net cash flow from operating activities	-3,155,420.44	75,298,386.44	-78,453,806.88	-104.19%
Net cash flow from investment activities	-23,142,150.33	-60,058,456.19	36,916,305.86	61.47%
Net cash flow from financing activities	51,245,439.30	-32,373,038.79	83,618,478.09	258.30%
Net increase in cash	24,947,868.53	-17,133,108.54	42,080,977.07	245.61%

During the reporting period, the net cash flow from the operating activities of DFET amounted to -RMB3,155,420.44, and the net profit for the reporting period was -RMB115,422,129.39. The substantial difference between the two figures was mainly attributable to the fact that a substantial portion of the losses incurred during the reporting period were operating losses represented by non-cash outflows. Such non-cash outflows include the provision of RMB47.90 million made for the long-term equity investment in Jin Xin Trust Investment Joint Stock Company Limited due to the suspension of its operation for restructuring and various provisions for the diminution in asset value.

4 THE DEVELOPMENT STRATEGIES OF DFET

4.1 DFET will focus on the development of its auto parts business based on organic growth as well as increased joint venture operations. We will also strive to achieve leading positions in terms of product range, quality and cost and enhance our sales capability, so as to become a leading, professional, standardized and international auto parts supplier capable of systematic development and module product supply.

4.2 Based on the production projections for 2006 of our major complementary commercial vehicle and passenger vehicle clients, sales forecast for spare parts for repair purposes and the forecast position in relation to DFET's major new product, ABS, after the regulations providing for the mandatory use of such product come into force, the 2006 target sales revenue of DFET is RMB1.1 billion and the estimated cost of sales is RMB950 million.

4.3 DFET intends to adopt some cost reducing strategies.

5. FUNDING REQUIREMENTS FOR IMPLEMENTATION OF FUTURE DEVELOPMENT STRATEGY AND PLANS FOR USE OF FUNDS

5.1 Our funding requirement sin 2006 for maintaining investments will amount to approximately RMB22 million, which will be met by internal financial resources applied in accordance with our annual investment plan.

5.2 Our investments in new fixed asset in 2006 will amount to approximately RMB24 million: investments in fixed assets will be made in accordance with the requirements of our new business undertakings and will be provided for in the annual investment plan. The relevant funding requirements will be met by internal financial resources and bank loans.

6. AUDIT OPINION

The annual financial statements of DFET has been audited by certified accountants Feng Lin and Liu Jin Jing of Daxin Certified Public Accountant Co., Ltd., who have issued a standard unqualified auditors' report.”

By order of the Board
Dongfeng Motor Group Company Limited
Xu Ping
Chairman

Hong Kong, 24 February, 2005

As at the date of this announcement, members of the board of directors of Dongfeng Motor Group Company Limited include Mr. Xu Ping, Mr. Liu Zhangmin, Mr. Zhou Wenjie, Mr. Li Shaozhu and Mr. Fan Zhong as executive directors; Mr. Tong Dongcheng, Mr. Ouyang Jie, Mr. Liu Weidong and Mr. Zhu Fushou as non-executive directors; and Mr. Sun Shuyi, Mr. Ng Lin-fung and Mr. Yang Xianzu as independent non-executive directors.

* *For identification purposes only*