

2006 Third Quarter Report of Chongqing Changan Automobile Company Limited

§1 Important Notes

1.1 The Board of Directors, Board of Supervisors, directors, supervisors, senior management of Chongqing Changan Automobile Co., Ltd. (hereinafter referred to as "the Company") and the directors guarantee that the information contained in this report is free of false records, misleading statements or significant omissions, and assume individual and joint liabilities for the truthfulness, accuracy and integrity of the report.

1.2 There are no directors of Board, supervisors, senior management who are unable to agree the truthfulness, accuracy, or completeness on the content of the quarter report.

1.3 No director absent

1.4 The interim financial report is not audited.

1.5 Chairman Mr. Yin Jiaxu, General Manager Mr. Zhang Baolin and Chief Accountant Mr. Cui Yunjiang guarantee the truthfulness and completeness of the financial statements of the semiannual report.

1.6 The 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 General information to the Company

2.1 General information to the Company

Abbreviated name of the stock	G Changan, Changan B	
Stock Code	000625、200625	
Place of listing	Shenzhen Stock Exchange	
	Secretaries of the Board	Securities matters Representative
Name	Cui Yunjiang、Li Jun	
Contact Address	No.260, Jian Xin East Road, Jiang Bei District, Chongqing	
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2.2 Key Financial Data

2.2.1 Key accounting data and financial target

Unit: RMB thousand

	At the end of reporting period	At the end of the prior year	Changes from reporting period-end to the prior year-end (%)
Total assets	21,355,888	18,793,387	13.64%
Shareholder's equity (after minority interests)	6,710,439	6,440,137	4.20%
Net assets per share	4.14	3.97	4.28%

Adjusted net assets per share	3.60	3.67	-1.91%
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	Reporting period	Beginning of year to end of reporting period	Changes of reporting period on the same period last year (%)
Net cash flows from operating activities	765,087	860,561	1061.06%
Earnings per share (RMB)	0.02	0.22	140.00 %
Return on net assets	0.57%	5.48%	1.72%

2.2.2 Reconciliation of the net profits presented under the PRC accounting standards and International Financial Reporting Standards ("IFRS")

√Applicable □Not Applicable

Unit: RMB thousand

	Net assets attributable to the Company's minority shareholders	Net profit attributable to the Company's minority shareholders
	RMB'000	RMB'000
As reported in the accounts of the Group under PRC accounting regulations	7,170,346	533,329
Reversal of revaluation made in 1995	(13,952)	644
Deferred income tax	178,729	-
Government grants relating to assets	(237,683)	5,799
Government grants relating to income	-	3,000
Tax credit arising from purchase of domestically manufactured machinery and equipment	(34,947)	2,877
Reversal of amortisation of goodwill	9,421	-
Running expense identified as current cost	(283,300)	(177,826)
Provision for impairment of goodwill	(75,442)	-
Difference in share yield of associates in conformity with IFRS	(3,918)	-
Others	1,185	-
As restated in conformity with IFRS	6,710,439	367,823

2.2.3 Financial report

2.2.3.1 Liability table of merged assets

Chongqing Changan Automobile Co., Ltd.

Sep.30th, 2006

Liability table of merged assets

(all amounts in RMB thousands)

		Sep. 30th	Dec. 31st
		2006	2005
assets			
Non current assets			

Fixed assets		7,555,552	6,047,177
Right to use the land		502,205	505,766
Intangible assets		104,677	104,677
Investment of integrated company		1,391,624	1,350,472
Available-for-sale financial assets		99,589	99,589
Other non current assets		258,431	141,268
Assets of deferred income tax		201,205	201,205
		10,113,283	8,450,154
Circulating assets			
Goods in stock		671,883	3,883,668
Receivables and prepayment		6,582,272	2,673,338
Restricted bank deposit		172,083	86,650
Cash and cash equivalent		3,816,367	3,699,577
		11,242,605	10,343,233
Total assets		21,355,888	18,793,387

Chongqing Changan Automobile Co., Ltd.

Sep.30th, 2006

Liability table of merged assets(continue)

(all amounts in RMB thousands)

		Sep. 30th	Dec. 31st
		2006	2005
Rights and interests			
Rights and interests of shareholders			
Capital stock		1,620,849	1,620,849
Excessive price of Capital stock		1,743,168	1,743,168
Other reserve		1,554,130	1,554,130
Not distributed profit		1,792,292	1,424,739
Planned distributed share profits		-	97,251
		6,710,439	6,440,137
Total rights and interest of minority shareholders		1,778,908	1,657,997
Total rights and interest		8,489,347	8,098,134
liabilities			
Non circulating fund			
loan		1,329,798	964,039
Deferred-tax loan		71,853	71,853
Old-aged pension		20,702	22,690
Deferred profits		351,854	361,774

Long-term payables		17,343	17,343
		1,791,550	1,437,699
Current liabilities			
Trade and other payables		9,153,177	7,840,699
Current income tax liabilities		47,202	-9,593
Borrowings		1,431,750	1,078,937
Provisions for other liabilities and charges		442,862	347,511
		11,074,991	9,257,554
Total liabilities		12,866,541	10,695,253
Total equity and liabilities		21,355,888	18,793,387

2.2.3.2 Consolidated Profit Statement

Chongqing Changan Automobile Co., Ltd.

Consolidated Profit Statement

(all amounts in RMB thousands)

(RMB thousands)	July-Sept. 2006	July-Sept. 2005	Jan.-Sept.2006	Jan.-Sept.2005
Income of main business	5,654,496	3,860,249	18,229,535	13,395,759
Tax and surcharge of main business	(194,495)	(138,078)	(651,677)	(509,496)
	_____	_____	_____	_____
Net income	5,460,001	3,722,171	17,577,858	12,886,263
Cost of main business	(4,523,370)	(3,171,721)	(14,617,506)	(10,676,941)
	_____	_____	_____	_____
Profit of main business	936,631	550,450	2,960,352	2,209,322
Operating expenses	(522,850)	(437,147)	(1,587,749)	(1,294,011)
Administrative expenses	(463,175)	(302,206)	(1,107,205)	(857,643)
Other expenses	68,064	183,712	155,244	318,052
	_____	_____	_____	_____
Profit from operations	18,670	(5,191)	420,642	375,720
Financial expenses	(16,560)	(106,846)	(87,975)	(63,129)
Profit before share of result of associates	44,771		221,422	
	_____	_____	_____	_____
Total profit before tax	46,881	(112,037)	554,089	312,591
Income tax	(12,930)	24,240	(85,626)	(52,866)
Profits before the m profits and losses of minority shareholder	33,951	(87,797)	468,463	259,725
	_____	_____	_____	_____
Belong to				
Net profit of company	35,607	(77,479)	367,823	215,872
Profits and losses of minority shareholder	(1,656)	(10,318)	100,640	43,853

Basic earnings per share (RMB per share)	0.02	(0.05)	0.22	0.13
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2.2.3.3 Consolidated cash flow statement

CHONGQING CHANGAN AUTOMOBILE CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT

(all amounts in RMB thousands)

(RMB thousands)	Period ended 30 September	
	2006	2005
Cashflow from Operating Activities		
Cash generated from sales of goods and service supply	18,088,561	14,714,332
Tax Received	32,161	44,551
Cash generated from other operating activities	270,271	401,420
Subtotal of cash inflow	18,390,993	15,160,303
Cash paid relating to purchase of goods and services	13,100,185	10,713,848
Cash paid relating to the employees	581,443	487,445
Tax paid	1,654,549	1,225,893
Cash paid relating to other operating activities	2,194,255	2,213,122
Subtotal of cash outflow	17,530,432	14,640,308
Net cash generated from operating activities	860,561	519,995
Cashflow from Investing Activities		
Investment return from securities investment	800	
Cash generated from other investing activities	65,833	4,585
Proceeds from disposal of fixed assets, intangible assets and other long-term assets	3,210	1,031
Cash generated from other operating activities	1,334	8,582
Subtotal of cash inflow	71,177	14,198
Purchase of fixed assets, intangible assets and other long-term assets	1,858,424	954,493
Cash paid for investment	536,550	249,978
Cash paid relating to other investing activities	57,320	2,489
Subtotal of cash outflow	2,452,294	1,206,960
Net cash generated from investing activities	(2,381,117)	(1,192,762)
Cashflow from Financing Activities		
Cash generated from investment	1,008,762	
Proceeds from borrowings	1,431,754	944,883
Cash generated from other financing activities	246,825	55
Subtotal of cash inflow	2,687,341	944,938
Repayment of borrowings	758,402	600,782
Cash for dividends assignment, profit or interest liquidation	195,430	572,464
Cash paid relating to other financing activities	5,357	763
Subtotal of cash outflow	959,189	1,174,009
Net cash generated from financing activities	1,728,152	(229,071)

Fluctuation of exchange rate impacted on the cash and cash equivalent	(5,373)	(1,285)
Net Increase in cash and cash equivalents	202,223	(903,123)
Cash and cash equivalents at beginning of year	3,786,227	4,475,419
Cash and cash equivalents at end of year	3,988,450	3,572,296

2.2 Total number of shareholders at the end of the reporting period and The top ten circulation-share shareholders

Total shareholders at the end of reporting period			71,755
The top ten circulation-share shareholders			
Name of shareholders	Total number of shares with condition of limited sale	Share type(A,B,H or others)	
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	46,762,817	B股	
NATIONAL SOCIAL INSURANCE FUND PORTFOLIO 108	37,911,603	A股	
BOSHI VALUE ADDED SECURITIES INVESTMENT FUND	27,000,000	A股	
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	26,143,200	B股	
EMERGING MARKETS GROWTH FUND INC	16,448,057	B股	
NATIONAL SOCIAL INSURANCE FUND PORTFOLIO 102	15,575,885	A股	
TEMPLETON EMERGING MARKETS INVESTMENT TRUST	11,837,000	B股	
CHINA CONSTRUCTION BANK-BOSHI VALUE ADDED SECURITIES INVESTMENT FUND NO2	11,278,001	A股	
YUYANG SECURITY INVESTMENT FUND	10,000,090	A股	
VALUE PARTNERS CLASSIC FUND	8,452,760	B股	

§3 Discussion and analysis of Management

3.1 Brief analysis on operating results during the reporting period

The production and sale volumes of the Company for the period from Jan. to Sept. 2006 and the same period of 2005 are as follows:

Company Name	January to September of 2006		January to September of 2005	
	Production Volume	Sale Volume	Production Volume	Sale Volume
Mini-bus	189,371	197,999	208,748	183,368
Mini-truck	60,235	62,312	74,445	64,908
Sedan	133,148	131,891	86,570	84,289

Commercial vehicle	5,722	5,278	3,623	3,345
Total	388,476	397,480	373,386	335,910

Notes: 1. During the reporting period, the statistic of Changan Ford Mazda was based on the 50% of its production and sales volume and the calculation caliber is the same with that of the consolidated financial statements.

2. During the reporting period, the production and sale volumes of the commercial vehicles include April-September production and sale volumes of Jiangling holding's.

3.1.1 Core business by industry or product occupying 10% or more of turnover or gross profit

Applicable Not Applicable

Unit: RMB ten thousand

Core business by industry			
	Turnover of core business	Cost of core business	Profit margin of core business
Automobile manufacturing	1,822,953.00	1,461,751.00	16.24%
including: correlative transactions	86,324.00	69,220.00	16.24%
Core business by product			
Mini-van	733,057.00	620,503.00	11.78%
Sedan	961,610.00	742,489.00	19.21%
including: correlative transactions	54,805.00	43,946.00	16.24%

3.1.2 Seasonal or periodical features of operating activities

Applicable Not Applicable

3.1.3 Profit structure in the reporting period (causes and explanations of major changes of core business profit, other business profit, period expense, investment income, subsidy income and net income outside of core business as percentage of total profit compared with those of prior reporting period)

Applicable Not Applicable

3.1.4 Causes and explanations of major changes on core business and its structure compared with those of prior reporting period

Applicable Not Applicable

3. 3.1.5 Causes and explanations of major changes on profitability (margin) of core business compared with that of prior reporting period

Applicable Not Applicable

3.2 Analysis and explanations of major events, their impacts and resolutions

The non-operating funds occupying and payment progress

Applicable Not Applicable

3.3 Changes of accounting policies, accounting estimates and consolidated scopes, and causes and explanations of major accounting errors

Applicable Not Applicable

3.4 Explanations of the board of directors and the supervisory committee to abnormal opinions from accounting firms

Applicable Not Applicable

3.5 Warning and explanations to the situation that accumulated net profit during the period from year beginning to the end of next reporting period may be negative or, compared with the same period last year, may have a substantial change

Applicable Not Applicable

Due to the significant growth of sales volume and net profit of CFMA held by Changan compared with the same period of last year. The company anticipated over a 100% increase in net profit during January to December in 2006 compared with the same period of last year.

3.6 Rolling adjustment on the disclosed annual operation plan or budget

Applicable Not Applicable

3.7 The special commitment made by the original uncirculated shareholders during the reform of share division and its implementation.

Applicable Not Applicable

Name of shareholder	Special pledge	Honors an agreement the situation
China South Automobile Co., Ltd.	1. Relevant laws, regulations and rules shall be followed, legal consent shall be implemented. 2 The un-circulating stock should not be listed or transferred within at least 24 months from the date of having the right of listing; after the above mentioned 24 months, the shareholders can sell the share through listing in Stock exchange. The number of share for sale should not more than 5% of the total within 12 months and not more than 10% of the total within 24 months. 3. After reforming being completed, plan of encouragement on holding shares will be implemented according to state related management rules and measures.	In fulfillment

3.8 Explanation on company that didn't start reforming procedures by the date of this report announcement.

Applicable Not Applicable