

Dongfeng Automobile Co., Ltd
Annual Report 2003 Summary

§1 Important Clues

1.1 The board and board of directors guarantee that the data recorded in this report should be without any false record, misleading statement or important omission, and shall bear individual and joint liability on the truth, accuracy and completeness of its content. This abstract is taken from the full text of annual report, if the investor would like to learn the detailing, he should read the full text of the annual report.

1.2 This is to show that the director of Li Shaozhu and Gu Linsheng failed to attend this meeting owing to their working, Li Shaozhu and Gu Linsheng entrusted the director, Xu Ping, and Gao Mingxiang respectively to attend the meeting and perform the voting power on behalf of them.

1.3 The president of the company as well as the director, Mr. Miao Wei, Mr. Lu Feng, the deputy general manager in charge of financial affairs and Ms. Wei Wen, the person in charge of financial affairs and minister of financial department state that they will ensure the truth and completeness of financial report in this annual report.

§2 Brief introduction to the basic information of the listed company

2.1 Brief introduction to the basic situation

Stock for Short	Dongfeng Automobile Co., Ltd
Stock Code	600006
Securities Traded	Shanghai Stock Exchange
Registered Address	No. 4 Chunyuan West Road, High and New-technology Industries Development Zone, Xiangfan City, Hubei Province
Business Address	No. 1 Dongfeng Qiche Avenue, Xiangfan City, Hubei Province
Postcode	441004
Website	http://www.dfac.com
E-mail	dfac@dfac.com

2.2 Contact person and mode

	Secretary of Board of Directors	Representative of Securities Affairs
Name	Lu Feng	Zhang Xinfeng
Contact Address	No. 1 Dongfeng Qiche Avenue, Xiangfan City, Hubei Province	No. 1 Dongfeng Qiche Avenue, Xiangfan City, Hubei Province
Tel	0710-3396805	0710-3396899
Fax	0710-3396809	0710-3396900
E-mail	luf@dfac.com	zhangxinf@dfac.com

§3 Abstract of accounting data and financial index

3.1 The main accounting data

Unit: Yuan (RMB)

	The year of 2003	The year of 2002	The increases and decreases in this year compared with	The year of 2001

			the last year	
Main Operating Income	5,851,438,324.08	7,000,588,582.83	-16.42	4,430,827,338.73
Total Profits	685,159,875.22	768,075,682.26	-10.80	621,302,889.77
Net Profit	629,853,939.27	622,769,186.29	+1.14	537,370,232.74
Net Profit after Nonrecurring Profit and Losses	586,323,244.54	621,665,275.49	-5.69	533,329,683.54
	At the end of 2003	At the end of 2002	The increases and decreases in the end of this year compared with the end of last year	At the end of 2001
Total Assets	6,517,729,366.36	6,620,691,906.71	-1.56	4,948,382,387.07
Stockholders' Equity (Not including minority stockholders equity)	4,028,465,868.86	3,581,189,365.63	+12.49	2,957,879,017.93
Net Cash Flow Incurred by Business Operations	791,247,917.88	1,940,038,211.48	-59.21	47,728,891.81

3.2 The main financial index

Unit: Yuan (RMB)

	2003 年 The year of 2003	2002 年 The year of 2002	The increases and decreases in this year compared with the last year	2001 年 The year of 2001
Income per share	0.6299	0.6228	+1.14	0.5374
Net Assets Yield	15.64	17.39	-1.75	18.17
Weighted Average Net Assets yield(%)calculated on the basis of Net Profit after Nonrecurring Profit and Losses	15.41	18.31	-2.90	18.30
Net Cash Flow Incurred by Business Operations per Share	0.7912	1.94	-59.22	0.0477
	At the end of 2003	At the end of 2002	The increases and decreases at the end of this year compared with that of the	At the end of 2001

			end of last year	
Net Assets per Share	4.0285	3.5812	+12.49	2.9579
Adjusted Net Assets per Share	4.0253	3.5730	+12.66	2.8373

3.3 Difference of accounting standards at home and abroad

Applicable Not applicable

§4 Variation of capital stock and stockholders' situations

4.1 Sheet of share variation

Quantity Unit: Share

	Before this variation	Increase and decrease with this variation (+ , -)					Subtotal	After this variation
		Rationed shares	Capitalization issues	Accumulation fund share transfers	Increase of quantity issued	Others		
Unissued stock								
1 、 Promoter's share	700000000							700000000
Including:	700000000							700000000
State-owned share								
Domestic corporate-owned share								
Oversea corporate-owned share	700000000							700000000
Others	300000000							300000000
2 、 Raise corporate shares								
3 、 Employee's shares								
4 、 Preference share and others	300000000							300000000
Total issued stock								
Issued stock								
1.RMB common stock								
2.Foreign capital stock listed in China								
3.Foreign capital stock listed oversea								
4、 Others								
Total issued stock								
Total stock amounts	1000000000							1000000000

4.1 The first ten shareholders

The total amount of	15958
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shareholders at the end of the report						
The introduction of the first ten shareholders						
Name of shareholders (Full name)	The increase and decrease within this year	The quantity of share holding at the end of the year	Ratio (%)	Stock category (issued or unissued stock)	Pledged or blocked share quantity	Character of shareholder (state-owned shareholder or foreign capital shareholder)
Dongfeng Automobile Industry Investment Co., Ltd.	-	700,000,000	70.00	Unissued	None	State-owned corporate shares
China Galaxy Securities Co., Ltd	+231,162	49,872,016	4.98	Issued		Social public shares
Shanghai Enterprises Annuity Development Center Galaxy Pingheng		7,124,078	0.71	Issued		Social public shares
Hong Yuan Securities Co., Ltd.	-	4,496,232	0.44	Issued		Social public shares
Xue Donghui		3,895,630	0.38	Issued		Social public shares
Zhang Tao		3,404,026	0.34	Issued		Social public shares
CITIC Trust & Investment Co., Ltd.		3,309,602	0.33	Issued		Social public shares
Ma Shundong		3,065,400	0.306	Issued		Social public shares
Yu Li		3,046,275	0.304	Issued		Social public shares
Sun Suobao		3,027,283	0.302	Issued		Social public shares
The explanation on interest relation or concerted action of the first ten shareholders	It has not been known with any interest relationship among the first ten shareholders with floating stock of this company.					
The situation of share holding with the first ten shareholders holding floating stock						
Name of shareholder (Full name)	The quantity for holding floating stock at the end of the year		Variety (A, B, H Share or others)			
China Galaxy Securities Co., Ltd.	49872016		A Share			
Shanghai Enterprises Annuity Development Center Galaxy Pingheng	7124078		A Share			
Hong Yuan Securities Co., Ltd.	4496232		A Share			
Xue Donghui	3895630		A Share			
Zhang Tao	3404026		A Share			
CITIC Trust & Investment	3309602		A Share			

Co., Ltd.		
Ma Shundong	3065400	A Share
Yu Li	3046275	A Share
Sun Suobao	3027283	A Share
Zhu Ruihe	2921800	A Share
The explanation on interest relation among the first ten shareholders with floating stock.	It has not been known with any interest relationship among the first ten shareholders with floating stock of this company.	

4.3 Introduction to the situations of holding shareholders and actual controlling person

4.3.1 The situation of variation with holding shareholders and actual controlling person

√Applicable □Not applicable

Name of new holding shareholder	Dongfeng Automobile Industry Investment Co., Ltd.
Name of new actual controlling person	Dongfeng Automobile Co., Ltd
Change date	23 rd April 2003
Published date and the press	20 th March 2003, 23 rd April 2003, 5 th September 2003; “China Securities”, “Securities Times Paper” and “Shanghai Securities”

4.3.2 Introduction to the specific situation with holding shareholders and other actual controlling persons

Name of Holding Shareholder: Dongfeng Automobile Industry Investment Co., Ltd.

Legal Representative: Miao Wei

Type of Enterprise: Limited company

Registered Capital: RMB10,763,100,000

Business scope: Automobile industry investment; vehicle (including self-made limousine) and vehicle parts and components, metal mechanic, casting forged piece, startup electric machinery, powder metallurgy, development, design, manufacture and sales of tools and dies; production and operating activities by organizing the enterprises directly under this company and handling in accordance with the state special stipulation; production, supply and sales of gas and electric power; Organization and management on mechanical transport and engineering construction; development of real estate; technical consultation, technical services, information services as well as after-sales services related to operation items of this company.

After debts converted into shares with Dongfeng Automobile Co., Ltd, the Dongfeng Motor Co., Ltd. has been established and provided funds by Dongfeng Automobile Co., Ltd, China Huarong Asset Management Corporation, China Cinda Asset Management Corporation, China Orient Asset Management Corporation, China Development Bank as well as China Great Wall Asset Management Company. Soon afterwards, the name of Dongfeng Motor Co., Ltd. was altered into Dongfeng Automobile Industry Investment Co., Ltd. by the approval of State General Administration for Industry and Commerce, and the bulletin concerned was published on the China Securities, Shanghai Securities and Securities Times Paper of 6th September 2003. According to the Written Reply on Executive Plan of Strategic Reconstruction regarding Dongfeng Automobile Co., Ltd and Nissan Motor Co., Ltd. (State Economic and Trade Industry [2003]No. 114) issued by Committee for Economic and Trade Affairs as well as the Contract for Dongfeng Motor Co., Ltd. by Joint Venture signed by Dongfeng Automobile Industry Investment Co., Ltd. and Nissan Motor Co., Ltd., the DFAC has been established and provided funds by Dongfeng Automobile Industry Investment Co., Ltd., the holding shareholder of our company and Nissan Motor Co., Ltd., the two parties provides funds of RMB8.35billion respectively and holds 50% stock ownership of DFAC each. Dongfeng Automobile Industry Investment Co., Ltd. takes the current holding state-owned corporate shares of 700,000,000 transferred to DFAC as the funds for registered capital. After the transfer of shares, Dongfeng Automobile Industry Investment Co., Ltd. shall not directly hold the shares of

DFAC, but indirectly hold the equal shares of DFAC of 350,000,000 together with Nissan through DFAC, and occupy 35% of issued shares of DFAC each. The bulletin concerned was published on the China Securities, Shanghai Securities and Securities Times Paper of 26th December 2003.

The transfer of shares has been approved by the State-owned Assets Supervision and Administration Commission of State Council (SASAC) on transfer of state-owned stock ownership of listed company, and there is no objection on the purchasing report submitted by Dongfeng Motor Co., Ltd. through the verification of China Securities Regulatory Commission (CSRC), Dongfeng Motor Co., Ltd. was agreed to be exempted from the offering purchase obligation he should perform owing to holding state-owned shares of Dongfeng Automobile Co., Ltd of 700,000,000 (occupies 70% of the total stock). The bulletin concerned was published on the China Securities, Shanghai Securities and Securities Times Paper of 31st December 2003 and 19th February 2004.

The transfer of stock ownership has gone through the formalities for transferring ownership the in accordance with stipulations concerned. The total stock of the company is still 1,000,000,000, of which Dongfeng Motor Co., Ltd., as the holding shareholder of the company, holds 700,000,000 and occupies 70% of the total stock. The bulletin concerned was published on the China Securities, Shanghai Securities and Securities Times Paper of 28th February 2004.

§5 Directors, supervisors and senior administrative officer

5.1 The variation of shares holding with directors, supervisors and administrative officer

Name	Post	Sex	Age	Beginning and ending dates of tenure	Holding quantity at the beginning of the year	Holding quantity at the end of the year	Variable factor
Miao Wei	President	Male	48	2002.6.30—2005.6.30	0	0	-
Xu Ping	Vice president	Male	46	2002.6.30—2005.6.30	0	0	-
Gu Linsheng	Director	Male	63	2002.6.30—2005.6.30	0	0	-
Sun Hongjun	Director	Male	62	2002.6.30—2005.6.30	0	0	-
Gao Mingxiang	Director	Male	62	2002.6.30—2005.6.30	0	0	-
Liu Zhangmin	Director	Male	54	2002.6.30—2005.6.30	0	0	-
Li Shaozhu	Director	Male	43	2002.6.30—2005.6.30	0	0	-
Zhu Fushou	Director, General manager	Male	41	2002.6.30—2005.6.30	0	0	-
Sun Shuyi	Independent director	Male	63	2002.6.30—2005.6.30	0	0	-
Guan Weili	Independent director	Male	60	2002.6.30—2005.6.30	0	0	-
Xu Guangwu	Independent director	Male	76	2002.6.30—2005.6.30	0	0	-
Liu Jisheng	Independent director	Male	66	2002.6.30—2005.6.30	0	0	-
Ye Huicheng	Chairman of board of supervisors	Male	53	2002.6.30—2005.6.30	0	0	-
Wang Mingqing	Supervisor, Secretary of the Party committee	Male	56	2002.6.30—2005.6.30	0	0	-
Jin Nanqiang	Supervisor	Male	59	2002.6.30—2005.6.30	0	0	-
Luo Junmin	Deputy general manager	Male	41	2002.6.30—2005.6.30	0	0	-
Lu Feng	Deputy general manager, Secretary of board of directors	Male	36	2002.6.30—2005.6.30	0	0	-
Fang Chi	Deputy general manager	Male	40	2003.7.02—2005.6.30	0	0	-
Wei Wen	Person in charge of financial affairs	女 Female	39	2002.6.30—2005.6.30	0	0	-

5.2 The situation of directors and supervisors who hold a post in shareholders' units

√ Applicable □ Not applicable

Name	Name of shareholders for holding a post	The post held in the shareholder' units	Tenancy	Whether draw wage, subsidies (yes or no)
Miao Wei	Dongfeng Automobile Co., Ltd	General manager	2001.8-now	no
Xu Ping	Dongfeng Automobile Co., Ltd	Secretary of the Party committee	2001.8-now	no
Liu Zhangmin	Dongfeng Automobile Co., Ltd	Deputy general manager	1995.7-now	no
Li Shaozhu	Dongfeng Automobile Co., Ltd	Deputy general manager	1997.7-now	no

Ye Huicheng	Dongfeng Automobile Co., Ltd	Secretary of Commission for Disciplinary Inspection	1997.7-now	no
Jin Nanqiang	Dongfeng Automobile Co., Ltd	Minister of Auditing Department	2001.4-now	no

5.3 The situation on annual wages with directors, supervisors and administrative officers

Total annual wages	1,250,000 元 RMB1,250,000
Total wages of the first three directors with the highest amount) RMB280,000 (only for one director)
Total wages of the first three administrative officers with the highest amount	660,000 元 RMB660,000
Subsidies of independent directors	RMB50,000 (including tax) for each person yearly, it comes to RMB200,000
Other benefits of independent directors	无 None
The directors and supervisors who does not draw wages and subsidies from company	Miao Wei, Xu Ping, Gu Linsheng, Sun Hongjun, Gao Mingxiang, Liu Zhangmin, Li Shaozhu, Ye Huicheng and Jin Nanqiang
Range of wages	Number
20—30 (10,000Yuan)	One
15—20 (10,000Yuan)	Three
10—15 万元 10—15 (10,000Yuan)	Two

§6 Report of board of directors

6.1 Discuss and analysis on overall operation within the report period

The company is mainly engaged in vehicles, motor-engine and parts & components, the business concerning development, design, production and sales of casting, and the leading products are Dongfeng series of light commercial vehicle, Dongfeng Cummins B, C series of diesel engine and Dongfeng Meihua casting. In 2003, the sales volume of Dongfeng light commercial vehicle of the company was 66048 and increased by 2.31% in comparison with the last year, that of Dongfeng Cummins B, C series of diesel engine was 96313 as well as 30924 of casting. In that year, the company has implemented the main business with the income of RMB5,851,430,000 as well as the net profits of RMB629,850,000.

6.2 The table for sub-industry of main business and products

Unit: Yuan (RMB)

Sub-industry and sub-products	Income of main business	Cost of main business	Gross profit rate	The increase and decrease on income of main business compared with the last year	The increase and decrease on cost of main business compared with the last year	The increase and decrease of gross profit rate compared with the last year

Light car	2,582,626, 872.04	2,396,866,245 .10	7.19	+0.13	-9.53	+9.90
Engine	3,266,027, 578.42	2,379,716 ,002.29	27.14	-26.13	-19.27	-6.19
Including correlation transaction	3,478,947,757. 01	759,478,664.5 9				
Pricing principle of correlation transaction	Refer to the market price with the same kind of products, take mark-on under the condition of the non-existing market price with same kind products, and take the factors concerning supply or amount purchased into account for pricing.					
The explanation for necessity and constancy of correlation transaction	Firstly, the largest client for engine of the company is the correlation party, Dongfeng Automobile Co., Ltd; secondly, the undertaking of purchasing from the correlation party by the company can save production cost further; lastly, the above-mentioned is the continuous correlation transaction.					

6.3 The situation on sub-areas of main business

Unit: Yuan (RMB)

Areas	Income of main business	The increase and decrease on income of the main business compared with that of the last year
Central China	3,635,601.49	-24.10%
East China	979,590.37	+0.11%
South China	402,115.00	+0.11%
Other areas	834,131.46	+0.46%

6.4 The situation on purchasing and sales clients

Unit: Yuan (RMB)

The total sum for purchasing of the first five suppliers	1,076,329,904.89	The proportion of the cost of main business	22.53%
The total sales amount of the first five sales clients	2,876,762,901.77	The proportion of the total sales	49.16%

6.5 The operation situation of mutual share-holding company (It applies to the condition that the income on investment occupies more than 10% of net profits)

Applicable Not applicable

6.6 The explanation for the reason that the great change of the main business and its structure

Applicable Not applicable

6.7 The explanation for the reason that the great change of capacity to earn profit (gross profit rate) of main business compared with that of the last year

Applicable Not applicable

6.8 The analysis for the reason that the great change of business result and reward structure in comparison

with that of the last year

Applicable Not applicable

6.9 The analysis for that reason that the great change of overall financial condition in comparison with that of the last year

Applicable Not applicable

6.10 The explanation for the important influence has been, being or to be on the financial condition and business result of company by the condition of production and business, macropolicy as well as regulations

Applicable Not applicable

6.11 The situation on implementation of profits predict

Applicable Not applicable

6.12 The situation on implementation of business plan

Applicable Not applicable

6.13 The situation on using raised funds

Applicable Not applicable

6.14 The situation on changing project

Applicable Not applicable

6.15 The situation on project with non-raised funds

Applicable Not applicable

Unit: (1000yuan) RMB

Name of project	Amount of project	Invested amount	The pace of implementation on investment	The earnings of project
Technical innovation of light commercial vehicle	195758.2	217600	111.16%	It has not made earnings yet
Investment increase and shares expansion of Dongfeng Cummins Engine Co., Ltd. increases	209515	209515	100%	It has made earnings
Purchase capital of Light Compartment Plant of Dongfeng Industry Co., Ltd.	45844.00491	45844.00491	100%	It has not made earnings yet
Replace stock ownership of Electric Vehicle Co., Ltd.	29819.8	29819.8	100%	It has made earnings
Purchase 32% stock ownership of Dongfeng Yulong Sales Co., Ltd.	32007.136	32007.136	100%	It has made earnings
Establish Changzhou Dongfeng Motor Co., Ltd. by joint venture	100000	100000	100%	It has not made earnings yet
Merchandise institute equipment purchase	13752.50	9652.9 元	70.19%	It has not made earnings yet
Investment increase and shares expansion of Shanghai Jiahua	70000	70000	100%	It has made earnings

Investment Co., Ltd.				
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6.16 The explanation for the “Non-standard opinion” from certified accountant’s office by the board of directors

Applicable Not applicable

6.17 The business plan of the new year by the board of directors (If any available)

Applicable Not applicable

Profits predict of the new year (If any available)

Applicable Not applicable

6.18 The contingency plan on profit distributions by board of directors as well as share transfers and increases of capital surplus

A decision was made by the board of directors after investigation, in 2003, the profit distributions and share transfers and increases of capital surplus by the company are:

To allot 3 shares of stock dividend for all the shareholders, transfer and increase 7 shares of capital stock with capital surplus as well as cash dividends of 2.00 Yuan (including tax) each 10 shares of capital surplus with the total cashes allotted of 200,000,000Yuan on the basis of the total stock with 1,000,000,000 shares at the end of 2003. The proposal above-mentioned shall be come into force after passing a resolution by the shareholders' meeting.

§7 Important items

7.1 Purchase capital

Applicable Not applicable

Counterpart and purchased capital	Purchasing day	Purchasing price	The net profits for the listed company from the purchasing day to the end of this year	Whether it is the correlation transaction (if it is, explain the pricing principle)
1.Purchase 32% stock ownership of Dongfeng Yulong Automobile sales Co., Ltd. held by Dongfeng Motor Co., Ltd.	4 th March 2003	32,007,136Yuan		It is the correlation transaction. According to the report of assets assessment PBZ NO. V103004 issued by Zhonghe Assets Appraisal Co., Ltd., the total book value of assets of Dongfeng Yulong Automobile Sales Co., Ltd. is RMB149,699,300, and the that of net assets of RMB149,750,900 as well as the

				evaluate value of RMB100,022,300 on 31 st December 2002.
The 36.44% stock ownership of Dongfeng Electric Vehicle Co., Ltd. held by this company was evaluated RMB18,785,700, which was replaced with those assts concerning 51% stock ownership of Dongfeng Xiangfan Special Vehicle Co., Ltd., Xiangfan Vehicle Market and Xiangfan Equipment Storage held by Dongfeng Motor Co., Ltd.	2 nd July 2003	29,819.0,800		It is the correlation transaction; The pricing of assts is on the basis of the evaluate value in the report of assts assessment issued by Zhonghe Assets Appraisal Co., Ltd.
Explanation:	1.The main purpose of the purchase of stock ownership this time is to introduce advanced marketing idea and mode and enhance the marketing ability of products of light vehicle. On 4 th March 2003, The fifth meeting of the second board of directors of the company has passed this business through examination and approval.			
	2. The company will make use of Xiangfan Automobile Market to set up a large-scale end product garage and reduce the storage hired for the outer so as to save storage and production costs. At the meanwhile, upon the replacement this time, integrate and expand the business of carriage-type cars. On 2 nd July 2003, the eighth meeting of the second board of directors has passed this business through examination and approval.			

7.2 Capital for sales

√ Applicable □ Not applicable

Counterpart and capital for sales	Sales day	Sales price	Net profits for the listed company by the capital for sales from the beginning of this year to the sales day ^{¥18}	Profit and loss caused by sales	Whether it is correlation transaction (if it is, explain the pricing principle)
1.he 36.44% stock ownership of Dongfeng Electric Vehicle Co., Ltd. held by our company was evaluated RMB18,785,700, which	2 nd July 2003	18785,700 Yuan (in addition, our company need to pay Dongfeng Motor Co., Ltd. the variance in price of			It is the correlation transaction; The pricing of assts is on the basis of the

was replaced with those assts concerning 51% stock ownership of Dongfeng-Xiangfan Special Vehicle Co., Ltd., Xiangfan Vehicle Market and Xiangfan Equipment Storage held by Dongfeng Motor Co., Ltd.		11,034,100 Yuan)			evaluate value in the report of assts assessment issued by Zhonghe Assets Appraisal Co., Ltd.
2. The related capital concerning Assemble Working Department o, Impact Extrusion Department and Welding Assembling Department of Subsidiary Company under the corporation was sold to Fengshen Xiangfan Automobile Co., Ltd.	27 th September 2003	845,522,467.46Yuan			http://www.sse.com.cn It is the correlation transaction; As for the full text of the report of assts assessment, see web side of Shanghai Exchange http://www.sse.com.cn
Explanation:	<p>1. The company will make use of Xiangfan Automobile Market to set up a large-scale end product garage and reduce the storage hired for the outer so as to save storage and production costs. At the meanwhile, upon the replacement this time, integrate and expand the business of vehicle. On 2nd July 2003, the eighth meeting of the second board of directors has passed this business through examination and approval.</p> <p>2. The stock assets of partial subsidiary automobile companies under this company were sold to Fengshen Xiangfan Automobile Co., Ltd. so as to lessen the depreciation pressure caused by fixed assets effectively and enhance the capacity to earn profit with light commercial vehicles business. At the meantime, with the plan of rolling removing and rebuilding, it makes no influences on the current production and leaves larger space for the future development.</p>				

7.3 Important guarantee

√ Applicable Not applicable

7.4 Correlation claim and debt contacts

√ Applicable Not applicable

Unit: Yuan (RMB)

Correlation party	Providing funds for correlation party		Correlation party provides funds for listed company	
	Amount incurred	Balance	Amount incurred	Balance
Dongfeng Motor Co., Ltd.	2,084,730,654.73	135,295,259.20	42,920,043.58	16,928,994.88
Fengshen Automobile Co., Ltd.	1,920,000.00	0	4,156,165.33	4,156,165.33
Fengshen Xiangfan Automobile Co., Ltd.	13,746,278.31	13,664,408.64		
Laohekou Dongfeng Trump Special Vehicle Plant	172,473.00	84,281.00		
Dongfeng Xinjiang Automobile Co., Ltd.	27,552,547.83	10,925,603.81		
Dongfeng Hangzhou Automobile Co., Ltd.	7,843,468.20	2,098,788.28		
Dongfeng Yunnan Automobile Co., Ltd.	3,363,084.00	1,963,084.00		
Dongfeng Automobile (Huizhou) Co., Ltd.	10,452,963.48	4,092,981.74		
Dongfeng Xiangfan Industry Company Equipment Plant under Dongfeng Motor Co., Ltd.	2,741,648.48	2,741,648.48		
Dongfeng Liuzhou Automobile Co., Ltd.	1,108,860.00	4,258,860.00		
Dongfeng Liuzhou Automobile Co., Ltd.	30,312,137.31	6,763,619.80	0	0
Dongfeng Motor Import and Export Co., Ltd.	2,056,824.00	0	60,400.00	60,400.00
Wuhan Dongfeng Stamping Co., Ltd.			413,987.23	315,405.95
Dongfeng Motor Die Plant			6,493,063.88	1,058,919.35
Dongfeng Motor Fastener Co., Ltd.			16,995,931.34	1,405,949.65
Dongfeng Motor Pump Co., Ltd.			6,615,277.52	1,167,354.92
Dongfeng Precision Casting Co., Ltd.			750,175.99	20,640.93
Dongfeng Motor Wheel Co., Ltd.			60,735,181.38	8,642,614.63
Hubei Dongfeng Motor Industry Import and Export Company			7,958,749.83	7,049,563.15
Dongfeng Chaoyang Diesel Engine Company			500,369,063.21	94,195,435.58
Dongfeng Motor Suspension Spring Co., Ltd.			20,057,269.81	4,133,207.40
Dongfeng Motor Propeller Shaft Co., Ltd.			11,551,177.26	1,588,151.09
Dongfeng Radiator Co., Ltd.			11,459,276.92	111,630.60
Dongfeng Axis Co., Ltd.			29,307,553.28	0
Dongfeng Motor Transmission Co., Ltd.			18,247,850.70	25,570.40
Dongfeng Electronics Technology Co., Ltd.			4,065,138.96	631,307.42
Dongfeng Motor Interior Decoration Production Co., Ltd.			0	0
Dongfeng-Xiangfan Industry Co., Ltd.			45,844,004.91	45,844,004.91
Xiangfan Dongfeng Motor Electric Equipment Co., Ltd.			7,787,561.84	8,221,827.31
Dongfeng Piston & Bearing Co., Ltd.			101,212.25	101,212.25
Dongfeng Motor Industry Import &			1,351,954.78	1,351,954.78

Export Co., Ltd.				
Total:	2,186,000,939.34	181,888,534.95	797,241,040.00	197,010,310.53

7.5 Financing consignment

Applicable Not applicable

7.6 Perform for the committed items

Applicable Not applicable

7.7 Important items on lawsuit and arbitration

Applicable Not applicable

7.8 The situation for fulfilling obligations by independent directors

Within the report period, each independent director fulfills his obligation seriously and expresses the independent opinion to the important items objectively without fear or favor, safeguards interests of the large shareholders especially for the medium and small shareholders according to the requirements of laws and regulations.

§8 Report from board of supervisors

The board of supervisors considers that there is no problem to correlation transaction together with operation according to law, financial affairs of company as well as the using of collected funds by company.

§ 9 Financial report

9.1 Audit opinion

The financial report in 2003 of this company, which has been audited by Tianhua Certified Accountants Office and signed by certified public accountant Yang Guipeng and Wang Yuncheng, issued Audit Report of “Tianhua S. Zi. (2004) No. 038-01” Standard with Clean Opinion.

9.2 Balance sheet, profit chart and statement of cash flow after merging and of parent company in that year

9.3 Change of accounting policy and estimate

According to “Notice on Printing and Distributing Items behind Accounting Standards of Enterprises---Balance Sheet ” (CK [2003] No. 12) issued by Ministry of Financial, this company made retroactive adjustment in comparison with the regarding items on cash dividends distribution within the period of accounting reports. The detailing of adjustment is as follows:

Item:	<u>31st December 2002</u>
Decrease by adjustment: Debt---Item of “Dividend Payable”	200,000,000.00
Increase by adjustment: Stockholder's equity----Item of “Undistributed Profit ”	200,000,000.00
Have influence on net assts (+ : Increase, - : Decrease)	+ 200,000,000.00

9.4 Adjustment of accounting errors

The unpaid expense for advertisement of RMB7,457,400 in 2002 by this company will be put on the “Sales expense” of 2002 yearly in the report of that year for once. According to the requirements of Notice on Rectification and Improvement with Dongfeng Automobile Co., Ltd. issued by CSRC Wuhan Securities Management Office, the advertisement expense should be confirmed while the advertisement is facing the media, thus the company made retroactive adjustment on 2002 yearly accounting report, and increased the

expense to be apportioned of RMB7,457,400 in the 2002 balance sheet by adjustment, the net profits of RMB6,338,790 in 2002, and undistributed profits of RMB5,387,971.50 on 31st December 2002 as well as surplus of RMB950,818.50 (including public welfare funds of RMB316,939.50).

9.5 The current company brought all the holding subsidiary companies into the range of merging accounting report and merged the accounting report, and Dongfeng Cummins Automobile Co., Ltd. merged in light of the method of Proportional Merging.

(1) Balance Sheet

HQ No.1 Sheet

Unit: Yuan (RMB)

Compiled Unit: DFAC

Assets	Note	Merging		Parent company	
		31st December 2003	31st December 2003	31st December 2003	31st December 2002
Current assets					
Monetary capital	1	2,494,614,229.62	1,952,932,256.08	1,911,354,277.94	1,868,800,055.61
Short-term investment	2	351,202,810.63	284,151,468.14	289,448,178.14	284,151,468.14
Bill receivable	3	1,406,286,406.15	1,254,654,679.67	1,476,452,771.77	1,240,343,129.67
Dividend receivable					
Interest receivable					
Account receivable	4	286,275,758.34	150,094,691.23	201,551,441.17	87,630,144.41
Other accounts receivable	5	18,475,671.34	15,254,396.38	11,974,981.60	13,690,355.49
Advance account	6	38,250,710.78	78,015,687.74	25,169,605.89	55,242,211.70
Boot receivable					
Existing stock	7	483,669,545.36	619,221,108.97	239,782,313.90	503,622,081.55
Apportioned expense	8	28,800.00	7,457,400.00		7,457,400.00
Long-term credit investment limited within one year					
Other current assets		0.00			
Total current assets		5,078,803,932.22	4,361,781,688.21	4,155,733,570.41	4,060,936,846.57
Long-term investment					
Long-term stock ownership investment	9	15,258,512.08	68,686,692.66	908,395,926.74	300,836,380.52
Long-term credit investment	10		39,000,000.00		39,000,000.00
Variance in price by merging					
Total long-term investment		15,258,512.08	107,686,692.66	908,395,926.74	339,836,380.52
Fixed assets					
Original price of fixed assets	11	1,679,320,404.17	2,923,607,963.40	1,148,562,856.07	2,623,729,306.24
Less: Accumulated depreciation	11	571,108,804.75	844,134,378.64	372,495,733.60	821,693,575.16
Carrying value of fixed assets	11	1,108,211,599.42	2,079,473,584.76	776,067,122.47	1,802,035,731.08
Less: Fixed assets value-decrease reserve	11	292,323.50	30,436,388.63		30,436,388.63
Net amount of fixed assets	11	1,107,919,275.92	2,049,037,196.13	776,067,122.47	1,771,599,342.45
Engineering materials					
Building under construction	12	206,427,985.16	69,050,523.41	188,818,688.44	63,076,918.47
Liquidation of fixed assets					
Total fixed assets		1,314,347,261.08	2,118,087,719.54	964,885,810.91	1,834,676,260.92
Intangible assets and other assets					

Intangible assets	13	109,319,660.98	33,135,806.30	20,315,242.00	1,944,926.00
Long-term apportioned expenses					
Other long-term assets					
Total intangible assets and deferred assets		109,319,660.98	33,135,806.30	20,315,242.00	1,944,926.00
The item of deferred tax					
The debit item of deferral taxes					
Total assets		6,517,729,366.36	6,620,691,906.71	6,049,330,550.06	6,237,394,414.01

The person in charge of financial affairs:

Chief: Miao Wei

rs: Wei Wen

Tabulator: Qi Meixia

(1) Balance Sheet (to be continued)

HQ No.1 Sheet

Complied unit: DFAC

Unit: Yuan (RMB)

Indebtedness and stockholder's equity	Note	Merging		母公司 Parent company	
		31st December 2003	31st December 2002	31st December 2003	31st December 2002
Current liability:					
Short-term borrowings	14		10,000,000.00		
Notes payable	15	617,100,727.08	1,065,371,160.95	591,447,370.93	1,065,371,160.95
Account payable	16	1,131,621,105.75	993,266,987.78	938,713,991.92	912,644,962.12
Advanced receipt	17	57,322,237.92	64,595,763.18	8,974,358.01	53,346,033.95
Wage payable		16,051,773.35	30,551,235.59	16,047,927.35	30,551,235.59
Welfare expense payable		13,138,828.75	9,281,142.41	12,174,744.81	9,281,142.41
Dividend payable					
Tax payable	18	353,227,959.15	399,640,369.68	346,567,286.08	405,638,859.16
Other payable	19	21,043,460.81	12,558,021.59	20,688,137.30	12,558,021.59
Other accounts payable (AP)	20	172,669,674.46	150,090,129.45	89,149,827.47	104,328,295.24
Drawing expense in advance	21	32,780,223.07	69,096,426.59	3,315,286.23	62,485,337.37
Estimated liabilities					
long-term liability limited within one year					
Other current liabilities					
Total current liabilities		2,414,955,990.34	2,804,451,237.22	2,027,078,930.10	2,656,205,048.38
Long-term liability					
Long-term borrowings					
Bonds payable					
Long-term receipt payable					
Housing working fund					
Other long-term liabilities	22	1,450,808.00	2,901,616.00		
Total long-term liability		1,450,808.00	2,901,616.00		
The item of deferred tax					
The credit item of deferred taxes					
Total debt		2,416,406,798.34	2,807,352,853.22	2,027,078,930.10	2,656,205,048.38

Minority shareholders' equity	23	72,856,699.16	232,149,687.86		
Shareholder' equity					
Stock of capital (CS)	24	1,000,000,000.00	1,000,000,000.00	1,000,000,000.00	1,000,000,000.00
Capital surplus	25	1,323,757,444.62	1,306,334,880.66	1,323,757,444.62	1,306,334,880.66
Gain surplus	26	368,329,657.93	273,728,172.75	367,274,126.31	273,728,172.75
Including: Public welfare funds	26	122,776,552.64	91,242,724.25	122,424,708.77	91,242,724.25
Undistributed profits	27	1,336,378,766.31	1,001,126,312.22	1,331,220,049.03	1,001,126,312.22
Including: distributed cash dividends		200,000,000.00	200,000,000.00	200,000,000.00	200,000,000.00
Total shareholder's equity		4,028,465,868.86	3,581,189,365.63	4,022,251,619.96	3,581,189,365.63
Total liability and shareholder's equity		6,517,729,366.36	6,620,691,906.71	6,049,330,550.06	6,237,394,414.01

The person in charge of financial

Chief: Miao Wei

affairs: Wei Wen

Tabulator: Qi Meixia

(2) Statement of Profit and Profit Appropriation

HQ No.2 Sheet

Complied unit: DFAC

Unit: Yuan (RMB)

Item	Note	Merging		Parent company	
		The year of 2003	The year of 2002	The year of 2003	The year of 2002
1. Main operating income	28	5,851,438,324.08	7,000,588,582.83	4,890,763,747.67	6,159,067,066.03
Less: main operating cost	29	4,777,764,843.74	5,596,936,939.99	4,197,769,626.46	4,904,829,075.45
Main operating taxer and additional expenses	30	30,310,887.50	28,840,804.57	27,146,548.99	27,968,964.76
2. Profits of main business		1,043,362,592.84	1,374,810,838.27	665,847,572.22	1,226,269,025.82
Plus: Other businesses profits	31	8,904,675.80	13,234,422.97	19,390,610.45	21,718,549.82
Less: Operating expenses	32	256,216,290.26	349,735,393.25	183,721,470.68	332,768,278.28
Management expenses	33	140,937,267.91	264,000,152.19	85,974,249.02	224,494,920.02
Financial expenses	34	-26,712,290.47	-18,739,811.28	-28,656,139.38	-21,562,984.63
3. Operating expenses		681,826,000.94	793,049,527.08	444,198,602.35	712,287,361.97
Plus: Income on investment	35	5,341,263.86	-11,375,648.67	229,202,693.95	28,942,157.57
Income on subsidy		363,548.33		363,548.33	
Non-operating income	36	5,183,250.11	123,437.16	4,504,834.40	91,906.01
Less: Non-operating outlay	37	7,554,188.02	13,721,633.31	5,256,491.89	13,452,757.81
4. Total profit		685,159,875.22	768,075,682.26	673,013,187.14	727,868,667.74
Less: Income tax		54,966,729.19	104,988,689.73	49,373,496.77	104,988,689.73
Current profits and losses of minority shareholder		339,206.76	40,317,806.24		
5. Net profit		629,853,939.27	622,769,186.29	623,639,690.37	622,879,978.01
Plus: Undistributed profits at beginning of the year		1,001,126,312.22	721,772,503.87	1,001,126,312.22	721,678,330.91
其他转入数 Other transferred-in amount					
6. Distributive profits		1,630,980,251.49	1,344,541,690.16	1,624,766,002.59	1,344,558,308.92
Less: Drawing of legal gain surplus		63,067,656.78	62,276,918.63	62,363,969.04	62,287,997.80
Drawing of legal public welfare funds		31,533,828.40	31,138,459.31	31,181,984.52	31,143,998.90

assets and other long-term assets					
Cash paid by investment		988,061,539.08	300,629,101.00	253,103,846.00	300,629,101.00
Cash paid regarding other investment activities		7,000.46	-	-	-
Subtotal of cash outflow		1,204,892,984.79	455,132,146.57	387,301,550.20	378,657,412.92
Net cash flow caused by investment activity		-91,689,746.33	-451,852,151.78	-117,461,722.43	-375,377,418.13
3. Cash flow caused by financing activity					
Cash received by fund absorbed		20,000,000.00	-	-	-
Cash received by loan		12,415,650.04	10,000,000.00	-	-
Cash received regarding other financing activities		37,115,022.65	19,371,446.70	28,169,894.79	19,371,446.70
Subtotal of cash inflow		69,530,672.69	29,371,446.70	28,169,894.79	19,371,446.70
Cash paid for redemption debt		20,006,425.33	59,012,550.00	-	30,000,000.00
Cash paid for distribution of dividend and profit or payment of interest		207,275,586.70	203,450,674.95	206,903,056.40	202,854,355.97
Cash paid regarding other financing activities		278,158.39	854,106.10	270,699.01	854,106.10
Subtotal of cash outflow		227,560,170.42	263,317,331.05	207,173,755.41	233,708,462.07
Net cash flow caused by financing activity		-158,029,497.73	-233,945,884.35	-179,003,860.62	-214,337,015.37
4. Impact on cash by fluctuation in exchange		153,299.72	1,210.05	-	-
5. Net accrual of cash and cash equivalent		541,681,973.54	1,254,241,385.40	42,554,222.33	1,220,506,356.73

Supplementary material	Merging		Parent company	
	The year of 2003	The year of 2002	The year of 2003	The year of 2002
1. Net profit change into commercial finalized flow				
Net profit	629,853,939.27	622,769,186.29	623,639,690.37	622,879,978.01
Plus: Minority shareholder's profit and losses	339,206.76	40,317,806.24	-	-
Plus: Capital value-decrease reserve	-43,337,436.97	31,955,672.28	-52,598,938.88	30,539,732.14
Depreciation of fixed assets	141,878,323.88	148,025,350.68	114,701,530.26	134,254,517.89
Amortization of intangible assets	7,913,208.09	7,189,337.75	432,695.00	223,866.00
Amortization of long-term apportioned expenses	136,363.68	119,840,853.89	-	119,840,853.89
Decrease of apportioned expenses (Less: increase)	7,428,600.00	-7,457,400.00	7,457,400.00	-7,457,400.00
Increase of drawing expense in advance (Less: decrease)	-36,316,203.52	56,310,616.28	-60,725,177.37	62,485,337.37
Losses by disposal of fixed assets, intangible assets and other long-term assets (Less: earnings)	-8,024,386.16	-	-8,110,846.28	-
Abandonment loss of fixed assets	5,296,873.60	1,723,163.97	3,910,642.47	1,474,949.40
Financial expenses	-26,712,290.47	-18,739,811.28	-28,656,139.38	-21,562,984.63
Investment losses (Less: earnings)	5,341,263.86	11,375,648.67	-229,202,693.95	-28,942,157.57
The credit item of deferred taxes (Less: Loan item)				

Decrease of existing stock (Less: increase)		226,052,633.41	-168,779,048.34	263,839,767.65	-184,532,467.03
Decrease of operational receivables (Less: increase)		275,736,668.73	-113,249,763.62	318,242,959.16	-104,683,152.52
Increase of operational receivables (Less: decrease)		-343,179,043.36	1,207,077,688.92	-569,956,067.14	1,158,605,977.35
Others		-51,159,802.91	1,678,909.75	-43,955,016.53	27,093,739.93
Net cash flow caused by business operations		791,247,917.88	1,940,038,211.48	339,019,805.38	1,810,220,790.23
2. Investment and financing activities non-regarding receipts and disbursements					
Debts converted into shares		-	-	-	-
Convertible bond limited within one year		-	-	-	-
Financing lease fixed assets		-	-	-	-
3. The situation on net accrual of cash and cash equivalent					
Ending balance of cash		2,494,614,229.62	1,952,932,256.08	1,911,354,277.94	1,868,800,055.61
Less: Beginning balance of cash		1,952,932,256.08	698,690,870.68	1,868,800,055.61	648,293,698.88
Ending balance of cash equivalent		-	-	-	-
Less: Beginning balance of cash equivalent		-	-	-	-
Net accrual of cash and cash equivalent		541,681,973.54	1,254,241,385.40	42,554,222.33	1,220,506,356.73

The person in charge of the unit:

Miao Wei

The person in charge of financial

affairs: Wei Wen

Tabulator: Qi Meixia

Board of Directors of DFAC

President:

26th March 2004