

Chongqing Changan Automobile Limited Company

Extracts of 2005 Annual Report

§1 Important Notes

1.1 The Board of Directors of Chongqing Changan Automobile Co., Ltd. (hereinafter referred to as “the Company”) and the directors guarantee that the information contained in the annual report are free of false records, misleading statements or significant omissions, and assume individual and joint liabilities for the truthfulness, accuracy and integrity of the annual report. The annual report extracts are extracted from the original report, and for detailed information, please refer to the annual report.

1.2 There are no directors of the Board who are unable to agree the truthfulness, accuracy, completeness or disagreement on the contents of the annual report.

1.3 Directors absent from the meeting.

Name of the Director	Reasons for the absence	Name of the consignee
Guo Xuewu	On Business	

1.4 The auditor of the Company, PricewaterhouseCoopers Zhong Tian Certified Public Accountants, issued an unqualified audit report.

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 annual report.

1.6 This report will be compiled in Chinese and English, and when there is different understanding of the two editions, please depend on the report in Chinese.

§2 General Introduction of the Company

2.1 General Introduction of the Company

Abbreviated name of the stock	Changan Automobile, Changan B
Stock Code	000625、200625
Place of listing	Shenzhen Stock Exchange
Registered and Office Address	No. 260, Jian Xin East Road, Jiang Bei District, Chongqing
Post code	400023
Internet Website of the Company	http://www.changan.com.cn
Email Address of the Company	cazqc@mail.changan.com.cn

2.2 Contact persons and contact manner

	Secretaries of the Board	Securities matters Representative
Name	Cui Yunjiang, Li Jun	
Contact Address	No. 260, Jian Xin East Road, Jiang Bei District, Chongqing	
Telephone	023-67594009	
Fax	023-67866055	
Email Address	cazqc@mail.changan.com.cn	

§3 Extracts of Accounting and Operating Data

3.1 Key accounting data

(In RMB thousand)

	2005	2004	Increase/Decrease (%)	2003
Sales	19,168,550	18,526,610	3.46%	14,358,768
Profit before tax	240,913	1,468,239	-83.59%	1,796,976
Net profit	199,309	1,197,215	-83.35%	1,435,616
Net cash flow from operating activities	1,361,892	1,452,499	-6.24%	1,612,152
	December 31, 2005	December 31, 2004	Increase/Decrease (%)	December 31, 2003
Total assets	18,793,387	14,848,265	26.57%	10,984,325
Shareholders' equity (excluding minority interest)	6,440,137	6,759,500	-4.72%	4,810,372

3.2 Key financial indicator

(In RMB Yuan)

	2005	2004	Increase/Decrease (%)	2003
Earnings per share	0.12	0.84	-85.71%	1.17
Return on net asset	3.09%	17.71%	-82.55%	29.84%
Net cash flow from operating activities per share(Rmb thousand yuan)	0.84	0.90	-6.67%	1.31
	2005	2004	Increase/Decrease (%)	2003
Net asset per share	3.97	4.17	-4.80%	3.92
Adjusted net assets per share	3.67	4.15	-11.57%	3.74

Note: If any change happened in the period from the end the report period to the disclosure day, the calculation above is based on the shares changed.

3.3 Reconciliation of net profits presented under the PRC accounting standards and International Financial Reporting Standards (“IFRS”)

√ Applicable □ Not applicable

	(In RMB thousand)	
	Net assets attributable to the Company’s equity holders RMB’000	Net profit attributable to the Company’s equity holders RMB’000
As reported in the accounts of the Group under PRC accounting regulations	6,731,717	236,750
1. Staff and workers’ bonus and welfare fund charged to income statement	-	(15,380)
2. Reversal of revaluation made in 1995	(14,597)	859
3. Deferred income tax	178,729	88,175
4. Government grants relating to assets	(243,660)	11,881
5. Government grants relating to income	-	45,671
6. Tax credit arising from purchase of domestically manufactured machinery and equipment	(37,824)	3,836
7. Reversal of amortisation of goodwill	9,421	9,421
8. Pre-operating expense of Changan Ford Mazda and new branch of Changan Ford	(105,474)	(105,474)
9. Provision for impairment of goodwill	(75,442)	(75,442)
10. Liabilities not to be settled	-	2,857
11. Difference in share of result of associates	(3,918)	(3,918)
12. Others	1,185	73
As restated in conformity with IFRS	6,440,137	199,309

§4 Changes in Shareholdings and Information on Shareholders

4.1 Change in shareholdings

	Balance before current change		Addion or Deduction Total	Balance after change	
	Quantity	Rate		Quantity	Rate
I. Non-circulated shares	850,399,200	52.47%	0	850,399,200	52.47%
1. Promoter shares	850,399,200	52.47%	0	850,399,200	52.47%
Including: State-owned legal person shares	850,399,200	52.47%	0	850,399,200	52.47%
Domestic legal person shares	0	0.00%	0	-	0.00%
Foreign legal person shares	0	0.00%	0	-	0.00%
Others	0	0.00%	0	-	0.00%
2. Legal entity shares raised	0	0.00%	0	-	0.00%
3. Employee shares	26,766	0.00%	0	26,766	0.00%
4. Preference shares and others	0	0.00%	0	-	0.00%
II. Circulated shares	770,423,234	47.53%	0	770,423,234	47.53%
1. Domestic listed RMB shares	350,423,234	21.62%	0	350,423,234	21.62%
2. Domestic listed foreign shares	420,000,000	25.91%	0	420,000,000	25.91%

3. Overseas listed foreign shares	0	0.00%	0	-	0.00%
4. Others	0	0.00%	0	-	0.00%
III. Total shares	1,620,849,200	100.00%	0	1,620,849,200	100.00%

4.2 The largest ten shareholders

Total shareholders at the end of the reporting period		61,915			
The largest ten share holders					
Name of shareholders	Shareholders	% of total shares	Shares held at the year-end	Non-circulated shares held at the year-end	Pledged/ Frozen shares
1.CHANGAN AUTOMOBILE GROUP COMPANY ("CAC")	State-owned	52.47%	850,399,200	850,399,200	354,333,000
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	Foreign	2.41%	38,991,758	0	Unknown
National social security fund 108	A share share-holder	1.14%	18,503,714	0	Unknown
EMERGING MARKETS GROWTH FUND INC	Foreign	1.01%	16,448,057	0	Unknown
BOSHI VALUE ADDED SECURITIES INVESTMENT FUND	A share share-holder	0.94%	15,228,959	0	Unknown
MORGANSTANLEY INT'L (CHINA)-FIRM	Foreign	0.75%	12,087,132	0	Unknown
TEMPLETON EMERGING MARKETS INVESTMENT TRUST	Foreign	0.73%	11,837,000	0	Unknown
VALUE PARTNERS CLASSIC FUND	Foreign	0.68%	10,977,610	0	Unknown
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign	0.62%	10,000,000	0	Unknown
National social security fund 102	A share share-holder	0.52%	8,400,000	0	Unknown
Top ten circulated share holders					
Name of Shareholders	Shares at the year-end		Type of Shares		
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	38,991,758		B share		
National social security fund 108	18,503,714		A share		
EMERGING MARKETS GROWTH FUND INC	16,448,057		B share		
BOSHI VALUE ADDED SECURITIES INVESTMENT FUND	15,228,959		A share		
MORGANSTANLEY INT'L (CHINA)-FIRM	12,087,132		B share		
TEMPLETON EMERGING MARKETS INVESTMENT TRUST	11,837,000		B share		
VALUE PARTNERS CLASSIC FUND	10,977,610		B share		
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	10,000,000		B share		
National social security fund 102	8,400,000		A share		
DIT-RCM ASIAN SELECTIONS FUND PLC	7,590,879		B share		
Explanation on the relationship and the action alike of above shareholders	Among the largest ten share holders, Changan Automobile Group Company had no relationship with other share holders, and nor was the party who agreed to act alike as stipulated in Administrative Measures on Information Disclosure Concerning Changes in Shareholdings of Listed Companies. The company did not know whether there was relationship among the large ten circulated shareholders , and nor knew whether they were the parties who agreed to act alike as stipulated in Administrative Measures on Information Disclosure Concerning Changes in Shareholdings of Listed Companies.				

4.3 Information on the controlling shareholder

4.3.1 Change in the controlling shareholders

Applicable Not Applicable

Name of new controlling shareholder	China South Automobile Co., Ltd
Name of new ultimate controlling shareholder	
Change date	March 30, 2006
Publication of new controlling shareholder	April 1, 2006 China Securities, Securities Daily and Hong Kong Business
Publication of new ultimate controlling shareholder	

4.3.2 Information on the controlling shareholders and other actual controllers

The largest shareholder: China South Automobile Co., Ltd

Legal representative: Xu Bin

Date of establishment: December 26, 2005

Registered capital: RMB 4, 582, 373, 700

Business scope and major products: Automobile, autocytle, Engine of automobile and autocytle, designing, development, manufacture, and sales of spare parts; sales of Optical products, electronic and photoelectron products, 夜视 equipment, information and communication equipment; technical development, technical transfer, technical consultation, technical training, and other technical service relative with the operation mentioned above; imports and exports; merge and acquisition and consultation about reconstruction of capita

The ultimate parent of the controlling shareholder : China South Industries Group

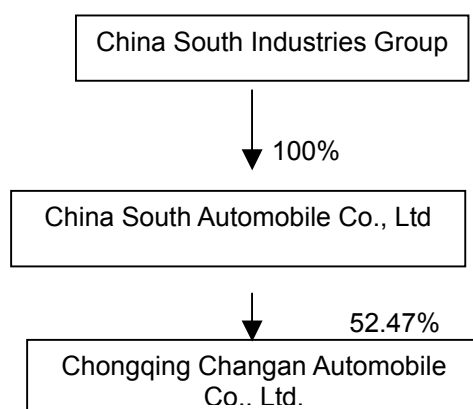
Legal representative: Xu Bin

Date of establishment: June 29, 1999

Registered capital: RMB 12,645,210,000

Business scope and major products: investment and management of state-owned assets; manufacturing of guns and firearms; engineering prospecting, designing, construction, contracting, construction supervision; equipment installation, etc.

4.3.3 Relationship among the Company and its controlling shareholders



§5 Information on Directors, Supervisors and Seniors

Name	Position	Gender	Age	Term of office	Shares held		Reasons for change	Remuneration in 2005	Whether or not getting remuneration from shareholders or other related parties
					At beginning of year	At end of year			
Yin Jiayu	Chairman	M	49	2003.05-2006.05	5,040	5,040		0.00	Y
Xu Liuping	Deputy Chairman,	M	41	2003.05-2006.05	0	0		0.00	Y
Zhang Baolin	Director, General manager	M	43	2003.05-2006.05	0	0		34.96	N
Deng Tengjiang	Director	M	49	2003.05-2006.05	0	0		0.00	Y
Wang Tingwei	Director	M	34	2005.05-2006.05	0	0		0.00	Y
Zhao Luchuan	Director	M	52	2003.05-2006.01	5,040	5,040		37.75	N
Wang Chongsheng	Director	M	47	2003.05-2006.05	5,040	5,040		0.00	Y
Guo Xuewu	Director	M	49	2003.05-2006.05	0	0		0.00	Y
Ma Jun	Director	M	46	2003.05-2006.05	0	0		0.00	Y
Cui Yunjiang	Director, Deputy General Manager, Board Secretary	M	42	2003.05-2006.05	0	0		16.63	N
Guo Konghui	Independent Director	M	70	2003.05-2006.05	0	0		5	N
Xia Donglin	Independent Director	M	44	2003.05-2006.05	0	0		5	N
Gao Zhikai	Independent Director	M	43	2003.05-2006.05	0	0		5	N
Wen Zongyu	Independent Director	M	42	2003.05-2006.05	0	0		5	N
Liu Wei	Independent Director	M	41	2003.05-2006.05				5	N
Shi Yubao	Organizer of the Board of Supervisors	M	52	2003.05-2006.05	0	0		0.00	Y
Peng Minggeng	Supervisor	M	55	2003.05-2006.05	5,040	5,040		0.00	Y
Zhou Xiaying	Supervisor	F	56	2003.05-2006.05	6,606	6,606		0.00	Y
Cao Dongping	Supervisor	F	52	2003.05-2006.05	0	0		0.00	Y
Xiong Huilin	Supervisor	F	46	2003.05-2006.05	0	0		11.11	N
Zhu Zhiping	Supervisor	M	43	2003.05-2006.05	0	0		9.92	N
Hua Dubiao	Supervisor	M	40	2003.05-2006.05	0	0		9.87	N
Fu Xiangyu	Supervisor	F	50	2003.05-2006.05	0	0		7.36	N
Zhu Huarong	Senior Deputy General Manager	M	40	2003.04-2006.04	0	0		34.91	N
Huang Zhongqiang	Senior deputy general manager	M	37	2003.04-2006.04	0	0		34.98	N
Jia Tingyue	Deputy general manager	M	42	2003.04-2006.04	0	0		27.51	N
Zou Yi	Deputy general manager	M	42	2003.04-2006.04	0	0		20.56	N
Cui Xiaomei	Deputy general manager	F	50	2003.04-2006.04	0	0		15.51	N
Li Jun	Board Secretary	F	36	2003.04-2006.04	0	0		6.09	N
Total		-	-	-	26,766	26,766		292.16	-

§6 Report by the Board of the Directors

6.1 Operation discussion and analysis

The year 2005 has seen a vital period for accomplishing the Tenth Plan and linking up the Eleventh Plan. On the adverse condition that competition in the automobile industry was more and more severe, the Profit-making space kept shrinking, the price of raw materials, such as steel and oil, climbed up continually, and the customers held cash rather than consuming in China at large, the Company carried out the “3337” strategy seriously, worked hard, and made unceasing progress. Finally, it stood the racket from unprecedented keen competition in domestic automobile market, made a new comprehensive development, and achieved the yearly objective of production and operation. In 2005, the Company totally produced 489,368 vehicles, a 2.95% increase from 2004. And a total number of 474,625 vehicles were sold, a 4.48% increase from 2004. The Company has 8.24% share in the national automobile market.

Item	2005	2004	(%)
Sales	19,168,550	18,526,610	3.46%
Profit from major business lines	3,022,160	3,920,501	-22.91%
Net profit	199,309	1,197,215	-83.35%

During the reporting year, a 3.46% in sales increase from 2004, mainly due to the sales of Changan Ford and Hebei Changan increased 77,799 and 100,588 ten thousand respectively.

During the reporting year, a 22.91% in Profit of sales and a 82.35% in Net profit decrease from 2004, because the Company's profitability descended for the adjustment in selling price of Changan automobile series and changes in structure of selling variety, and, in the meantime, the selling expense and running expense rose, leading to the Profit from major business lines decreased by 84.65%; the net profit of Changan Ford declined by 72.70% for the adjustment in selling price and the rise of tariff rate; and the net profit of Changan Suzuki declined by 57.18% for decrease in sales volume, the adjustment in selling price, and changes in structure of selling variety.

6.2 The business operation by industry or products

(In RMB ten thousand)

Major business analysis per industry/products						
Industry/product	Sales revenue	Cost of sales	Gross margin (%)	Variance of sales revenue (%)	Variance of cost of sales (%)	Variance of margin (%)
Automobile	1,916,855	3.46%	1,542,354	10.33%	15.91%	-24.70%
Major business analysis per specific products						
Mini car	1,027,379	3.32%	830,765	10.91%	15.51%	-27.04%
Sedan	814,097	-0.78%	654,281	5.25%	16.01%	-23.11%

6.3 Business operation by area

(RMB ten thousand)

Area	Sales revenue	Increase/decrease (%)
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Domestic	1,894,175	2.96%
Overseas	22,680	75.41%

6.4 The utilization of proceeds from previous public offerings (“the proceeds “)

Applicable Not Applicable

The condition of changed item

Applicable Not Applicable

Changes in projects

Applicable Not Applicable

6.5 The use of proceeds not derived from the proceeds from public offering. (in 10 Thousand)

Applicable Not Applicable

No.	Investment project	Funds injected	Project stage	Earnings
1	Automobile production line	28,179	In progress	Included in the overall earnings of the Company
2	Engine production line	9,601	In progress	
3	Technology Development Centre	10,712	In progress	
4	ERP project	550	In progress	
5	Others	1,350	In progress	
Total		50,392		

6.6 Note for the “non-standard opinion” issued by Certified Public Accountants

Applicable Not Applicable

6.7 The draft scheme for the profit distribution of 2005 proposed by the Board of Directors

Applicable Not Applicable

The net profit of 2005 is RMB 236,750,289 (RMB 199,309 thousand under IFRS), add the retained earning RMB 1,920,803,018 and the profit available to be distributed is RMB 2,157,553,307. Transfer from statement of income to statutory reserve fund is RMB 26,902,294, to statutory common reserve fund is RMB 23,711,851. As to Changan Suzuki and Chang Ford, who was included in the consolidation scope, the transfer to staff bonus and welfare fund is RMB 15,380,000, to reserve fund is RMB40,800,000, to enterprise expansion fund is RMB11,220,000. The retained earning is RMB 2,039,539,162 and the common share dividend transferred to the capital RMB518,671,744, and the result is RMB 1,520,867,418(RMB 1,424,739 thousand under IFRS).

According to the scheme of the profit distribution, the cash dividend is RMB 0.60 (including tax) per 10 shares, totalled RMB 97,250,952 (including tax). There was no transfer from capital reserve to share capital.

No profit distribution scheme although there is profit in the reporting period
 Applicable Not Applicable

§7 Important Matters

7.1 Acquisition of assets

Applicable Not applicable

7.2 Sales of assets

Applicable Not applicable

7.3 Significant guarantee

Applicable Not Applicable

7.4 Significant related party transaction

7.4.1 Sales and purchase with the related parties

Applicable Not applicable

In RMB ten thousand

Related party	Sales or provide service to the related parties		Purchase of the product and service from the related parties	
	Transaction amount	Percentage of the same transaction nature	Transaction amount	Percentage of the same transaction nature
Chongqing Changan Jinling Vehicles Parts Co., Ltd	10,781.00	0.56%	52,989.00	3.31%
Chongqing Tsingshan Industries Co., Ltd	103.00	0.01%	33,318.00	2.08%
Wanyou Economic Technological Development Co.,Ltd	43,878.00	2.29%	0.00	0.00%
Chongqing Wanyou Economic Development Co., Ltd.	39,864.00	2.08%	8,443.00	0.53%
Chongqing Changan Minsheng Logistics Co. Ltd.	0.00	0.00%	71,294.00	98.79%

Total	94,626.00	4.94%	166,044.00	20.37%
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Note: During the reporting period, the amount of transaction that the Company sold product or provided service to related parties totalled RMB 51.75 million.

7.4.2 Debt transactions with related parties

Applicable Not applicable

About cash-impropriated and scheme of paying it back

Applicable Not applicable

To ensure this scheme of paying cash-impropriated back solve the problem of the cash to be improriated before the end of year 2006.

Applicable Not applicable

7.5 Financial management entrustment

Applicable Not Applicable

7.6 Commitment

Applicable Not Applicable

7.6.1 Commitment of share reform

1. Description about the commitment

- a. Comply with laws, rules and regulations, and perform legal duty of commitment.
- b. Since the non-circulated shares are entitled to be circulated, can't deal with or transfer it within 24 months. At the expiration of 24 months, the shareholders of non-circulated shares can sell the shares in exchange in amount of no more than 5% of total within 12 month, and no more than 10% of total within 24 months.
- c. After the reform of non-tradable shares, perform the scheme of incentive share awards for the management according to government regulation.

2. Performing the commitment

After the completion of share reform, the controlling shareholder will perform the duty mentioned above.

3. Violating the commitment

7.6.1 Other commitment

7.7 Significant litigation

Applicable Not applicable

§8 Report of the Board of the Supervisors

Applicable Not applicable

1. The basic information of the meeting

During the reporting period, there are two meetings of the Board of the Supervisors.

- (1) The fifth session of the Board of the Supervisors' third meeting was held on April 13, 2005 and the report of the Board of the Supervisors for the year 2004, the annual financial report and the extract for the year 2004, the final financial settlement for the year 2004, and proposal of related-party transactions were discussed and passed.
- (2) The sixth session of the Board of the Supervisors' third meeting was held on August 23, 2005, and the semi-annual financial report and the extract and the proposal of the semi-annual financial report were discussed and passed.

2. The working result of the Board of the Supervisors

During the reporting period, all the supervisors of the Company sat in all of the meetings of the Board of the Directors, give their independent opinions and exercise the right of the supervision. In accordance with the Company Law and the Article of the Association, the supervisors exercise following rights:

- (1) Supervision of the compliance issues of the Company in its operation and management.
The Board of Supervisors performed its supervisory duties through sitting in the meetings of Board of Directors. The Board of Supervisors was of the view that the decision-making procedures of the Company were in compliance with the Company Law and the Articles of Association, a proper internal control system had been established, and there had been no violations of the laws, regulations and the Articles of Association and no acts harmful to the interests of the Company by the directors, supervisors and senior managers in fulfilling their duties.
- (2) Review of the financial status of the company
Through its review, the Board of Supervisors was of the view that the financial statements of the Company had been in compliance with relevant standards and regulations and truly reflected the financial status and operating performance of the Company. The auditor of the Company, PricewaterhouseCoopers Zhong Tian Certified Public Accountants issued an unqualified audit report.
- (3) Supervision of the use of proceeds from the public offering
Through its review, the Board of Supervisors was of the view that the proceeds from public offering had been properly used in line with the commitments of the prospectus.
- (4) Supervision of the acquisition and disposal of the assets
Through its review, the Board of the Supervision was of the view that the price of the acquisition and disposal of the assets was fair and reasonable and there is no under-table transaction, no acts harmful to the interests of the shareholders or leading to the loss of company's assets.
- (5) Supervision of the related party transaction
Through its review, the Board of Supervisors was of the view that all related party transactions had been conducted fairly with pricing based on the market prices which are fair and there had been no

harm done to the interests of the Company.

§9 Financial Report

9.1 Audit opinion

Unqualified

9.2.1 Financial report

CHONGQING CHANGAN AUTOMOBILE CO., LTD.
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

All amounts in Renminbi ("RMB") thousands

	Note	As at 31 December	
		2005	2004
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,047,177	4,759,172
Land use rights	6	505,766	451,556
Intangible assets	7	104,677	176,637
Investments in associates	8	1,350,472	4,500
Available-for-sale financial assets	9	99,589	21,780
Other non-current assets	10	141,268	3,982
Deferred income tax assets	11	201,205	97,410
		<u>8,450,154</u>	<u>5,515,037</u>
Current assets			
Inventories	12	3,883,668	3,043,572
Trade and other receivables	13	2,673,338	1,814,237
Held-to-maturity investments	14	-	247,298
Other financial assets at fair value through profit or loss	15	-	219,254
Restricted cash	16	86,650	157,952
Cash and cash equivalents	17	3,699,577	3,850,915
		<u>10,343,233</u>	<u>9,333,228</u>
Total assets		<u>18,793,387</u>	<u>14,848,265</u>

CHONGQING CHANGAN AUTOMOBILE CO., LTD.
CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2005

All amounts in Renminbi ("RMB") thousands

	As at 31 December	
	2005	2004
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	1,620,849	1,620,849
Share premium	1,743,168	1,743,168
Other reserves	1,554,130	1,451,496
Retained earnings	1,424,739	1,425,315
Proposed final dividends	97,251	518,672
	6,440,137	6,759,500
Minority interests	1,657,997	1,144,218
Total equity	8,098,134	7,903,718
LIABILITIES		
Non-current liabilities		
Borrowings	964,039	535,000
Deferred income tax liabilities	71,853	-
Retirement benefit obligations	22,690	21,976
Deferred income	361,774	369,613
Other non-current liabilities	17,343	-
	1,437,699	926,589
Current liabilities		
Trade and other payables	7,840,699	5,236,788
Current income tax liabilities		(17,032)
Borrowings	1,078,937	523,943
Provisions for other liabilities and charges	347,511	274,259
	9,257,554	6,017,958
Total liabilities	10,695,253	6,944,547
Total equity and liabilities	18,793,387	14,848,265

CHONGQING CHANGAN AUTOMOBILE CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

All amounts in Renminbi ("RMB") thousands, except per share data

	Year ended 31 December	
	2005	2004
Sales	19,168,550	18,526,610
Sales tax and surcharge	(694,395)	(632,618)
Net sales	18,474,155	17,893,992
Cost of goods sold	(15,451,995)	(13,973,491)
Gross profit	3,022,160	3,920,501
Selling and marketing costs	(1,621,357)	(1,504,775)
Administrative expenses	(1,412,428)	(1,145,692)
Other income	215,615	236,375
Operating profit	203,990	1,506,409
Finance costs	(52,243)	(38,170)
Share of results of associates	89,166	-
Profit before income tax	240,913	1,468,239
Income tax expense	31,013	(147,988)
Profit for the year	271,926	1,320,251
Attributable to:		
Equity holders of the Company	199,309	1,197,215
Minority interests	72,617	123,036
	271,926	1,320,251
Earnings per share for profit attributable to the equity holders of the Company during the year (RMB per share)		
— Basic and diluted	0.12	0.84

CHONGQING CHANGAN AUTOMOBILE CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

All amounts in Renminbi (“RMB”) thousands

	Attributable to equity holders of the Company					Minority interest	Total Equity
	Share capital	Share premium	Other reserves	Retained earnings	Proposed final dividends		
Balance at 1 January 2004	1,226,666	833,438	1,053,878	1,144,390	552,000	947,461	5,757,833
Cash dividend relating to 2003	-	-	-	-	(306,667)	-	(306,667)
Bonus share relating to 2003	245,333	-	-	-	(245,333)	-	-
Proposed final dividends relating to 2004	-	-	-	(518,672)	518,672	-	-
Issue of shares	148,850	909,730	-	-	-	-	1,058,580
Net profit for the year	-	-	-	1,197,215	-	123,036	1,320,251
Reserve transfer	-	-	397,618	(397,618)	-	-	-
Newly incorporated subsidiaries	-	-	-	-	-	50,000	50,000
Dividends paid to minority shareholders	-	-	-	-	-	(18,130)	(18,130)
Additional share of net assets by minority shareholders due to additional injection by the Company	-	-	-	-	-	35,137	35,137
Increase in net assets due to additional injection from minority shareholders	-	-	-	-	-	6,900	6,900
Others	-	-	-	-	-	(186)	(186)
Balance at 31 December 2004	1,620,849	1,743,168	1,451,496	1,425,315	518,672	1,144,218	7,903,718
Cash dividend relating to 2004	-	-	-	-	(518,672)	-	(518,672)
Proposed final dividends relating to 2005	-	-	-	(97,251)	97,251	-	-
Net profit for the year	-	-	-	199,309	-	72,617	271,926
Reserve transfer	-	-	102,634	(102,634)	-	-	-
Newly incorporated subsidiaries	-	-	-	-	-	300	300
Dividends paid to minority shareholders	-	-	-	-	-	(6,000)	(6,000)
Additional capital injection by minority shareholders	-	-	-	-	-	450,000	450,000
Transfer shares to the Company	-	-	-	-	-	(4,900)	(4,900)
Additional share of net assets by minority shareholders due to additional injection by the Company	-	-	-	-	-	1,762	1,762
Balance at 31 December 2005	1,620,849	1,743,168	1,554,130	1,424,739	97,251	1,657,997	8,098,134

CHONGQING CHANGAN AUTOMOBILE CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

All amounts in Renminbi ("RMB") thousands

	Year ended 31 December	
	2005	2004
Cash flows from operating activities		
Cash generated from operations	1,412,264	1,629,749
Income tax paid	(50,372)	(234,981)
Net cash generated from operating activities	1,361,892	1,394,768
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	10,805	17,255
Proceeds from disposal of land use rights	432	-
Decrease in held-to maturity investments	172,432	-
Investment income from financial assets	4,542	9,275
Receipt of government grants	9,039	78,561
Interest received	65,127	57,731
Sub-total of cash inflow	262,377	162,822
Purchase of property, plant and equipment	(1,677,950)	(1,470,312)
Purchase of land use rights	(65,400)	(99,915)
Purchase of intangible assets	(12,547)	(2,784)
Purchase of deferred assets	(2,619)	(1,941)
Purchase of held-to-maturity investments	-	(172,432)
Purchase of available-for-sale financial assets	(80,000)	-
Purchase of subsidiary's shares from minority shareholders	(2,500)	-
Acquisition of subsidiaries, net of cash acquired	-	(2,008)
Sub-total of cash outflow	(1,841,016)	(1,749,392)
Net cash used in investing activities	(1,578,639)	(1,586,570)

HONGQING CHANGAN AUTOMOBILE CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

All amounts in Renminbi ("RMB") thousands

	Year ended 31 December	
Note	2005	2004
Cash flows from financing activities		
Contribution from minority shareholders	300	56,900
Gross proceeds from issuance of shares	-	1,100,002
Proceeds from borrowings	1,772,766	911,270
Decrease in restricted cash	71,302	21,615
Sub-total of cash inflow	1,844,368	2,089,787
Repayment of borrowings	(1,474,054)	(375,086)
Interest paid	(74,353)	(28,132)
Dividends paid to shareholders	(518,672)	(306,667)
Dividends paid to minority shareholders	(6,000)	(18,130)
Share issuance expenses	-	(41,422)
Sub-total of cash outflow	(2,073,079)	(769,437)
Net cash (used in)/generated from financing activities	(228,711)	1,320,350

Net (decrease)/increase in cash and cash equivalents		(445,458)	1,128,548
Cash and cash equivalents at beginning of year		4,145,035	3,016,487
Cash and cash equivalents at end of year	17	3,699,577	4,145,035

9.3 The explanation to the changes in accounting policies of this reporting period, accounting estimations and calculation methods as compared with the latest annual report.

Applicable Not Applicable

9.4 Significant accounting errors, the correction amount, the reason and the impact

Applicable Not Applicable

9.5 The explanation to the changes of the consolidation scope of this reporting period as compared with the latest annual report.

Applicable Not applicable

The consolidation scope added Changan Ford Mazda Motor Co., Ltd. The Company hold 50% shares of Changan Ford Mazda Motor Co., Ltd. Based on the Article of Association, the Company co-controlled it with other investors, and adopt the method of consolidated by proportion. Changan Ford Mazda Motor Co., Ltd has not open its business yet by the end of December 31, 2005