

## Chongqing Changan Automobile Limited Company

### Extracts of 2006 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
Wang Tingwei	On Business	Deng Tengjiang

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

1.5 Chairman Mr. Yin Jiayu, 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 000625、200625
Place of listing	Shenzhen Stock Exchange
Registered Address	No. 260, Jian Xin East Road, Jiang Bei District, Chongqing
Post code of Registered Address	400023
Office Address	No. 260, Jian Xin East Road, Jiang Bei District, Chongqing
Post code of Office Address	400023
Internet Website of the Company	<a href="http://www.changan.com.cn">http://www.changan.com.cn</a>
Email Address of the Company	cazqc@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@changan.com.cn	

## §3 Extracts of Accounting and Operating Data

### 3.1 Key accounting data

(In RMB thousand)

	2006	2005	Increase/Decrease (%)	2004
Sales	25,675,344	19,168,550	33.95%	18,526,610
Profit before tax	568,571	240,913	136.01%	1,468,239
Net profit	434,429	199,309	117.97%	1,197,215
Net cash flow from operating activities	2,113,851	1,361,892	55.21%	1,452,499
	December 31, 2006	December 31, 2005	Increase/Decrease (%)	December 31, 2004
Total assets	23,097,030	18,793,387	22.90%	14,848,265
Shareholders' equity (excluding minority interest)	6,778,836	6,440,137	5.26%	6,759,500

### 3.2 Key financial indicator

(In RMB Yuan)

	2006	2005	Increase/Decrease (%)	2004
Earnings per share	0.27	0.12	125.00%	0.84
Return on net asset	6.41%	3.09%	3.32%	17.71%
Net cash flow from operating activities per share(Rmb thousand yuan)	1.30	0.84	54.76%	0.90
	December 31, 2006	December 31, 2005	Increase/Decrease (%)	December 31, 2004
Net asset per share	4.18	3.97	5.29%	4.17
Adjusted net assets per share	3.98	3.67	8.45%	4.15

### 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 (excluding minority interests)	Net profit attributable to the Company's equity holders
	As at 31 December 2006	For the year ended 31 December 2006
	RMB'000	RMB'000
As reported in the accounts of the Group under PRC accounting regulations	7,306,779	646,750
1. Staff and workers' bonus and welfare fund charged to income statement	-	(7,650)
2. Reversal of revaluation made in 1995	(13,739)	858
3. Deferred income tax	201,320	22,591
4. Government grants relating to assets	(231,249)	12,412
5. Government grants relating to income	-	28,313
6. Tax credit arising from purchase of domestically manufactured machinery and equipment	(42,646)	(4,822)
7. Reversal of amortisation of goodwill	21,875	12,454
8. Pre-operating expense of Changan Ford Mazda Engine and branch of Changan Ford Mazda Automobile	(301,050)	(195,576)
9. Provision for impairment of goodwill	(75,442)	-
10. Liabilities not to be settled	-	2,442
11. Difference in share of result of associates	(41)	3,877
12. Cash considerations paid for share reform of an associate	(71,284)	(71,284)
13. Fair value loss on derivative financial instruments	(16,874)	(16,874)
14. Others	1,187	938
As restated in conformity with IFRS	<u>6,778,836</u>	<u>434,429</u>

### §4 Changes in Shareholdings and Information on Shareholders

#### 4.1 Change in shareholdings

Unit: Share

	Balance before current change	Addion or Deduction	Balance after change

	Quantity	Percentage	Issuance of new stock	Bonus share	Transfer from accumulated fund	Others	Subtotal	Quantity	Percentage
一、Stock with the condition of limited sale	850,425,966	52.47%	0	-112,135,435	0	-22,025	-112,157,460	738,268,506	45.55%
1、State holding	0	0.00%	0	0	0	0	0	0	0.00%
2、State legal person holding	850,399,200	52.47%	0	-112,144,000	0	0	-112,144,000	738,255,200	45.55%
3、The other holders	26,766	0.00%	0	8,565	0	-22,025	-13,460	13,306	0.00%
Thereinto: Legal person within China holding	0	0.00%	0	0	0	0	0	0	0.00%
Natural person within China holding	26,766	0.00%	0	8,565	0	-22,025	-13,460	13,306	0.00%
4、Foreign capital holding	0	0.00%	0	0	0	0	0	0	0.00%
Thereinto: Legal person outside of China holding	0	0.00%	0	0	0	0	0	0	0.00%
Natural person outside of China holding	0	0.00%	0	0	0	0	0	0	0.00%
二、Stock without condition of limited sale	770,423,234	47.53%	0	112,135,435	0	22,025	112,157,460	882,580,694	54.45%
1、Renminbi ordinary share	350,423,234	21.62%	0	112,135,435	0	22,025	112,157,460	462,580,694	28.54%
2、Foreign capital stock listed within China	420,000,000	25.91%	0	0	0	0	0	420,000,000	25.91%
3、Foreign capital stock listed outside of China	0	0.00%	0	0	0	0	0	0	0.00%
4、Others	0	0.00%	0	0	0	0	0	0	0.00%
三、The total number of shares of stock	1,620,849,200	100.00%	0	0	0	0	0	1,620,849,200	100.00%

Available time for listing of stock with the condition of limited sale

Unit: Share

Tine	The quantity for newly added stock available for listing after the expiration of limited sale time	Balance for the stock with the condition of limited sale	Balance for the stock without condition of limited sale	Explanation

2008-5 -11	36,912,760	701,355,746	919,493,454	No
2009-5 -11	36,912,760	664,442,986	956,406,214	No
2010-5 -11	664,429,680	13,306	1,620,835,894	No

The number of shares of stock with the condition of limited sale held by the top 10 shareholders and the conditions of limited sale

Unit: Share

No.	Name of shareholder with the condition of limited sale	The number of shares of stock with the condition of limited sale	Available time for listing	The number of the stock of newly added stock available for listing	conditions of limited sale
1	China South Automobile Co., Ltd.	738,255,200	May 11, 2008	36,912,760	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.
			May 11, 2009	36,912,760	
			May 11, 2010	664,429,680	

#### 4.2 Shareholding information of top ten share holders and top ten shareholders of stock without limited sale

Unit: Share

Total shareholders number		57,337			
Top ten share holders:					
Name of shareholders	Nature of Shareholders	% of total shares	Total number of shares	Total number of shares with condition of limited sale	Pledged/ Frozen shares
CHINA SOUTH INDUSTRY AUTOMOBILE COMPANY LIMITED	State-owned	45.55%	738,255,200	738,255,200	0
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI5496	Foreign	2.89%	46,762,817	0	
National social security fund 108	Others	2.22%	36,000,000	0	
BBH BOS S/A FIDELITY FD-CHINA FOCUS FD	Foreign	1.61%	26,143,200	0	
BOSHI VALUE ADDED SECURITIES INVESTMENT FUND	Others	1.05%	17,000,000	0	
CHINA CONSTRUCTION BANK — BOSHI VALUE ADDED TWO	Others	0.84%	13,656,108	0	

SECURITIES INVESTMENT FUND					
CHINA BANK — DA CHENG AFFUENCE MANAGEMENT2020 LIFE WEEK ECURITIES INVESTMENT FUND	Others	0.83%	13,489,798		0
TEMPLETON EMERGING MARKETS INVESTMENT TRUST	Foreign	0.73%	11,837,000		0
YUYANG SECURITY INVESTMENT FUND	Others	0.68%	10,999,540		0
CHINA CONSTRUCTION BANK — YINGHUA AFFUENCE TOPIC SECURITIES INVESTMENT FUND	Others	0.62%	10,074,000		0

Top ten shareholders of stock without limited sale

Name of shareholders	Total number of shares without condition of limited sale	Share type
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI5496	46,762,817	Foreign capital stock listed within China
NATIONAL SOCIAL INSURANCE FUND PORTFOLIO 108	36,000,000	Renminbi ordinary share
BBH BOS S/A FIDELITY FD – CHINA FOCUS FD	26,143,200	Foreign capital stock listed within China
BOSHI VALUE ADDED SECURITIES INVESTMENT FUND	17,000,000	Renminbi ordinary share
CHINA CONSTRUCTION BANK— BOSHI VALUE ADDED TWO SECURITIES INVESTMENT FUND	13,656,108	Renminbi ordinary share
CHINA BANK — DA CHENG AFFUENCE MANAGEMENT2020 LIFE WEEK ECURITIES INVESTMENT FUND	13,489,798	Renminbi ordinary share
TEMPLETON EMERGING MARKETS INVESTMENT TRUST	11,837,000	Renminbi ordinary share
YUYANG SECURITY INVESTMENT FUND	10,999,540	Renminbi ordinary share
CHINA CONSTRUCTION BANK — YINGHUA AFFUENCE TOPIC SECURITIES INVESTMENT FUND	10,074,000	Renminbi ordinary share
CHINA CONSTRUCTION BANK — XINGCHENG QUINTESSENCE DEVELOPMENT SECURITIES INVESTMENT FUND	9,850,000	Renminbi ordinary share

<p>Related relationship of the ten largest shareholders and their consistent act</p>	<p>In the ten largest shareholders, the state-owned legal person shareholder China South Industrial Co. Ltd. has no relationship with the other shareholders in the above table, 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 other 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.</p>
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### 4.3 Information of Shareholders and the Actual Controllers

#### 4.3.1 The Change for the Shareholders and the Actual Controllers

√ Applicable □ Not Applicable

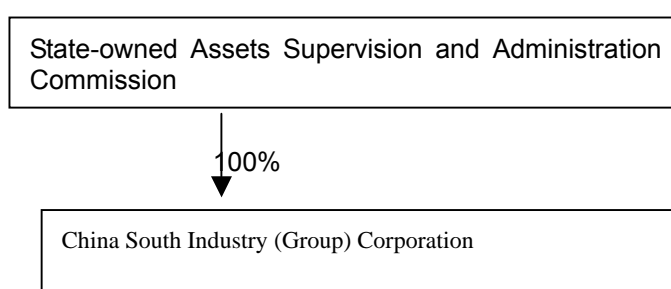
Name of new controlling shareholder	China South Automobile Co., Ltd.
Date of the Change for new controlling shareholder	2006-3 -30 March 30, 2006
Publishing date of change on new controlling shareholder	2006-4 -1 April 1, 2006
Newspapers and periodicals for new controlling shareholder	China Securities Journal, Securities Daily, Hong Kong Commercial Daily.
Name of new actual controller	
Date of change for new actual controller	
Publishing date of change on new actual controller	
Newspapers and periodicals for new actual controller	

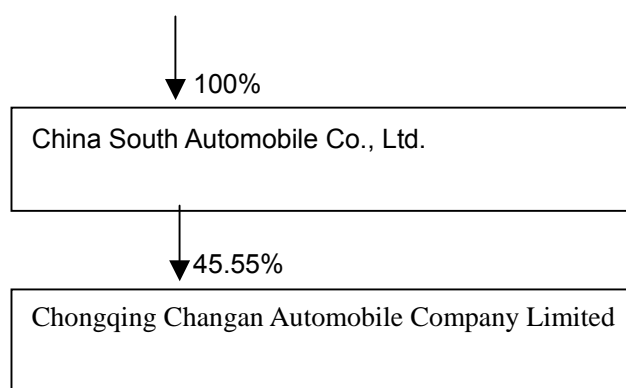
#### 4.3.2 Changes of controlling shareholder and actual controllers.

Condition controlling shareholder  
 Controlling shareholder: China South Automobile Co., Ltd.  
 Legal representative: Xu Bin  
 Established time: December 26, 2005  
 Registered capital: 4,582,373,700Yuan  
 The main business and products: Automobile, Motors, Engines for cars, vehicles and motors, the design, development, manufacture, sales for the parts and components of the cars, vehicles and motors. Optical products, electronics and electro- optical products, night vision equipments, sales for information and communication equipments. The technical development, technical transfer, technical consultation, technical training, technical service related to the above mentioned business. The export and import business, asset merge and acquisition, the consultation fro the asset reconstruct.

The condition for the company actual controller  
 Company actual controller: China South Industry (Group) Corporation  
 Legal Representative: Xu Bin  
 Established Date: June 29, 1999  
 Registered capital: 12,645,210,000Yuan  
 The Main business and products: Investment for state-owned assets, operation and management, guns and machine gun, engineering reconnaissance and survey, construction, contract with job, supervise and the installation of the equipments etc. .

#### 4.3.3 The Diagram for the Property Right and the Control Relationship between the Company and the Actual Controllers





## §5 Directors, Supervisors and the Senior Management

### 5.1 Changes and Reward information in share held by Directors, Supervisors and Senior Management

Name	Position	Gender	Age	Start of office	Termination of office	Shares held At beginning of year	Shares held At end of year	Reasons for change	Remuneration in 2006	Whether or not getting remuneration from shareholders or other related parties
Yin Jiayu	Chairman	M	50	2006-05-15	2009-05-15	5,040	6,653	Share sent by the reform of stock	0.00	Y
Xu Liuping	Deputy Chairman,	M	42	2006-05-15	2009-05-15	0	0		0.00	Y
Zhang Baolin	Director, General manager	M	44	2006-05-15	2009-05-15	0	0		40.12	N
Deng Tengjiang	Director	M	50	2006-05-15	2009-05-15	0	0		0.00	Y
Wang Tingwei	Director	M	35	2006-05-15	2009-05-15	0	0		0.00	Y
Deng Zhiyou	Director	M	43	2006-05-15	2009-05-15	0	0		0.00	Y
Wang Chongsheng	Director	M	48	2006-05-15	2009-05-15	5,040	6,653	Share sent by the reform of stock	0.00	Y
Zou Wench	Director, Vice CEO	M	43	2006-05-15	2009-05-15	0	0		40.78	N



ao	of Changan Ford Mazda									
Ma Jun	Director	M	47	2006-05-15	2009-05-15	0	0		0.00	Y
Cui Yunjian g	Director, Senior Deputy General Manager, Board Secretary	M	43	2006-05-15	2009-05-15	0	0		34.03	N
Guo Konghui	Independent Director	M	71	2006-05-15	2009-05-15	0	0		5.00	N
Xia Donglin	Independent Director	M	45	2006-05-15	2009-05-15	0	0		5.00	N
Gao Zhikai	Independent Director	M	44	2006-05-15	2009-05-15	0	0		5.00	N
Wen Zongyu	Independent Director	M	43	2006-05-15	2009-05-15	0	0		5.00	N
Liu Wei	Independent Director	M	42	2006-05-15	2009-05-15	0	0		5.00	N
Shi Yubao	Chairman of the Board of Supervisors	M	53	2006-05-15	2009-05-15	0	0		0.00	Y
Cui Xiaomei	Supervisor	F	51	2006-05-15	2009-05-15	0	0		26.51	N
Cao Dongping	Supervisor	F	53	2006-05-15	2009-05-15	0	0		0.00	Y
Xiong Huilin	Supervisor	F	47	2006-05-15	2009-05-15	0	0		13.37	N
Zhu Zhiping	Supervisor	M	44	2006-05-15	2009-05-15	0	0		12.80	N
Hua zhangbiao	Supervisor	M	39	2006-05-15	2009-05-15	0	0		12.25	N
Fu Xiangyu	Supervisor	F	51	2006-05-15	2009-05-15	0	0		7.46	N
YING ZHAN WANG	Senior Deputy General Manager	M	47	2006-05-15	2009-05-15	0	0		40.70	N
Zhu Huarong	Senior Deputy General Manager	M	41	2006-05-15	2009-05-15	0	0		40.02	N
Huang Zhongqiang	Senior Deputy General	M	38	2006-05-15	2009-05-15	0	0		40.70	N

	Manager									
Jia Tingyue	Senior Deputy General Manager	M	43	2006-05-15	2009-05-15	0	0		40.02	N
Zou Yi	Senior Deputy General Manager	M	43	2006-05-15	2009-05-15	0	0		40.70	N
Ren Qiang	Deputy Director	M	46	2006-05-15	2009-05-15	0	0		21.70	N
Song Jia	Deputy Director	M	41	2006-05-15	2009-05-15	0	0		36.80	N
Luo Minggan	Deputy Director	M	43	2006-05-15	2009-05-15	0	0		12.80	N
Li Jun	Board Secretary	F	37	2006-05-15	2009-05-15	0	0		7.80	N
Total	-	-	-	-	-	10,080	13,306	-	493.56	-

## §6 Report by the Board of the Directors

### 6.1 Operation discussion and analysis

In 2006, facing the intense exterior market competition, the huge internal operation pressure, on the basis of the scientific rationality to the sign, the company set the new time goal--- T35, the plan of putting the cause in the leading position. In the past one year, the company always adhered to three direction of guiding " goal, trend and problem" and three principles of " whether grasp regularity, imbued with creativity and with operationality ", and the company centered on the plan of advanced cause firmly and carried out severely, finally finished various kinds of work well.

(1) Take charge of marketing service severely, strengthen market exploring. In report period, the company strengthened networking and structural adjustment of selling, and established the system of sale of car of independent brand tentatively.

(2) Vigorously promote the independent research and development and enhance product competitive power. In the report period, the progress of each significant project developed independently is smooth. Ben-Ben, the first passenger car researched and developed by the company was launched into the market smoothly and the market response was good.

(3) Vigorously promotes the financial control, and the cost control continues thoroughly. Promote financial affairs change from " business accounting manner " to " management type ", which enhances the ability of controlling cost and risks.

(4) Take charge of safety management and fine production severely, advance CPS thoroughly, improve the management at working site constantly and quality level is promoted steadily.

(5) Take charge of procurement management severely, construct the logistics-purchase platform, implement centralized purchasing, strengthen the supplier's management, improve the competitiveness of supplying chain.

(6) Take charge of Joint venture cooperation severely, improve group management and control steadily, construct the platform of group management and control tentatively.

(7) Take charge of the overseas market severely, strengthen the deployment of the overseas market, and the overseas strategy has embryonic forms for the first time.

(8) Take charge of the human resources severely, strengthen talent introduction, strengthen personnel training, put up the information system of manpower resources management tentatively, pursue the performance to manage in an all-round way, talents system have been complete progressively.

In 2006, 538,132 cars are manufactured by the company in total, which increases by 9.96% compared with the same period of last year; 553,458 cars are sold, increasing by 16.61% compared with the same period of

last year, among them: 279,033 minibus, 84,561 miniature truck, 182,021 cars are sold (the volume of production and marketing of Changan Ford is identical to the consolidated statement, which is 50% of the actual volume of production and marketing).

6.1.1 The impact may be happened to the companys' accountant policy, the estimated change to the accountant , the financial status and the operation results after the new enterprise accounting rule been implemented

applicable  inapplicable

## 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	s margin (%)	Variance of sales revenue (%)	Variance of cost of sales (%)	Variance of margin (%)
Automobile	2,567,534.00	2,042,613.00	16.74%	33.95%	32.43%	5.22%
Major business analysis per specific products						
Mini car	1,035,138.00	878,652.00	11.42%	0.76%	5.76%	-26.37%
Sedan	1,360,819.00	1,026,497.00	20.87%	67.16%	56.89%	30.36%

## 6.3 Business operation by area

(In RMB ten thousand)

Area	Sales revenue	Increase/decrease (%)
Domestic	2,520,170	33.05%
Overseas	47,364	108.84%

## 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 of public offering.

Applicable  Not Applicable

(In RMB ten thousand)

Investment project	Funds injected	Project stage	Earnings
The technical reform for complete vehicle production line	10,786.00	In progress	Included in the overall earnings of the Company
The technical reform for Engine production line	1,090.00	In progress	
Technology Development Centre	1,991.00	In progress	
ERP project	759.00	In progress	
Industrial area	1,431.00	In progress	
Others	520.00	In progress	
Total	16,577.00		

**6.6** Note of the Board of Directors for the “non-standard opinion” issued by Certified Public Accountants

Applicable  Not Applicable

**6.7** The draft scheme for the profit distribution of 2006 proposed by the Board of Directors

Applicable  Not Applicable

The net profit of 2006 is RMB646,749,740 (RMB 434,429 thousand under IFRS), add the retained earning RMB 1,520,867,418 and the profit available to be distributed is RMB 2,167,617,158. Transfer from statement of income to statutory reserve fund is RMB 60,243,123, As to Changan Suzuki and Chang Ford, who was included in the consolidation scope, the transfer to staff bonus and welfare fund is RMB 7,650,000, to reserve fund is RMB 87,362,727, to enterprise expansion fund is RMB28,202,727. The retained earning is RMB 1,984,158,581 and the common share dividend transferred to the capital RMB 97,250,952 and the result is RMB 1,886,907,629 (RMB 1,683,359 thousand under IFRS).

The proposal for profit distribution of 2006 is: base on the total capital stock of 1,620,849,200 shares, the cash dividend is RMB0.6 and the bonus share is 2 shares (including tax) per 10 shares, totally RMB97,250,952 and 324,169,840 bonus shares were distributed (including tax).

Applicable  Not Applicable

**§7 Important Matters**

**7.1** Acquisition of assets

Applicable  Not Applicable

**7.2** Sales of assets

Applicable  Not Applicable

7.1、7.2 The influence of the items involved in 7.1、7.2 on the continuity of company's business and the stability of management level

**7.3** Significant guarantee

Applicable  Not Applicable

(RMB ten thousand)

Foreign Guarantee Situation of the Company (not including the guarantee on share-holding subsidiary company guarantee)
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Names of Guarantee object	Date(Signing the agreement )	Amount	Type	Guarantee Period	Finish ed or not	Guarantee for related parties(Yes or No)
Total of guarantee that has happened in report period		0.00				
Remaining sum of Guarantee at the end of report period (A)		0.00				
Guarantee situation of the company on share-holding subsidiary company						
Total of happened guarantee fees to share-holding subsidiary company in report period		17,100.00				
( B ) Total of guaranteed remaining fees to share-holding subsidiary company in report period ( B )		7,495.00				
Sum of guarantee of the company (Including guarantee on share-holding subsidiary company)						
Sum of guarantee ( A+B )		7,495.00				
The proportion of guarantee sum to the net assets of the company		1.03%				
among them:						
Provides the guarantee amount(C) for the shareholder, actual controllers and the related party		0.00				
Debt guaranteed amount (D) provided directly or indirectly to the vouchee whose rate of debt is over 70%.		7,495.00				
The guaranteed total amount (E) is over 50% of the net assets		0.00				
Total of the above three guaranteed amount * (C+D+E)		7,495.00				

\* Note: If the above mentioned items (C+D+E) are appeared in a guaranteed item at the same time when the above mentioned three guaranteed amount \* (C+D+E) are filled, only one time of calculation for the total calculation .is needed.

#### 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	7,528.00	0.29%	58,577.00	2.78%
Jian An 、 Ling Jiang 、 Tsingshan of China South Industry Automobile Co.Ltd	356.00	0.01%	56,291.00	2.67%
Chengdu Wanyou Economic Technological Development Co.,Ltd	57,528.00	2.24%		
Chongqing Wanyou Economic Development Co., Ltd.	56,525.00	2.20%	7,104.00	0.34%
<b>Total</b>	<b>121,937.00</b>	<b>4.74%</b>	<b>121,972.00</b>	<b>5.79%</b>

Note: During the reporting period, the amount of transaction that the Company sold product or provided service to related parties totalled RMB 7,884.00 ten thousand.

#### 7.4.2 Debt transactions with related parties

Applicable  Not Applicable

#### 7.4.3 About cash-impropriated and scheme of paying it back at the end of 2006

Applicable  Not Applicable

The newly added cash-impropriated in 2006

Applicable  Not Applicable

Until the end of 2006, the related reason, the adopted measures and the responsibility investigation plan for unfinished cash-impropriated of non-managerial funds of the listed company.

Applicable  Not Applicable

#### 7.5 Financial management entrustment

Applicable  Not Applicable

#### 7.6 Commitment

7.6.1 The pledge and the pledge fulfills situation for the original un-circulating shareholders in the divide of stockholder's rights sets and reform.

Applicable  Not Applicable

Name of shareholder	Pledge	The pledge fulfills the situation	Remark
China South Automobile Co., Ltd.	<p>1. Relevant laws, regulations and rules shall be followed, legal consent shall be implemented.</p> <p>2. Relevant laws, regulations and rules shall be followed, legal consent shall be implemented.</p> <p>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.</p> <p>3. After reforming being completed, plan of encouragement on holding shares will be implemented according to state related management rules and measures.</p>	In fulfillment	No

7.6.2 Total number of shares without condition of limited sale held by the non-circulating shareholders over 5% at the end of the report.

Applicable  Not Applicable

7.7 Major litigation and arbitrations

Applicable  Not Applicable

### §8 Report of the Board of the Supervisors

Applicable  Not applicable

<p>. The basic information of the meeting</p> <p>:</p> <p>During the reporting period, five meetings were held by the Board of the Supervisors.</p> <p>(1) The seventh session of the third meeting for Board of the Supervisors was held on April 13, 2006, on which the working report of 2005 of the board of supervisors、annual report and abstracts of 2005, financial final accounts statement and bill about election at expiration of office terms of board of supervisors were examined and approved.</p> <p>(2) The eighth session of the third meeting of the Board of Supervisors was held on Apr. 28, 2006, on which the report of the first quarter of 2006 was passed by communication vote way.</p> <p>(3) The first session of the fourth meeting of Board of the Supervisors was held on May. 15, 2006, on which the bill about the election of She Yubao as the president of the board of supervisors was examined and approved.</p> <p>(4) The second session of the fourth meeting of the Board of Supervisors was held on Aug. 21, 2006, on which the bill about the annual report and abstracts of 2006 was examined and approved.</p> <p>(5) The third session of the fourth meeting of the Board of Supervisors was held on Oct. 27, 2006, on which the report of the third quarter of 2006 was examined and approved by communication vote way.</p> <p>2. The working result of the Board of the Supervisors</p> <p>During the reporting period, all the supervisors of the Company sat in all of the meetings of the Board of the Directors, gave their independent opinions and exercised the right of the supervision. in accordance with the Company Law and the Article of the Association, the supervisors exercised the following rights:</p> <p>(1) Supervision of the compliance issues of the Company in its operation and management.</p> <p>The Board of Supervisors performed its supervisory duties through sitting in the meetings of Board of Directors.</p>
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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

In the period of report, there was no the use of proceeds from the public offering continued to the period of this report.

Through the inspection, the board of supervisors thought that, the main investment project for proceeds not derived from the proceeds of public offering were the technical reform for the complete vehicle and the engine productionline.

(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**

Audit Opinion: Standard unreserved audit opinion



## 9.2 Financial Statements

### 9.2. Financial report

#### CHONGQING CHANGAN AUTOMOBILE CO., LTD.

#### CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2006

All amounts in Renminbi ("RMB")

	Note	As at 31 December	
		2006	2005
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		8,641,726	6,047,177
Lease prepayments		529,883	505,766
Intangible assets		135,798	104,677
Investments in associates		1,427,415	1,350,472
Available-for-sale financial assets		114,989	99,589
Other non-current assets		7,323	141,268
Deferred income tax assets		235,380	201,205
		11,092,514	8,450,154
<b>Current assets</b>			
Inventories		3,825,368	3,883,668
Trade and other receivables		3,784,704	2,673,338
Restricted cash		203,545	86,650
Cash and cash equivalents		4,190,899	3,699,577
		12,004,516	10,343,233
<b>Total assets</b>		<b>23,097,030</b>	<b>18,793,387</b>

**CHONGQING CHANGAN AUTOMOBILE CO., LTD.**  
**CONSOLIDATED BALANCE SHEET (CONTINUED)**

AS AT 31 DECEMBER 2006

All amounts in Renminbi ("RMB")

	Note	As at 31 December	
		2006	2005
		RMB'000	RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares		1,620,849	1,620,849
Share premium		1,743,168	1,743,168
Other reserves		1,731,460	1,554,130
Retained earnings		1,683,359	1,521,990
		6,778,836	6,440,137
<b>Minority interests</b>		1,631,754	1,657,997
<b>Total equity</b>		8,410,590	8,098,134
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		1,508,955	964,039
Deferred income tax liabilities		82,820	71,853
Retirement benefit obligations		29,891	22,690
Deferred income		356,342	361,774
Other non-current liabilities		17,343	17,343
		1,995,351	1,437,699
<b>Current liabilities</b>			
Trade and other payables		10,101,706	7,840,699
Current income tax liabilities		122,947	(9,593)
Borrowings		1,991,511	1,078,937
Derivative financial instruments		16,874	-
Provisions for other liabilities and charges		458,051	347,511
		12,691,089	9,257,554
<b>Total liabilities</b>		14,686,440	10,695,253
<b>Total equity and liabilities</b>		23,097,030	18,793,387

**9.2.2 CHONGQING CHANGAN AUTOMOBILE CO., LTD.**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
All amounts in Renminbi (“RMB”) thousands

	Note	Year ended 31 December	
		2006	2005
		RMB'000	RMB'000
Sales		25,675,344	19,168,550
Sales tax and surcharge		(950,213)	(694,395)
<b>Net sales</b>		<b>24,725,131</b>	<b>18,474,155</b>
Cost of goods sold		(20,412,481)	(15,439,552)
<b>Gross profit</b>		<b>4,312,650</b>	<b>3,034,603</b>
Selling and marketing costs		(2,227,744)	(1,621,357)
Administrative expenses		(1,727,071)	(1,412,428)
Other income		128,381	152,894
Other gain/loss, net		(60,244)	21,356
<b>Operating profit</b>		<b>425,972</b>	<b>175,068</b>
Finance income		57,563	62,721
Finance cost		(169,141)	(86,042)
Finance cost, net		(111,578)	(23,321)
Share of profit of associates		254,177	89,166
<b>Profit before income tax</b>		<b>568,571</b>	<b>240,913</b>
Income tax expense		(156,406)	31,013
<b>Profit for the year</b>		<b>412,165</b>	<b>271,926</b>
<b>Attributable to:</b>			
Equity holders of the Company		434,429	199,309
Minority interests		(22,264)	72,617
		412,165	271,926
<b>Earnings per share for profit attributable to the equity holders of the Company during the year (RMB per share)</b>			
— Basic and diluted		0.27	0.12

**9.2.3 CHONGQING CHANGAN AUTOMOBILE CO., LTD.  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2006**

All amounts in Renminbi ("RMB")

	Note	Attributable to equity holders of the Company					Total Equity
		Share Capital	Share Premium	Other Reserves	Retained Earnings	Minority Interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2005		1,620,849	1,743,168	1,451,496	1,943,987	1,144,218	7,903,718
Cash dividend relating to 2004		-	-	-	(518,672)	-	(518,672)
Net profit for the year		-	-	-	199,309	72,617	271,926
Profit appropriation		-	-	102,634	(102,634)	-	-
Dividends paid to minority shareholders		-	-	-	-	(6,000)	(6,000)
Contribution from minority shareholders		-	-	-	-	450,300	450,300
Acquisition of additional interests from minority shareholders		-	-	-	-	(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	1,521,990	1,657,997	8,098,134
Cash dividend relating to 2005		-	-	-	(97,251)	-	(97,251)
Net profit for the year		-	-	-	434,429	(22,264)	412,165
Profit appropriation		-	-	175,809	(175,809)	-	-
Dividends paid to minority shareholders		-	-	-	-	(4,127)	(4,127)
Acquisition of additional interests from minority shareholders		-	-	-	-	(1,200)	(1,200)
Additional share of net assets by minority shareholders due to additional injection by the Company		-	-	-	-	(173)	(173)
Others		-	-	1,521	-	1,521	3,042
Balance at 31 December 2006		1,620,849	1,743,168	1,731,460	1,683,359	1,631,754	8,410,590

**9.2.4 CHONGQING CHANGAN AUTOMOBILE CO., LTD.**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

All amounts in Renminbi (“RMB”)

	Note	Year ended 31 December	
		2006	2005
		RMB'000	RMB'000
<b>Cash flows from operating activities</b>			
<b>Cash generated from operations</b>		2,206,213	1,412,264
Income tax paid		(92,362)	(50,372)
Net cash generated from operating activities		2,113,851	1,361,892
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		48,686	10,805
Proceeds from disposal of lease prepayments		-	432
Decrease in held-to-maturity investments		-	172,432
Proceeds from disposal of subsidiaries		6,025	-
Proceeds from disposal of available-for-sale financial assets		200	-
Dividends received from associates		180,276	-
Investment income from available-for-sales financial assets		13	-
Investment income from financial assets		-	4,542
Government grants		-	9,039
Interest received		56,484	65,127
Sub-total of cash inflow		291,684	262,377
Purchase of property, plant and equipment		(2,868,923)	(1,677,950)
Increase of lease prepayments		(26,232)	(65,400)
Purchase of intangible assets		(28,475)	(12,547)
Purchase of long-term deferred assets		(12,977)	(2,619)
Purchase of available-for-sale financial assets		(2,500)	(80,000)
Purchase of subsidiary's shares from minority shareholders		(23,372)	(2,500)
Acquisition of subsidiaries, net of cash acquired		160,837	-
Considerations paid for share reform of associate		(142,568)	-
Sub-total of cash outflow		(2,944,210)	(1,841,016)
Net cash used in investing activities		(2,652,526)	(1,578,639)

**CHONGQING CHANGAN AUTOMOBILE CO., LTD.**  
**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

All amounts in Renminbi ("RMB")

	Note	Year ended 31 December	
		2006	2005
		RMB'000	RMB'000
<b>Cash flows from financing activities</b>			
Contribution from minority shareholders		-	300
Proceeds received from issuance of bonds		498,040	-
Proceeds from borrowings		2,542,650	1,772,766
Decrease in restricted cash		-	71,302
Sub-total of cash inflow		3,040,690	1,844,368
Repayment of borrowings		(1,647,220)	(1,474,054)
Interest paid		(145,200)	(74,353)
Dividends paid to shareholders		(97,251)	(518,672)
Dividends paid to minority shareholders of subsidiaries		(4,127)	(6,000)
Increase in restricted cash		(116,895)	-
Sub-total of cash outflow		(2,010,693)	(2,073,079)
Net cash generated from/(used in) financing activities		1,029,997	(228,711)
<b>Net increase/(decrease) in cash and cash equivalents</b>		491,322	(445,458)
<b>Cash and cash equivalents at beginning of year</b>		3,699,577	4,145,035
<b>Cash and cash equivalents at end of year</b>		4,190,899	3,699,577

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

**9.6 Table for Equity Difference under Old and New IFRS**

Applicable  Not Applicable