

Chongqing Changan Automobile Co., Ltd.

Report for the Third Quarter of 2003

(B Shares)

§ 1 Important notes

- 1.1 The Board of Directors and the directors of the Company hereby warrant that there are no misstatement, misleading representation or important omissions in this report and shall assume joint and several liability for the authenticity, accuracy and completeness of the contents hereof.
- 1 . 2 Directors Mr. Li Shouwu, Mr. Guo Xuewu and Mr. Zhang Baolin did not participate in voting due to going on business trips.
- 1 . 3 The financial statements of the Company for the quarter are unaudited.
- 1 . 4 Board chairman Mr. Yin Jiaxu, general manager Mr. Zhao Luchuan and Mr. Cui Yunjiang, the financial controller and the person in charge of accounting organ represent and warrant the financial and accounting report in the quarterly report is true and complete.
- 1.5 The quarterly report shall be presented in both Chinese and English, and should there be any conflicting understanding of the text, the Chinese version shall prevail.

§ 2 Basic Information

2.1 Basic information

Stock abbreviation	Changan Automobile, Changan B	Abbreviation before change (if any)	
Stock code	000625, 200625		
	Board secretary	Securities affair representative	
Name	Cui Yunjiang, Li Jun		
Contact address	No. 260, Jianxin East Road, Jiangbei District, Chongqing		
Telephone:	023-67591349		
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2.2 Financial data

2.2.1 Highlights of accounting data and financial indicators (Unit: RMB'000)

	End of the report period	End of the previous year	Increase/decrease (%)
Total assets	9,992,830	8,775,246	13.88
Shareholders' equity (not including minority interests)	4,501,414	3,472,889	29.62
Net assets per share	3.67	2.83	29.68

Net assets per share after adjustment	3.63	2.79	30.11
	Report period	Year beginning to end of report period	Increase/decrease over the same period of the previous year (%)
Net amount of cash flow from operating activities	55,966	347,413	-87.90
Earnings per share	0.29	0.92	38.10
Return on net assets	8.02	25.03	-7.92

2.2.2 Notes to the difference of net assets and net profit calculated pursuant to two kinds of accounting standards and regulations (Unit: RMB'000)

Item	Net assets	Net profit
Balance in the statements prepared pursuant to enterprise accounting system	4,427,378	1,126,014
Amortization of goodwill generated by consolidation	-16,528	644
Adjustment of amortization of initial expenses of Chongqing Changan Suzuki Co., Ltd.	1,229	
Write-off of the appreciation after revaluation of long-term assets for the year 1995	-7,877	
Deferred tax	97,212	
Balance after adjustment pursuant to international accounting standards	4,501,414	1,126,658

2.2.3 Profit statement

Refer to the appendix.

2.3 Total number of shareholders at the end of the report period

As of September 30, 2003, the Company had 31,110 shareholders, including 16,821 shareholders holding A shares and 14,289 shareholders holding B shares.

§ 3 Discussion and analysis of the management

3.1 Brief analysis of the overall status of operating activities of the Company in the report period

In the report period , the Company centered on the outline of "337" and "three-step" development strategy and planning, created the brand of "Changan kind service" and continued to actively develop new product so that its production and operation kept good development

status. In the first nine months of 2003, the automobile output and sales volume of the Company were 272,801 and 278,505 respectively and its sales income was 10,640,529,000. In the period from July to September 2003, the automobile output and sales were 85,867 and 83,294 respectively and its sales income was RMB 3,377,667,000. The table of the product output and sales volume of the Company in the period from January to September 2003.

Company name	January-September 2003		January-September 2002	
	Output	Sales volume	Output	Sales volume
Headquarters	160,972	171,786	145,925	127,251
Changan Suzuki	74,102	74,612	49,421	49,198
Changan Ford	1,164	912	-	-
Nanjing Changan	22,463	21,885	12,963	15,359
Hebei Changan	14,100	9,310	-	-
Total	272,801	278,505	208,309	191,808

Note: The Company holds 50% equity of Changan Ford. The output and sales volume of Changan Ford in September were calculated according to this proportion. In the period from January to September 2003, the automobile output and sales volume of Changan Ford were 13,149 and 10,994 respectively.

3.1.1 Key line of business or product whose income or profit accounts for over 10% of total income from key business or profit from key business (Unit:RMB'0000)

Applicable? Not applicable

In terms of line of business or product	Income from key business	Cost of key business	Gross profit rate (%)
Automobile sales	337,767	250,879	25.72
SC6350 series	170,126	118,247	30.49
Antelope cars	55,970	41,984	24.99
Aotu cars	48,550	41,815	13.87

Of which : Amount of related transaction	15,912	11,819	25.72
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Note: The gross profit rate of SC6350 Changan Star series model slightly rose over the previous report period main due to the change of sales mix of Changan Star and the rise of sales volume of the variety with higher gross profit rate.

3.1.2 Seasonal or periodical characteristics of the Company's operation

Applicable v Not applicable

3.1.3 Profit structure of the report period (the material change of the proportion of profit from key business, profit from other businesses, period expenses, investment income, subsidy income and net non-operating revenues and expenses to total profit over the previous report period and the explanation of reasons)

Applicable ? Not applicable

	Report period Data	Proportion of total profit (%)	Past Report period Data	Proportion of total profit (%)	Change Proportion (%)
Profit from key business	752,899	168.34	1,640,211	170.66	-1.36
Income and expenses from other businesses	33,776	7.55	24,219	2.52	199.60
Period expenses	339,424	75.89	703,341	73.18	3.70
Operating profit	443,084	99.07	928,597	96.62	2.54
Total profit	447,251	100.00	961,089	100.00	0.00

Reasons for change:

The proportion of income and expenses from other businesses to total profit changed greatly over Past Report period Data mainly due to the income and expenses from other businesses in the report period increased by big margin over the same period of the previous year.

3.1.4 The material change of the key business and its structure over the previous report period and the explanation of reasons

Applicable v Not applicable

3.1.5 The material change of the profitability (gross profit rate) of the key business over the

previous report period and the explanation of reasons

Applicable v Not applicable

3.2 Important events, their influence and analysis of solutions

vApplicable Not applicable

(1) After the examination and approval by 2002 annual shareholders' general meeting of the Company, the Company invested RMB 196.14 million in acquiring 24% equity of Changan Ford held by Changan Group. In September 2003, relevant procedure of acquisition was settled. The Company included Changan Ford into the scope of consolidated statements in September on basis of proportional consolidation. The equity investment difference of RMB 55,273,287.11 generated from the acquisition of the equity of Changan Ford is to be amortized over 10 years. The inclusion of Changan Ford into the scope of consolidation will have great influence on the financial status and operating results of the Company. In September 2003, the automobile output and sales volume of Changan Ford were 2328 and 1823. It earned sales income of RMB 231.09 million and profit of RMB -9.05 million. 2003 is the first year when Changan Ford was put into production. It is expected that it is likely to suffer losses in 2003. At present, Changan Ford is preparing to implementing the plan for enhancing the production capacity by 0.15 million.

(2) On October 27, 2003, Chongqing Taxation Bureau issued the following notice: On September 12, the Ministry of Finance and State Taxation Administration, with CS (2003) No. 203 Document, approved to reduce by 30% the consumption tax payable in respect of Changan automobiles of the models including SC6350B, SC6370, SC6371, SC6350C, SC6371A, SC6331E, SC6336E and SC6331C produced by the Company from March 2001. According to this document, Chongqing Taxation Bureau agreed to reduce consumption tax by RMB 103.27 million for the period from March 2001 to September 2003.

3.3 The change of accounting policies, accounting estimate and scope of consolidation, material accounting errors and explanation of reasons

vApplicable Not applicable

The Company started to include Changan Ford into the scope of consolidated statements from September 2003 on basis of proportional consolidation.

3.4 Relevant explanation of the board of directors and the supervisory committee under the circumstance where the financial statements of the Company have been audited and

non-standard opinions have been given

Applicable v Not applicable

3.5 The warning of possible accumulative losses for the period from the beginning of the year to the end of the next report period or great change of accumulative net profit compared with the same period of the previous year and explanation of reasons

Applicable ? Not applicable

In 2003, the Company is in good production and operation status. It is expected that its earnings for 2003 will increase by more than 50% over the same period of the previous year.
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3.6 The Company's on-going adjustment of disclosed annual operation plan or budget

Applicable v Not applicable

Legal representative : Yin Jiaxu

Chongqing Changan Automobile Co., Ltd.

October 28, 2003

Chongqing Changan Automobile Co., Ltd.

Consolidated Profit Statement

(RMB'000)	July-September 2003	July-September 2002	January-September 2003	January-September 2002
Income from the key business	3,377,667	3,244,667	10,640,529	7,409,830
Tax and subjoin from the key business	115,981	104,088	392,024	253,118
	_____	_____	_____	_____
Net income	3,261,686	3,140,579	10,248,505	7,156,712
Cost of the key business	2,508,787	2,426,238	7,855,395	5,484,828
	_____	_____	_____	_____
Profit from key business	752,899	714,341	2,393,110	1,671,884
Operating expenses	256,779	265,116	773,644	803,542
Administration expenses	86,812	107,043	305,780	412,923
Income and expenses of Other operating	33,776	17,864	57,995	72,084
	_____	_____	_____	_____
Operating profit	443,084	360,046	1,371,681	527,503
Financial expenses (Net amount)	4,167	12,413	36,659	29,316
	_____	_____	_____	_____
Total profit	447,251	372,459	1,408,340	556,819
Income and expenses from other businesses	-4,302	-9,168	-4,041	-15,848
	_____	_____	_____	_____
After-tax profit	442,949	363,291	1,404,299	540,971
income tax	59,225	53,779	194,886	90,408
	_____	_____	_____	_____
Profit before tax	383,724	309,512	1,209,413	450,563
Gains and losses of minority shareholders	22,841	48,180	82,755	56,271
	_____	_____	_____	_____
Net profit	360,883	261,332	1,126,658	394,292
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EPS (RMB)	0.29	0.21	0.92	0.32
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Legal representative: Financial controller: The person in charge of the financial department:

Yin Jiayu Cui Yunjiang Cui Yunjiang

Chongqing Changan Automobile Co., Ltd.

Consolidated Balance sheet

	September 30		December 31	
(RMB'000)	2003		2002	
Assets				
Non-current assets				
Fixed assets	2,969,810		2,535,495	
Land use right	219,769		149,655	
Intangible assets	55,337		47,553	
Investment in associated companies	59,311		156,150	
Investment available for sale	49,464		41,220	
Other non-current assets	69,902		54,602	
Deferred tax	97,212		97,212	
		3,520,805		3,081,887
Current assets:				
Inventory	1,846,994		1,715,461	
Receivable and advance accounts	2,232,309		1,103,997	
Investment available for sale			-	
cash and cash equivalents	2,392,722		2,873,901	
		6,472,025		5,693,359
Total assets		9,992,830		8,775,246
liabilities and owner's equity (or shareholders' equity)				
shareholders' equity				
Capital stock	1,226,666		1,226,666	

Capital stock premium	833,438		833,438	
Reserves	627,955		627,955	
Undistributed profits	1,813,355		784,830	
		4,501,414		3,472,889
Minority interest		911,349		829,079
Non-Current liabilities				
Loans	220,000		150,000	
Retiree pension	27,000		27,000	
				177,000
Current liabilities		247,000		
Other accounts to be paid	3,806,565		3,697,083	
Tax payable	196,494		286,131	
Loans	139,500		216,500	
Estimated liabilities	190,508		96,564	
		4,333,067		4,296,278
Total liabilities		4,580,067		4,473,278
Total liabilities and owner's equity (or shareholders' equity)		9,992,830		8,775,246

Legal representative: Financial controller: The person in charge of the financial dept.
Yin Jiaxu Cui Yunjiang Cui Yunjiang

Chongqing Changan Automobile Co., Ltd.

Consolidated Cash Flow Statement

RMB'000	January-September 2003
Cash flow from operating activities	
Cash received from commodity sales and labor provision	11,753,780
Refunded taxes and levies	8,676
Other cash receipts related to operating activities	338,816
Subtotal of cash inflow	12,101,272
Cash paid for purchasing commodities and accepting labor	8,570,619
Cash paid to and for operating lease	
Cash paid to and for staff and workers	366,446

Taxes and levies paid	1,386,500
Other cash payments related to operating activities	1,430,294
Subtotal of cash outflow	11,753,859
Net cash flow from operating activities	347,413
Cash flow from investing activities	
Cash received from investment recovery	
Cash received from obtaining investment income	
Net cash received from the disposal of fixed assets, intangible assets and other long-term asset	966
Other cash receipts related to investing activities	8,008
Subtotal of cash inflow	8,974
Cash paid for constructing or purchasing fixed assets, intangible assets and other long-term assets	596,250
Cash paid for investment	110,884
Other cash payment related to investing activities	
Subtotal of cash outflow	707,134
Net cash flow from investing activities	(698,160)
Net cash flow from financing activities	
Cash received from absorption of investment	
Cash received from loan	247,300
Other cash receipts from financing activities	
Subtotal of cash inflow	247,300
Cash paid for debt repayment	254,300
Cash paid for distribution of dividends or profits or interest reimbursement	121,396
Cash paid for distribution of interest reimbursement	
Other cash payment related to financing activities	2,691
Subtotal of cash outflow	378,387
Net cash flow from financing activities	(131,087)
Influence of the change of exchange rate on cash	655
Net increase of cash and cash equivalents	(481,179)
Balance of cash equivalent at the beginning of the period	2,873,901
Balance of cash equivalent at the end of the period	2,392,722

Legal representative:	Financial controller:	The person in charge of the financial department:
Yin Jiayu	Cui Yunjiang	Cui Yunjiang