

**Chongqing Changan Automobile  
Company Limited**

Semi-annual report 2009

## I. Important notes, Explanation and Catalogue

### i. Important Notes

The Board of Directors & Supervisors of Chongqing Changan Automobile Co., Ltd. (hereinafter referred to as “the Company”), the directors, supervisors and senior management guarantee that the information contained in the 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.

No director, supervisor or senior management have raised any disagreement with regard to the truthfulness, accuracy and completeness of the semi-annual report.

Directors Mr. Deng Zhiyou were absent due to business, Mr. Deng Zhiyou entrust Director Mr. Wang Xiaoxiang to participate the meeting and take a vote.

The financial report in this reporting period is unaudited.

Chairman Mr. Xu Liuping, General Manager Mr. Zhang Baolin, Chief Accountant Mr. Cui Yunjiang, and the Chief of Accountant department, Mr. Ni Erke, herein guarantee: the truthfulness and completeness of the financial statements of this semi-annual report.

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## II. General Introduction of the Company

1. The Company's legal Chinese name: 重庆长安汽车股份有限公司

The Company's legal English name: Chongqing Changan Automobile Company Limited

2. Place of listing: Shenzhen Stock Exchange

Abbreviated name of the stock: Changan Automobile Changan B

Stock Code: 000625 200625

3. Registered address: No. 260, Jian Xin East Road, Jiang Bei District, Chongqing

Post code: 400023

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@changan.com.cn](mailto:cazqc@changan.com.cn)

4. Legal representative of the Company: Mr. Xu Liuping

5. Secretaries of the Board: Mr. Cui Yunjiang, Ms. Li Jun

Address: No. 260, Jian Xin East Road, Jiang Bei District, Chongqing

Telephone: (023) 67594009

Fax: (023) 67866055

Email address: [cazqc@changan.com.cn](mailto:cazqc@changan.com.cn)

6. Publications for information disclosure of the Company: *China Securities*, *Securities Times* and *Hong Kong Commercial Daily*

Website for information disclosure of the Company: <http://www.cninfo.com.cn>

Filing Location of Semiannual Report: Office of the Board of Directors

7. Key accounting data and financial indicators

Unit: (RMB) Yuan

	This reporting period end as on 30 June 2009	Last reporting period end as on 31 December 2008	Increase/Decrease (%)
Total assets	18,552,799,327	15,367,824,845	20.72%
Owner's equity(or shareholder's equity)	8,071,964,540	7,596,524,813	6.26%

share capital	2,334,022,848	2,334,022,848	0.00%
Net assets per share	3.46	3.25	6.46%
	Reporting period (January-June)	Corresponding period of previous year	Increase/Decrease (%)
operation total income	11,282,706,557	7,879,649,185	43.19%
Operation profit	499,571,315	445,547,520	12.13%
Gross profit	498,132,565	442,569,289	12.55%
Net profit of shareholder	532,801,780	450,187,557	18.35%
Net profit except non-recurring loss and profit	534,211,783	453,916,815	17.69%
Basic earnings per share	0.23	0.19	21.05%
Diluted earning per share	0.23	0.19	21.05%
Return rate on net assets	6.60%	5.93%	0.67%
Net cash flow from operating activities	1,303,517,504	-109,701,368	1288.24%
Net cash flow from operating activities per share	0.56	-0.05	1288.24%

Note: deduction from non-recurring profit and loss project and cash

Non-recurring profit and loss project	Amount
Profit and loss arising from the disposal of non-current assets	-839,063
Government grants	2,041,200
Donation expenditure on public welfare	859,303
The other	-2,640,886
Non-recurring profit and loss effect on income tax	-201,271
Net effect on the non-recurring profit and loss attributable to minority shareholders	-629,286
total	-1,410,003

#### 8. Net asset profit rate and profit index per share

Profit in the reporting period	Net asset profit rate		Profit per share (yuan per share)	
	Apportion	Average	Basic profit per share	Diluted profit per share
Net profit attributed to listed company shareholders	6.60%	6.78%	0.23	0.23
Net profit attributed to listed company shareholder except non-recurring loss and profit	6.62%	6.79%	0.23	0.23

#### 9. Reconciliation of the net profits presented under the PRC accounting standards and International Financial Reporting Standards

Unit: (RMB) Yuan

Account report difference adjustment chart	Jun. 30, 2009	Jan.—Jun., 2009
	net assest	net profit
Account report according to the enterprise accounting rule and system under the P.R.C.	8,071,964,540	532,801,780
Adjustment in accordance with international accounting rules		

1. Corporation income tax reduction on the basis of purchasing domestic equipments	-92,268,223	5,119,725
2. Payment in cash price to shareholders of A share	-71,284,065	
Workout accountant report according to the international finance report rules	7,908,412,252	537,921,505

### III. Change in shareholdings and information about main shareholders

#### i Change in shareholdings

	Balance before current change		Addition and deduction (+, -) during change				Balance after current change		
	Quantity	Ratio	Additional issued	Bonus share	Transferred from accumulated fund	other	subtotal	quantity	ratio
I .Non-circulated shares	946,403,112	40.55%				-116,698,747	-116,698,747	829,704,365	35.55%
1、 State-owned shares									
2、 State-owned legal person shares	946,386,346	40.55%				-116,701,142	-116,701,142	829,685,204	35.55%
3、 Other domestic holding shares									
including: domestic non-state legal person shares									
Domestic natural person shares									
4、 Foreign-hold shares									
including: foreign legal person shares									
foreign natural person shares									
5、 share of senior management	16,766	0.00%				2,395	2,395	19,161	0.00%
II .Circulated shares	1,387,619,736	59.45%				111,241,314	111,241,314	1,498,861,050	64.22%
1、 Domestic listed RMB shares	782,819,736	33.54%				116,698,747	116,698,747	899,518,483	38.54%
2、 Domestic listed foreign shares	604,800,000	25.91%				-5,457,433	-5,457,433	599,342,567	25.68%
3、 Oversea listed foreign shares									
4、 Others									
III .Stock share(B share)						5,457,433	5,457,433	5,457,433	0.23%
IV.Total shares	2,334,022,848	100.00%						2,334,022,848	100.00%

Note

(1) During the reporting period, the Company's non-circulated shares decreased and the circulated shares increased because non-circulated shares are released from on-circulation.

(2) According to the second temporary shareholder meeting held on 3, Mar, 2009 agreed proposal of re-purchase some inner listing foreign capital share(B share), by the end of 30, June, 2009, Company accumulative re-purchase B share is 5,457,433 share, to occupy

the total share percentage is 0.2338%, at present it is not transact the re-purchase share cancel procedure due to the re-purchase proposal is not finished.

ii. The information on top 10 shareholders

Unit: share

Total shareholders number	Persons in total 255,492, among of which A shareholder is 217,497, B shareholder is 37,995.				
<b>The top ten shareholders</b>					
Name of shareholders	Nature of Shareholders	Ratio of total share	Total number of shares	Total number of non-circulated shares	Pledged/ Frozen shares number
China South Automobile Co., Ltd	State-owned legal person	45.55%	1,063,087,489	829,685,204	0
BONJOUR CHINA FUND 2	Foreign legal person	1.23%	28,772,296	0	0
HOLY TIME GROUP LIMITED	Foreign legal person	0.44%	10,300,000	0	0
MANULIFE GLOBAL FUND	Foreign legal person	0.40%	9,309,933	0	0
ICBC-Nuoan Apprapiation stock securities fund	Domestic non-state legal person	0.34%	8,000,000	0	0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.31%	7,330,413	0	0
ICBC-Rongtong Shenzhen securities 100 index fund	Domestic non-state legal pe	0.30%	7,115,615	0	0
JPMBSA RE FTIF TEMPLETON CHINA FUND GTI 5497	Foreign legal person	0.26%	5,977,900	0	0
TEMPLETON DRAGON FUND,INC.	Foreign legal person	0.23%	5,435,602	0	0
Naito Securities Co., Ltd.	Foreign legal person	0.22%	5,234,455	0	0
<b>The top 10 holders of circulated shares</b>					
Name of shareholders	Total number of circulated shares		Share type		
China South Automobile Co., Ltd	233,402,285		RMB ordinary share		
BONJOUR CHINA FUND 2	28,772,296		Foreign capital stock listed within China		
HOLY TIME GROUP LIMITED	10,300,000		Foreign capital stock listed within China		
MANULIFE GLOBAL FUND	9,309,933		Foreign capital stock listed within China		
ICBC-Nuoan Apprapiation stock securities fund	8,000,000		RMB ordinary share		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	7,330,413		Foreign capital stock listed within China		
ICBC-Rongtong Shenzhen securities 100 index fund	7,115,615		ordinary share		
JPMBSA RE FTIF TEMPLETON CHINA FUND GTI 5497	5,977,900		Foreign capital stock listed within China		
TEMPLETON DRAGON FUND,INC.	5,435,602		Foreign capital stock listed within China		
Naito Securities Co., Ltd.	5,234,455		Foreign capital stock listed within China		
Related partner relationship of the ten largest shareholders and their consistant act	Among the top ten shareholders, the state-owned legal person shareholder-China South Industries Automobile Co., Ltd. has no associated relationship with the other shareholders in the table above, and nor is the party who agrees to act alike as stipulated in <i>Administrative Measures on Information Disclosure Concerning Changes in</i>				

	<i>Shareholdings of Listed Companies</i> ; the Company does not know whether there is associated relationship among the other shareholders, and nor knows whether they are the parties who agree to act alike as stipulated in <i>Administrative Measures on Information Disclosure Concerning Changes in Shareholdings of Listed Companies</i> .
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iii. The top 10 holders of non-circulated shares and condition of limited sale

unit: Share

N o.	Name of shareholder with the condition of limited sale	The number of shares with the condition of limited sale	Available time for listing and transaction	The number of the newly added stock available for listing an	conditions of limited sale
1	China South Automobile Co., Ltd	1,063,087,489	May 26,2008	116,701,143	The non-circulating shares 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, its shareholders can sell the share through listing in Stock exchange. The number of share for sale should not be more than 5% of the total within 12 months and not more than 10% of the total within 24 months.
			May 11,2009	116,701,142	
			May 11,2010	829,685,204	

iv. Change of controlling shareholder and actual controllers.

During the report period, there's no change in controlling shareholder and actual controllers.

The other item: on 5th ,July,2009, Company received the notice from control shareholder China South Motor Co.ltd: through approved by State Administration for Industry and Commerce of the P.R.c, the name of "China South Motor Co.LTD" changed into "China Changan Auto.CO.LTD", after change the name, the character of company,ownership, control share percentage and control relationship never been changed.



#### **IV Information on Directors, Supervisors and Senior Executives**

i During the report period, there's no change in shareholding for directors, supervisors and senior executives.

ii .In the report period, there are new employment or dismiss in directors, supervisors and senior executives.

(一) Through a vote-taking and common agreement on the 23rd meeting of the fourth-session Board of Director's on January 6th 2009, pass the proposal of following directors, supervisors and senior executives.

##### **1、 The proposal of change directors**

According to the opinion of big shareholder of company, Mr Yin Jiaxue was no longer the director due to the work arrangement , elect Mr.Zhu Huarong as the director.

##### **2、 The proposal of elect chairman**

According to the opinion of big shareholder of Company, Mr Mr Yin Jiaxu was no longer the director and chairman due to the work arrangement, elect Mr.Xu Liuping as the chairman

##### **3、 The proposal of senior executives**

Mr.Wang Chongsheng, Mr.Zou Wenchao,Mr.Majun and Mr.Wu Xuesong were appointed as the senior vice general manager of company,Mr.Zhang Zhao was no longer the vice general manger.

(二) Through a vote-take and common agreement on the 1<sup>st</sup> temporary shareholder conference, elect Mr.Zhu Huarong as the director of Company.

##### **(三) General election of directors ,supervisors**

##### **1、 General election of directors of board**

The term of member of forth directors of board at the expiration, (2006.05-2009.05) according to the nomination of big shareholder of Company, throught the agreement of 25<sup>th</sup> conference of fourth session Board of Director on 23, Apr.2009,choose Mr.Xu Liuping,Mr.Deng Zhiyou, Mr.Zhao Luchuan,Mr.Wang Xiaoxiang,Mr.Zhao Baolin, Mr.Cui Yunjiang, Mr.Wang Chongsheng,Mr.Ma Jun, Mr.Zou Wenchao, Mr.Zhu Huarong as the directors candidate of fifths session Board of Director; while, Board of Director nominated Mr.Ouyang Minggao, Mr.Dong Yang, Mr.Chen

Chong, Mr.Wang Zhixiong, Mr.Peng Shaobing as the independent directors candidate of fifth session Board of Directors

## 2、 General election of board of supervisors

The fourth session supervisors of Company is at the expiration(2006.05-2009.05), according to the big shareholder nominated, through the agreement of 25<sup>th</sup> conference of fourth session board of supervisors on 23, Apr.2009, choose Mr. Liu Zhiyan, Mr.Caiyong, Mr.Fu Liping and Ms.Zhang Jingjing as the the directors candidate of fifth session supervisors; According to the recommend of employees representative conference, the employee supervisors of fifth session board of supervisors are: Mr.Shen Mingquan, Mr.Hua Zhanbiao and Ms.Wang Lijun.

All above proposal of fifth session BOD , board of supervisors delivered and approved by 2008 year shareholder meeting on 15, May, 2009.

(四) The following proposal has been approved on the fifth session BOD on 19, May, 2009

### 1、 Concerning the proposal of chairman of fifth session BOD

According the recommend opinion of big shareholder , BOD choose Mr.Xu Liuping as the chairman of fifth session BOD

### 2、 Concerning proposal of appointed senior manager and secretary of BOD

Through Chairman nomination, BOD appointed Mr.Zhang Baolin as the General Manger of Company.

Through General manger nomination, BOD appointed Mr.Wang Chongsheng, Mr.Cui Yunjiang, Mr. Zou Wenchao, Mr.Ma Jun, Mr.Ying Zhanwang, Mr.Zhu Huarong, Mr, Hang Zhongqiang, Mr.Ren Qiang, Mr.Song Jia, Mr.Luo Minggang, Mr.Wu Xuesong as the Vice General manger.

Due to the demands of business, BOD appointed Mr.Cui Yunjiang and Ms. Li Jun as the secretary of BOD.

(五) Through agreement of first meeting of fifth session of board of supervisors on 19, May, 2009, Mr.Liu Zhiyai was appointed as the chairman of supervisors.

## v The Report from Board of Directors

### I The operation of the Company during the reporting period

#### (→)The main business of the company

The Company is mainly engaged in the development, manufacturing and sales of passenger cars and commercial cars while manufacturing and sales a lot of kind of engines. During the reporting period, a series of new cars put into market to meet the different demands by Changan an JV company, including Volvos S80 , New Fesita, 1.6Litre Mazada 3, Changan Yue Xiang ,1.6 Litre Zhi Xiang, 1.8Litre SX4 Passenger Car. In the future, Company will engage in the development of the small displacement produce which more safety, save energy, environment protection

#### (→)The operation of the Company during the reporting period

In the first half year of 2009, facing the continuously influence of global finance crisis , leading by the business , fully use the policy and chance of State expands inner consume demands and<<Automobile industry adjustment and rejuvenation planning>>, change the risk into chance, economic scale and business quality significantly increase.

In the first half year, Company sales cars 660,219 unit breaking down sales record, comparing with last same period increasing 34.80%, higher than automobile industry increasing rate17.69%( 17.11% higher), sales volume is continuously No.4 of China automobile industry, in China market, Company gained the 11.13% market share, increasing 1.36% comparing with last same period.(data from <<fast news of produce and sale>> of CAIA)

The reason of increasing sales volume is because of the chance of industry policy, industry increase and Company make great efforts of products optimize, structure adjustment and strengthen sales .

### II Company's operation harvest and finace status during the reporting period

#### (→)Chart of the industry or main products that account for over 10%

Unit: (RMB) Yuan

The Line of Main Business			
Industry/Product	Revenue	Operation Cost	Gross Margin Ratio (%)

	sum	Increase/ Decrease than last year	sum	Increase/ Decrease than last year	precentage	Increase/ Decrease than last year
Automobile Manufacture	11,282,706,557	43.19%	9,003,091,851	37.34%	20.20%	increase 3.4%
The Line of Main Business						
complete vehicle	10,880,132,187	46.45%	8,693,844,062	39.04%	20.09%	increase 4.26%
other	402,574,370	-10.60%	309,247,789	2.24%	23.18%	Decrease 9.65%

(二) Notes for the significant change in profit components, main business or its structure and profit in the main business during the report period

In the first half year, profit structural has been great change. Local brand passenger car realized the profit 23,000 ten thousand Yuan due to the continuously cost control and produce structural optimize, it occupied the whole profit is 43%.

(三) The share holding corporation whose investment income reach over 10% (including 10%) of the Company's net profit

Unit: RMB Ten Thousand Yuan

Corporation name	Main product	Revenue	Net profit
Changan Ford Mazda Corporation	Mondeo, Focus, New fiesta ,Mazda 3, Mazda 2, SMAX and Volvo S40 and S80 sedan	1,638,079	62,550

#### (四) Operation Result and Financial Analysis

Due to the expansion the produce and sale, by the end of reporting period, the total asset of Company is 185.53 hundred million, compareing with beginning of this year increasing 20.72%,. Total liability 103.64 hundred million, compareing with beginning of this year increasing 35.32%, liability rate is 55.86%, it is in the reasonable status. Currency capital is 15.39%, higher 4.82% than the beginning of this year, receiveable note receivable is 22.53%, higher 9.94% than the beginning of this year, stock is 6.75%, decreased4.07% than the beginning of this year, fixed asset is 17.79%, decreased 1% than the beginning of this year, total asset structural is more reasonable.

In the fist half year of 2009, Company realize the cash and cash equivalent increase 12.32 hundred million, increasing 65.78% comparing with last same period, among

which the cash flow net is 13.04 hundred million, increasing 1288.24% comparing with last same period, increasing the cash and cash equivalent comes from business, express the great change of Company business.

### III The problems ,troubles and solutions of operation

The State macro economy is better but it is not stabilization since this year, automobile industry is resuscitate however is faced a lot of incertitude, the disbenefit influence of global finance crisis is not completely letdown, this is big challenge of Company business. Under the economic fluctuation, the produce capability of Company express bottle-neck,espically mini vehicle produce capability can not meet the demands of market so that loss part chance and part market, industry competition is more excited, new competitor is coming, all these make high pressure of Company business.

In order to keep the steady increase, the most important work of next half year of Company are: the first is try best to build the strategy research and management system which is suitable with the first class automobile company in the world, the second is kept 11% market percentage, try to realize higher breach. The third is promotion the produce capability to avoid the bottle –neck. The fourth is collect resource to rapid promote the new produce research. The fifth is continuously reduce cost.

### IV Investment of the company during the reporting period

(一) No usage information on raised money is available during the reporting period

(二) Usage information on non-raised money during the reporting period was as follows (Unit:

RMB ten thousand Yuan):

NO.	Investment project	Invested capital in Reporting period	Schedule	Anticipated profit
1	Vehicle project	24,790.09	Under construction	Included in the total profit of the Company
2	Engine project	24,760.93	Under construction	
3	Technical center	3,035.46	Under construction	
4	Others	6,602.63	Under construction	
	Total	59,189.10		

## **VI. Important Issues**

### **I . Corporate Governance**

The Company has been strictly complying with the relevant laws and regulations, including the Company Law, the Securities Law, the Regulations for the Governance of Listed Companies, the Regulations for Information Disclosure of Listed Companies, the Regulations for Stock Listing in Shenzhen stock exchange, the Guidelines for Internal Control Listed Companies' in Shenzhen stock exchange and continuously improving the corporate governance structure of the Company, adopting modern best practices and standardizing the management and operations of the Company. The Company drew up and executed a series of disciplines, including Articles of Association, Regulations on Shareholders' general meeting, Regulations on Board of Directors, Regulations on Board of Supervisors, Regulations on Guarantee, Management Regulations on Investment Relationship and regulations on Information Disclose.

In the report period, the company will continue to promote corporate governance, to further improve the internal control system, to strengthen the management of related party transactions, to raise the level of normal operation of the company, and effectively protect the interests of small and medium-sized shareholders and promote rapid and healthy development of the company. The actual conditions of the Company's corporate governance do not differ substantially from those stipulated by the regulations on corporate governance of listed companies issued by China Securities Regulatory Commission.

II.The implementation situation of the annual distribution of profits in 2008 and the semi-annual distribution plan of profits in 2009

#### **1.The implementation situation of the annual distribution of profits in 2008**

The profit distribution plan of 2008 is made in the company's 2008 annual shareholders' meeting which was held on May 15th, 2009.The plan is as follow: The basis of total shares 2,334,022,848 at the end of 2008, donating 10 shares, giving interest 0.18 RMB. A share interest rights registration date is 16th Jun.2009, Ex. Right and ex. dividend date is 17th Jun.2009. B share final dealing date is 16th Jun.2009, ex dividend date is 17th Jun.2009, registry date is 19th Jun.2009.

2. The semi-annual distribution plan of profits in 2009: non-distributed and no transformation from provident fund to stock shares

3. In the report period, the company did not implement the equity incentive program

III. In the report period, the company did not have any significant litigation and arbitration matters

IV. In the report period, the company did not have any significant matters related of the acquisitions, sale and restructuring of the asset.

V. Significant related party transactions issues

### 1. Related party transactions execution regarding to the daily operation

In the period, the company's transaction issues related to the daily operation such as, the transaction parties, the transaction content, the pricing basis and the transaction price etc. has been published in <China Security>, <Security Times> and <Hong Kong Business Express> on May, 16th, 2009, according to the pre-arranged plan approved in the 2008 annual shareholders' meeting. Until the end of this report period, related parties purchasing volume amounted to 1,964,100,000 RMB, sales volume amounted to 1,919,470,000 RMB, general service volume amounted to 138,720,000 RMB, respectively accounted for 74.72%, 62.98%, and 70.75% of the predicted total volume of 2009.

In the first half year, the performance of the Company exceeds the expectation. The content of related-party transaction fulfils the estimation.

The transaction content has no significant change compared to the predicted one.

2. During the reporting period, significant related party transactions issues, see the financial report noted as transaction parties' relationship and the transactions

## VI. Major contracts and their fulfillment

1. There were no major entrustment, contracting by the Company of the assets of other companies and there were no major entrustment, contracting of the Company's assets by other companies. The lease of the assets of other companies by the Company and lease of the assets of the Company was shown as follows:

According to the production needs, the Company rented the office building of Changan Automobile Group Company, the total area is 4,560 square meters, the monthly rental is RMB 40 per sq. m., the remaining building is 34,147 square meters and monthly rental is RMB 35 per sq. m. The Company rented land of CAC of 405,152 square meters, monthly rental is RMB 33 per sq. m. The Company rented the production and office buildings of Cuntan Distribution Centre of Changan Automobile Group Company, the area is 3,523.99 square meters and monthly rental is RMB 35 per sq. m. The Company rented the Da Shiba production and office buildings of Changan Automobile Group Company, the area is 4,863 square meters and monthly rental is RMB 33 per sq. m. The Company rented the land of Cuntan of Changan Automobile Group Company, the area is 216,005 square meters and monthly rental is RMB 15 per sq. m. The Company rented land of Changan Real Estate Company, the area is 5,400 square meters, monthly rental is RMB 48 per sq. m. Changan Sales Company rented land of Changan Real Estate Company, the area is 1,800 square meters, monthly rental is RMB 48 per sq. m. CAC rented the offices of 5th, 8th, 9th and 10th floors of the Science and Technology Building of the Company due to office needs, the area is 9,056 square meters and monthly rental is RMB 40 per sq. m. The rent term lasts till the end of June, 2009.

### 2. Major guarantee

In order to support the development of the dealers, better make use of the financial tools offered by the banks, expand the financing channels, strengthen the ability of the dealers and promote the sales of the Company, the company signs *the Auto Sales Finance*

*Service Network Protocol* with China Everbright Bank, Citic Bank and Agriculture Bank. The banks mentioned above grant the company with stated credit ability amounted to 2.95 billion RMB that is used only for opening accepted document for the dealers. In order to promote the sales of Hebei Changan and Nanjing Changan, the company authorizes Hebei Changan and Nanjing Changan to use part of the credit ability. The dealers of Hebei Changan and Nanjing Changan can use the acceptance opened under the protocol mentioned above to buy the vehicles of Hebei Changan and Nanjing Changan. When the acceptance period expire, if the dealers of Hebei Changan or Nanjing Changan cannot hand in the amount of money got from the bank, the company will buy the vehicles according to the repurchase price and deposit enough money to the designated account of the bank in time. Hebei Changan and Nanjing Changan promise that if they should take the re-purchase responsibility under the protocol, they would hand the amount of money the company deposit to designated account of the bank within three days and deal with the problems arising from the delay.

The amount of credit ability used by Hebei Changan and Nanjing Changan: during the reporting period, the dealers of Hebei Changan drawn RMB 912 million bank acceptance; the dealers of Nanjing Changan drawn RMB 432 million bank acceptance. By the end of the reporting period, the unsettled acceptance of the Hebei Changan's dealers is RMB 585 million while that of Nanjing's dealers is RMB 292 million.

### 3. Asset entrustment matters

During the reporting period, except for the loan-related entrustment issues, there is no entrustment of cash management occurred in the reporting period or one, which occurred in the previous years and last in the reporting period.

According to the board meeting of Hebei Changan held on Nov,3rd, 2007, as the principal, issued entrusted loans of 23.5 million RMB to Lishui state-owned asset management (holdings) limited through the Lishui branch of Bank of China. The three parties signed the entrustment contract on Nov, 28th, 2007, the contract period is 24 months, interest was accounted from Nov, 29th, 2007 and the annual rate of the entrustment loan is 7.2%.

## VII. Commitment

Commitment of the controlling shareholder (China South Industries Motor) in the non-tradable shares reform:

1. Comply with laws, rules and regulations, and perform legal duty of commitment.
2. Since the non-circulated shares are entitled to be circulated, they can't be dealt 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.
3. After the reform of non-tradable shares, perform the scheme of incentive share awards for the management according to government regulation.



VIII. Share status held by the Company in other listed companies, unlisted financial firms and the companies planning to list

1. By the end of the reporting period, the Company held 5.33% shares of Weaponry Equipment Group Accounting Ltd, with initial capital cost RMB80 million and book value RMB80 million.

2. In the end of reporting period, the Company held 17.75 million shares, which accounted for 0.932% shares of the whole shares of South-western Securities Co., Ltd., the sales period is during the 36 months since February 17, 2009. According to the requirement of Chongqing municipal government on the Southwest Securities' reform and recombination, the Company signed Share Entrustment Agreement with Chongqing Yufu Asset Management Co. Ltd that is a state-owned company under the Chongqing municipal government, entrusting Chongqing Yufu Asset Management Co. Ltd to manage the shares held by Changan in Southwest Securities.

IX. The independent directors' special notes and independent advices towards the funds transaction between the related parties and external security issue

The company's five independent directors, Mr. Ouyang Gaoming, Mr. Dong Yang, Mr. Chen Zhong Mr. Wang Zhixiong and Mr. Peng Shaobing have given some special advices towards the funds transaction between the related parties and external guarantee as follow issue related to the issues mentioned above according to the specified regulation made by the China Securities such as, Norms of Financial Transactions and External Security Notice With Related Parties and Listed Companies ([2003]56); Norms of Listed Company's External Security ([2005]120); Advisory Norm of Establishing Independent Director Regulation in Listed Company and Governance Notice of Listed Company, their advices are as follow:

1. The company has strictly controlled the external security risk and has no law-violated security matter during the reporting period.

2. During the reporting period, all the transaction funds between the related parties are related to the normal operational funds. There's no shareholder or subsidiary that has held the company's fund.

X. The Semi-Annual financial report of 2009 is unaudited

XI. Other important issues

1. During the reporting period, the company and its directors, supervisors, senior management, the actual controller is not subject to the right authorities or judicial discipline inspection departments to investigate, or be held criminally responsible by the china securities regulatory commission for inappropriate candidates, or got punishment from other administrative departments and stock exchange.

2. According to the company's second provisional shareholders' meeting held on March 3, 2009, the company decided to buy back part of the general domestic listed

foreign shares (b shares) .During the reporting period, the company has completed all the examination and approval procedures towards the repurchase of b shares. On June 23, the company's nominated information disclosure media published the B share repurchase report, which announced the repurchase program into effect. Till June 30, 2009, the company has accumulatively bought back a total volume of b shares of 5,457,433 shares, accounting for 0.2338% of the company's total capital ratio.

### 3.The research and interview reception during the reporting period

During the reporting period, the Company received the research and production line visit from domestic and overseas fund management company, Securities Company, investment institute and so on. During the communication with the investors, related personnel of the company strictly followed the regulation of Shenzhen Stock and Exchange's instruction for Information Fair Release for Listed Companies and Investors Relationship Management System of the company, did not selectively or privately release, reveal or disclose non-published important information to special persons or companies, guaranteeing the fairness of information release.

#### Registration form of research, communication and interview reception etc. during the reporting period

Date	Location	manner	Reception object	Content discussed and material offered
Jan. 16, 2009	conference room of the Company	field research	UBS	Industry development and Company business situation
Feb. 16, 2009	conference room of the Company	field research	GF Securities	Industry development and Company business situation
Feb. 20, 2009	conference room of the Company	field research	Ziff Brothers Investments	Industry development and Company business situation
Feb. 23, 2009	conference room of the Company	field research	UBS Securities Company Limited	Industry development and Company business situation
Feb. 23, 2009	conference room of the Company	field research	Marsico Capital Management	Industry development and Company business situation
Mar. 03, 2009	conference room of the Company	field research	citic securities, etc.	Industry development and Company business situation
Mar. 04, 2009	conference room of the Company	field research	Piperjaffray Asia	Industry development and Company business situation
Mar. 04, 2009	conference room of the Company	field research field research	Ping An securities	Industry development and Company business situation
Mar. 12, 2009	conference room of the Company	field research	united securities; Fortune SGAM Fund Management CO.LTD; AIG-Huatai Fund Management Co., Ltd	Industry development and Company business situation
Mar. 17, 2009	conference room of the Company	field research	Blackstone Fund Management Company	Industry development and Company business situation
Mar. 18, 2009	conference room of the Company	field research	Goldman Sachs	Industry development and Company business situation
Mar. 25, 2009	conference room of the Company	field research	Marvin & Palmer	Industry development and Company business situation

Apr. 16, 2009	conference room of the Company	field research	SMC China Fund	Industry development and Company business situation
May. 06, 2009	conference room of the Company	field research	Geosphere Fund Management Company	Industry development and Company business situation
May. 13, 2009	conference room of the Company	field research	Capital International	Industry development and Company business situation
May. 15, 2009	conference room of the Company	field research	Haitong Securities; CICC; China Merchants Securities; Shenyin & Wanguo Securities; Orient Securities Company; GF Fund Management CO.LTD; Fullgoal Fund Management Co., Ltd; BOC International; Huaxia Funds; China Universal Asset Management; Evergreen Funds; Guotai Junan Allianz; ABC-CA Fund Management Co., Ltd	Industry development and Company business situation
June. 09, 2009	conference room of the Company	field research	PengHua Management Co., Ltd	Industry development and Company business situation
June.15, 2009	conference room of the Company	field research	South Korea Shinhan Securities	Industry development and Company business situation
June.30, 2009	conference room of the Company	field research	Guosen Securities; Wanlian Securities Company Limited	Industry development and Company business situation

#### 4. Other Information Notice Index

The company's notice is published in China Securities, Securities Times and Hongkong Commercial Newspaper, the online disclosure address is <http://www.cninfo.com.cn>

1. Suspension progress notice of the significant unprecedented matters published on Jan 5th, 2009; Notice No.: 2009-1

2. The production and sales express of Dec, 2008 published on Jan 6th, 2009; Notice No.: 2009-2

3. The 23rd meeting decision of the fourth board meeting published on Jan 7th, 2009. Notice No: 2009-3; 2009-4.

4. suspension progress notice of the significant unprecedented matters published on Jan 12th, 2009; Notice No.: 2009-5

5. Suspension progress notice of the significant unprecedented matters published on Jan 19th, 2009; Notice No.: 2009-6

6. The first shareholder meeting; 2008 progress report and suspension progress notice of the significant unprecedented matters published on Jan 23rd,; Notice No.: 2009. 2009-7、2009-8、2009-9。

7. suspension progress notice of the significant unprecedented matters and the production and sales express of Jan, 2009 published on Feb, 9th, 2009; Notice No.: 2009-10、2009-11

8. The 24th meeting decision of the fourth board meeting published on Feb 16th, 2009; Notice No.: 2009-12、 2009-13。
9. Notice of the unusual fluctuations on stock published on Feb 18th, 2009. Notice No.: 2009-14
10. Notice of the unusual fluctuations on stock published on Feb 20th, 2009. Notice No.: 2009-15
11. Notice of the unusual fluctuations on stock published on Feb 25th, 2009. Notice No.: 2009-16
12. Verification notice of the unusual fluctuations on stock published on Feb 27th, 2009. Notice No.: 2009-17
13. The share holding situation of the top ten shareholders published on Feb 28th, 2009. Notice No.: 2009-18
14. The resolution of the second shareholders meeting of 2009 published on Mar 4th, 2009. Notice No.: 2009-19, Notice No.: 2009-20.
15. The production and sales express of Feb, 2009 published on Mar 5th, 2009; Notice No.: 2009-21
16. The production and sales express of Mar, 2009 published on Apr 4th, 2009; Notice No.: 2009-22
17. The 2008 year report, the 25th meeting resolution of the fourth board meeting published on Apr 25th, 2009. Notice No.: 2009-23、 2009-24、 2009-25、 2009-26、 2009-27.
18. The 1st quarter report of 2009 published on Apr 30th, 2009. Notice No.: 2009-28.
19. The production and sales express of Apr, 2009 published on May 6th, 2009; Notice No.: 2009-29.
20. The clarification notice of the board of directors published on May 7th, 2009. Notice No.: 2009-29.
21. The resolution notice of 2008 shareholders meeting published on May 16th, 2009. Notice No.: 2009-31.
22. The resolution of the 1st meeting of the 5th board meeting, the resolution of the 1st meeting of the 5th supervisor meeting published on May 20th, 2009. Notice No.: 2009-32.
23. The restriction notice of the share sale published on May 26th, 2009. Notice No.: 2009-33.
24. The Notice of important matters published on June 3rd, 2009; Notice No.: 2009-34.
25. The production and sales express of May, 2009 published on June 4th, 2009; Notice No.: 2009-35.
26. 2008 dividend notice published on June 9th, 2009. Notice No.: 2009-36.
- The notice of repurchasing B shares published on June 23rd, 2009. Notice No.: 2009-37.
28. The implementation situation of repurchasing B shares published on June 24th, 2009. Notice No.: 2009-38.

## VII. Financial Report (Unaudited)

i Financial statements

Chongqing Changan Automobile Company Limited

30, June 2009 Assets Balance Sheet

( Expressed in RMB Yuan )

Items	Note	At the end of term		Beginning of term	
		Consolidated	Parent company	Consolidated	Parent company
Current asset:					
Monetary fund	(V) 1	2,855,391,556	1,603,575,871	1,624,164,159	1,166,965,438
Notes receivable	(V) 2	4,179,934,482	3,086,707,648	1,934,083,075	1,257,028,330
Account receivable	(V) 3 (VI) 1	442,208,686	1,020,358,378	398,665,914	959,777,773
Prepayment	(V) 4	185,087,969	185,458,561	264,265,866	202,933,850
Other account receivable	(V) 3 (VI) 1	71,113,013	117,562,393	94,522,596	166,274,867
Inventories	(V) 5 (VI) 2	1,252,207,035	582,281,373	1,662,215,301	867,644,237
Other current asset		21,051		29,914	
Total of current asset		8,985,963,792	6,595,944,224	5,977,946,825	4,620,624,495
Non-current assets					
Long-term share equity investment	(V) 6 (VI) 3	4,329,480,308	5,241,006,419	4,556,089,383	5,459,914,322
Property investment		67,499,011		68,646,801	
Fixed assets	(V) 7 (VI) 4	3,299,728,961	2,792,799,839	3,333,111,102	2,805,942,755
Construction in process	(V) 8 (VI) 5	1,148,880,718	1,047,370,654	851,287,528	805,436,097
Engineering material		1,303,902	1,303,902	3,147,070	3,147,070
Fixed asset disposal		59,528			
Intangible assets	(V) 9	289,481,631	211,914,862	114,867,135	34,930,695
R&D expense	(V) 10	211,213,027	209,866,782	308,158,911	308,158,911
Goodwill		9,804,394		9,804,394	
Long-term prepaid expenses		3,464,839	1,350,600	5,232,238	1,440,640
Differed income tax asset	(V) 11	205,919,216	146,420,925	139,533,458	97,843,265
Total of non-current assets		9,566,835,535	9,652,033,983	9,389,878,020	9,516,813,755
Total of assets		18,552,799,327	16,247,978,207	15,367,824,845	14,137,438,250
Current liabilities					
Short-term loans	(V) 12	648,849,590	420,000,000	1,093,749,195	875,241,710
Trade off financial liabilities		8,914,105		9,773,408	
Notes payable	(V) 13	1,844,079,919	1,817,357,219	2,196,879,137	2,117,879,137
Account payable	(V) 14	4,859,034,583	2,918,827,962	2,275,651,448	1,327,279,901
Prepayment received	(V) 15	598,878,640	381,496,574	909,476,065	383,616,593
Employees' wage payable	(V) 16	156,153,616	129,049,447	110,874,454	85,737,760

Tax payable	(V) 17	178,440,458	199,830,801	58,456,823	138,292,989
Interest payable		1,477,000	910,000	1,200,000	1,200,000
Dividend payable		83,148		83,148	
Other account payable	(V) 18	334,164,389	229,648,334	367,301,503	259,745,444
Non-current liability due in 1 year		781,717,526	451,897,209	345,932,573	224,241,972
Other current liability					
Total of current liability		9,411,792,974	6,549,017,546	7,369,377,754	5,413,235,506
Non-current liabilities					
Long-term borrowings		542,000,000	400,000,000		
Special payable	(V) 20	53,378,615	53,378,615	37,939,993	37,939,993
Expected liabilities	(V) 19	319,473,031	201,338,567	213,392,485	156,363,111
Differed income tax liability					
Other non-recurring liabilities		37,501,362	25,735,362	38,493,000	26,727,000
Total of non-current liabilities		952,353,008	680,452,544	289,825,478	221,030,104
Total of liability		10,364,145,982	7,229,470,090	7,659,203,232	5,634,265,610
Owners' equity (or shareholders' equity)					
Practical capital collected (or share capital)		2,334,022,848	2,334,022,848	2,334,022,848	2,334,022,848
Capital reserves		1,500,338,576	1,676,606,317	1,499,260,948	1,675,528,689
Less: Shares in stock		17,600,394	17,600,394		
Surplus reserves		1,042,968,948	1,042,968,948	1,042,968,948	1,042,968,948
Common risk provision					
Attributable profit		3,212,234,562	3,982,510,398	2,720,272,069	3,450,652,155
Different of foreign currency translation					
Total of owner's equity belong to the parent company		8,071,964,540	9,018,508,117	7,596,524,813	8,503,172,640
Minor shareholders' equity		116,688,805		112,096,800	
Total of owners' equity		8,188,653,345	9,018,508,117	7,708,621,613	8,503,172,640
Total of liabilities and owners' equity		18,552,799,327	16,247,978,207	15,367,824,845	14,137,438,250

Legal representative: Mr. Xu Liuping Principal in Charge of Accountancy: Cui Yunjiang Chief Accountant: Ni Erke

Chongqing Changan Automobile Company Limited  
From January to June, 2009 PROFIT STATEMENT

(Expressed in RMB Yuan)

Items	Note	Current term		Same period last year	
		Consolidated	Parent company	Consolidated	Parent company
I. Total business income		11,282,706,557	7,459,190,468	7,879,649,185	5,192,654,188
Incl. Business income	(五) 21 (六) 6	11,282,706,557	7,459,190,468	7,879,649,185	5,192,654,188
II. Total business cost		11,121,641,200	7,276,568,173	8,048,947,687	5,233,141,323
Incl. Business cost	(五) 21 (六) 6	9,003,091,851	5,886,190,296	6,555,249,331	4,292,742,336
Business tax and surcharge	(五) 22	229,700,133	161,801,779	193,107,497	133,129,256
Sales expense		1,140,027,608	605,248,449	710,970,120	437,044,014
Administrative expense		531,940,775	425,752,699	431,036,001	362,161,377
Financial expenses	(五) 23	-1,309,678	-21,570,630	39,898,085	7,746,904
Asset impairment loss	(五) 24	218,190,512	219,145,580	118,686,653	317,436
Plus: Gains from change of fair value (“-“ for loss)		859,303			
Investment gain (“-“ for loss)		337,646,655	344,993,270	614,846,022	594,596,101
Incl. Investment gains from affiliates		330,792,097	330,792,097	599,092,097	598,854,649
Gains from currency exchange (“-“ for loss)					
III. Operational profit (“-“ for loss)		499,571,315	527,615,565	445,547,520	554,108,966
Plus: Non business income		5,865,036	2,584,498	7,659,498	6,762,704
Less: Non-business expenses		7,303,786	6,080,193	10,637,729	9,594,549
Incl. Loss from disposal of non-current assets		1,056,225	931,000	473,695	473,695
IV. Gross profit (“-“ for loss)		498,132,565	524,119,870	442,569,289	551,277,121
Less: Income tax expenses		-39,261,220	-48,577,661	-1,873,719	-13,361,396
V. Net profit (“-“ for net loss)		537,393,785	572,697,531	444,443,008	564,638,517
Net profit attributable to the owners of parent company		532,801,780	572,697,531	450,187,557	564,638,517
Minor shareholders' equity		4,592,005		-5,744,549	
VI. Earnings per share:					
(I) Basic earnings per share		0.23	0.25	0.19	0.24
(II) Diluted earnings per share		0.23	0.25	0.19	0.24
VII. Other comprehensive income		1,077,628	1,077,628	0	0

VIII.Total comprehensive income		538,471,414	573,775,160	444,443,008	564,638,517
Total comprehensive income to the owners of parent company		533,879,409	573,775,160	450,187,557	564,638,517
Minor shareholders' total comprehensive income to		4,592,005	0	-5,744,549	0

Legal representative: Mr. Xu Liuping Principal in Charge of Accountancy: Cui Yunjiang Chief Accountant: Ni Erke

Chongqing Changan Automobile Company Limited

From January to June, 2009

CASH FLOW STATEMENT

(Expressed in RMB Yuan)

Items	Current term		Same period last year	
	Consolidated	Parent company	Consolidated	Parent company
<b>I. Net cash flow from business operation</b>				
Cash received from sales of products and providing of services	6,908,062,228	5,067,535,402	4,854,185,996	3,548,503,015
Tax returned	25,630,623		61,007,583	5,820,000
Other cash received from business operation	131,239,164	89,819,373	97,899,914	20,723,078
Sub-total of cash inflow from business activities	7,064,932,015	5,157,354,775	5,013,093,493	3,575,046,093
Cash paid for purchasing of merchandise and services	3,882,824,504	3,178,516,505	3,602,435,593	2,534,106,130
Cash paid to staffs or paid for staffs	367,533,932	294,924,179	311,612,340	259,358,672
Taxes paid	764,791,755	516,319,520	497,879,063	341,574,768
Other cash paid for business activities	746,264,320	629,286,182	710,867,865	547,301,166
Sub-total of cash outflow from business activities	5,761,414,511	4,619,046,386	5,122,794,861	3,682,340,736
Cash flow generated by business operation, net	1,303,517,504	538,308,389	-109,701,368	-107,294,643
<b>II. Cash flow generated by investing</b>				
Cash received from investment retrieving			5,637,000	5,068,403
Cash received as investment gains	553,796,025	564,201,173	851,924,680	860,547,648
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	340,602	74,598	789,017	526,846
Net cash received from disposal of subsidiaries or other operational units				
Other investment-related cash received	90,000		13,124,422	
Sub-total of cash inflow due to investment activities	554,226,627	564,275,771	871,475,119	866,142,897
Cash paid for construction of fixed assets, intangible assets and other long-term assets	589,625,373	531,254,217	287,897,553	271,189,494
Cash paid as investment	1,896,370	1,896,370	716,980,800	754,462,600
Net increase of loan against pledge				
Net cash received from subsidiaries and other operational units				



Other cash paid for investment activities				
Sub-total of cash outflow due to investment activities	591,521,743	533,150,587	1,004,878,353	1,025,652,094
Net cash flow generated by investment	-37,295,116	31,125,184	-133,403,234	-159,509,197
III. Cash flow generated by financing				
Cash received as investment				
Incl. Cash received as investment from minor shareholders				
Cash received as loans	900,547,854	400,000,000	1,965,897,688	1,670,000,000
Cash received from bond placing				
Other financing-related cash received	2,286,219	626,297		
Subtotal of cash inflow from financing activities	902,834,073	400,626,297	1,965,897,688	1,670,000,000
Cash to repay debts	853,232,086	455,026,516	927,178,892	600,000,000
Cash paid as dividend, profit, or interests	63,486,017	60,664,990	52,397,491	50,270,017
Incl. Dividend and profit paid by subsidiaries to minor shareholders				
Other cash paid for financing activities	20,056,427	17,757,931		
Subtotal of cash outflow due to financing activities	936,774,530	533,449,437	979,576,383	650,270,017
Net cash flow generated by financing	-33,940,457	-132,823,140	986,321,305	1,019,729,983
IV. Influence of exchange rate alternation on cash and cash equivalents	-195,231			
V. Net increase of cash and cash equivalents	1,232,086,700	436,610,433	743,216,703	752,926,143
Plus: Balance of cash and cash equivalents at the beginning of term	1,614,390,751	1,166,965,438	1,583,706,500	1,169,325,053
VI. Balance of cash and cash equivalents at the end of term	2,846,477,451	1,603,575,871	2,326,923,203	1,922,251,196

Legal representative: Xu Liuping    Principal in Charge of Accountancy: Cui Yunjiang    Chief Accountant: Ni Erke

### Consolidated Statement of Change in Owners' Equity

Chongqing Changan Automobile Company Limited

30 June 2009 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Renminbi Yuan)

Item	current balance									
	Stockholders Equity of the holding company								minority interests	Total equity
	Paid-up capital(or stock)	capital surplus	less: stock unit	special reserve	Surplus reserves	General Risk Provisions	Undistributed profit	Others		
1. the end balance of last year	2,334,022,848	1,499,260,948			1,042,968,948		2,720,272,069		112,096,800	7,708,621,613
add: changes in accounting policies										
Corrections of Prior Period Errors										
Others										
2. The balance of early this year	2,334,022,848	1,499,260,948			1,042,968,948		2,720,272,069		112,096,800	7,708,621,613
3. changes in the amount of increase or decrease this year		1,077,628	17,600,394				491,962,493		4,592,005	480,031,732
1. net profit							532,801,780		4,592,005	537,393,785
2. the profit and loss directly goes to the shareholders		1,077,628								1,077,628
1. net changes in fair value of financial assets,available-for-sale										

2. The influence from other investment organization under the equity regulation									
3. The income tax effect related to the owner's equity issue									
4. Others		1,077,628							1,077,628
Total volume of item 1 and item 2 mentioned above		1,077,628				532,801,780		4,592,005	538,471,413
3.the investment and reduce capital of the owners			17,600,394						-17,600,394
1> the owners' investment capital									
2> share paid			17,600,394						-17,600,394
3> others									
4. profit distribution						-40,839,287			-40,839,287
1>Withdrawal legal surplus									
2> extraction for general risk									
3> the distribution towards to the owner (or shareholder)						-40,839,287			-40,839,287
4> others									
5. the internal carry-over of the owner's equity									
1>capital surplus to paid-in capital									
2> reserve capital to paid-in capital									

3> reserve to make up for losses										
4> others										
4、 current balance	2,334,022,848	1,500,338,576	17,600,394		1,042,968,948		3,212,234,562		116,688,805	8,188,653,345

Legal representative: Xu Liuping

Principal in Charge of Accountancy: Cui Yunjiang

Chief Accountant: Ni Erke

Chongqing Changan Automobile Company Limited

30 June 2009 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Renminbi Yuan)

Item	the amount of the previous year										
	Stockholders Equity of the holding company									minority interests	Total equity
	Paid-up capital(or stock)	capital surplus	less: stock unit	special reserve	Surplus reserves	General Risk Provisions	Undistributed profit	v			
1. the end balance of last year	1,945,019,040	1,889,189,593			1,018,281,748		2,720,578,308		114,647,251	7,687,715,940	
add: changes in accounting policies											
Corrections of Prior Period Errors											
Others											
2.The balance of early this year	1,945,019,040	1,889,189,593			1,018,281,748		2,720,578,308		114,647,251	7,687,715,940	
3. changes in the amount of increase or decrease this year	389,003,808	-389,928,645			24,687,200		-306,239		-2,550,452	20,905,672	
1.net profit							24,380,961		-6,449,900	17,931,061	
2. the profit and loss directly goes to the shareholders		-2,188,727								-2,188,727	
1. net changes in fair value of financial											

assets,available-for-sale										
2. The influence from other investment organization under the equity regulation		200,000								200,000
3. The income tax effect related to the owner's equity issue										
4. Others		-2,388,727								-2,388,727
Total volume of item 1 and item 2 mentioned above		-2,188,727					24,380,961	-6,449,900		15,742,334
3.the investment and reduce capital of the owners		1,263,890						6,506,108		7,769,998
1> the owners' investment capital								10,150,000		10,150,000
2> share paid		1,263,890						-3,643,892		-2,380,002
3> others										
4. profit distribution					24,687,200		-24,687,200	-2,606,660		-2,606,660
1>Withdrawal legal surplus					24,687,200		-24,687,200			
2> extraction for general risk										
3> the distribution towards to the owner (or shareholder0										
4> others								-2,606,660		-2,606,660
5. the internal carry-over of the owner's equity	389,003,808	-389,003,808								
1>capital surplus to paid-in capital	389,003,808	-389,003,808								

2> reserve capital to paid-in capital										
3> reserve to make up for losses										
4> others										
4、 current balance	2,334,022,848	1,499,260,948			1,042,968,948		2,720,272,069		112,096,799	7,708,621,612

Legal representative: Xu Liuping

Principal in Charge of Accountancy: Cui Yunjiang

Chief Accountant: Ni Erke

Statement of Change in Owners' Equity

Chongqing Changan Automobile Company Limited

30 June 2009 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Renminbi Yuan)

Item	current balance						
	Stockholders Equity of the holding company						
	Paid-up capital(or stock)	capital surplus	less: stock unit	special reserve	Surplus reserves	Undistributed profit	Total equity
1. the end balance of last year	2,334,022,848	1,675,528,689			1,042,968,948	3,450,652,155	8,503,172,640
add: changes in accounting policies							
Corrections of Prior Period Errors							
Others							
2.The balance of early this year	2,334,022,848	1,675,528,689			1,042,968,948	3,450,652,155	8,503,172,640
3. changes in the amount of increase or decrease this year		1,077,628	17,600,394			531,858,244	515,335,478
(1)net profit						572,697,531	572,697,531
(2)the profit and loss directly goes to the shareholders		1,077,628					1,077,628
1>net changes in fair value of financial assets,available-for-sale							
2>The influence from other investment organization under the equity regulation							
3>The income tax effect related to the							

owner's equity issue							
4> Others		1,077,628					1,077,628
Total volume of item 1 and item 2 mentioned above		1,077,628				572,697,531	573,775,159
3.the investment and reduce capital of the owners			17,600,394				-17,600,394
1> the owners' investment capital							
2> share paid			17,600,394				-17,600,394
3> others							
4. profit distribution						-40,839,287	-40,839,287
1>Withdrawal legal surplus							
2> the distribution towards to the owner (or shareholder)						-40,839,287	-40,839,287
3> others							
5. the internal carry-over of the owner's equity							
1>capital surplus to paid-in capital							
2> reserve capital to paid-in capital							
3> reserve to make up for losses							
4> others							
4、 current balance	2,334,022,848	1,676,606,317	17,600,394		1,042,968,948	3,982,510,399	9,018,508,118

Legal representative: Xu Liuping

Principal in Charge of Accountancy: Cui Yunjiang

Chief Accountant: Ni Erke

Chongqing Changan Automobile Company Limited

30 June 2009 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Renminbi Yuan)

Item	the amount of the previous year						
	Stockholders Equity of the holding company						
	Paid-up capital(or stock)	capital surplus	less: stock unit	special reserve	Surplus reserves	Undistributed profit	Total equity

1. the end balance of last year	1,945,019,040	2,066,721,224			1,018,281,748	3,228,467,354	8,258,489,366
add: changes in accounting policies							
Corrections of Prior Period Errors							
Others							
2.The balance of early this year	1,945,019,040	2,066,721,224			1,018,281,748	3,228,467,354	8,258,489,366
3. changes in the amount of increase or decrease this year	389,003,808	-391,192,535			24,687,200	222,184,801	244,683,274
(1)net profit						246,872,001	246,872,001
(2)the profit and loss directly goes to the shareholders		-2,188,727					-2,188,727
1>net changes in fair value of financial assets,available-for-sale							
2>The influence from other investment organization under the equity regulation		200,000					200,000
3>The income tax effect related to the owner's equity issue							
4> Others		-2,388,727					-2,388,727
Total volume of item 1and item 2 mentioned above		-2,188,727				246,872,001	244,683,274
3.the investment and reduce capital of the owners							
1> the owners' investment capital							
2> share paid							
3> others							
4. profit distribution					24,687,200	-24,687,200	
1>Withdrawal legal surplus					24,687,200	-24,687,200	
2> the distribution towards to the owner (or shareholder)							
3> others							
5. the internal carry-over of the owner's equity	389,003,808	-389,003,808					



1>capital surplus to paid-in capital	389,003,808	-389,003,808					
2> reserve capital to paid-in capital							
3> reserve to make up for losses							
4> others							
4、 current balance	2,334,022,848	1,675,528,689			1,042,968,948	3,450,652,155	8,503,172,640

Legal representative: Xu Liuping

Principal in Charge of Accountancy: Cui Yunjiang

Chief Accountant: Ni Erke

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## I. Corporate information

Chongqing Changan Automobile Co., Ltd. (hereafter abbreviated as the “Company” or “Parent Company”) taking Changan Automobile (Group) Liability Co. Ltd. (hereinafter abbreviated as “Changan Group”) as individual initiator, with its business net asset related to mini-vehicle & engine production and its share equity of Changan Suzuki Automobile Co. Ltd. as converted into 506,190,000 shares (B share) for investment, was established on October 31, 1996 by issuing 250,000,000 overseas shares domestically listed for abroad investors in the form of money-collecting. Its total share capital is RMB 756,190,000 Yuan. The Legal Representative’s Operating License issued by Chongqing Industrial and Commercial Administrative Bureau is Yu-Jing No. 28546236-3.

Under the approval of China Securities Regulatory Committee, the Company publicly issued 120,000,000 RMB ordinary shares (share A) on May 19, 1997. The total share capital increased to RMB 876,190,000 Yuan.

On June 26th 1998, based on the total capital stock of 876,190,000 shares for the end of 1997, the capital reserve is transferred into share capital, and the bonus share is 4 shares per 10 shares, then the total capital increases to RMB 1,226,666,000 Yuan.

On May 26th 2004, based on the total capital stock of 1,226,666,000 shares for the end of 2003, 2 shares per 10 shares are donated, and then the total capital increases to RMB 1,471,999,200 Yuan.

Under the assent of China Securities Regulatory Committee, the Company publicly issued the 148,850,000 RMB ordinary shares (A share) on May 19, 1997. The total share capital increases to RMB 1,620,849,200 Yuan.

The Company’s 850,399,200 ordinary shares (state-owned share, 52.47% of its total share) held by its final control company: China South Industry Group Corporation and its complete subsidiary-Changan Automobile (Group) Liability Co. Ltd. was taken as part of investment into China South Industry Automobile Co. Ltd. (hereinafter abbreviated as “China South Automobile”). On March 30, 2006 registered and acknowledged by

Shenzhen Branch Company of China Security Register and Settlement Co Ltd. The mentioned above 850,399,200 shares of state-owned stocks held by Changan Automobile (Group) Liability Co. Ltd. had been transferred to China South Automobile and China South Automobile therefore became the parent company of the Company. On May 11, 2006, the company implemented the plan of share equity restructuring. As the share equity restructuring implementation ends the Company's 738,255,200 ordinary shares held by China South Automobile accounts for 45.55% of the Company's total equity share.

The Company, its subsidiaries and jointly cooperated entities (hereafter abbreviated as the "Group") are principally engaged in the manufacture and sale of automobiles (including sedan), the engine series and parts& components.

On May 15th, 2007, based on the total capital stock of 1,620,849,200 shares for the end of 2006, 2 shares per 10 shares are donated, and then the total capital increases to RMB 1,945,019,040 Yuan. On April 20th 2006, the Company fetched the enterprise legal person's license with the registration mark of Yuzhi No 5000001805570.

On April 15th, 2008, based on the total capital stock of 1,945,019,040 shares for the end of 2006, the capital reserve is transferred into share capital, and the bonus share is 2 shares per 10 shares, and then the total capital increases to RMB 2,334,022,848 Yuan. Up to the end of reporting period, capital reserve had already been transferred into share capital.

The Company and its subsidiaries and jointly controlled entities (hereafter collectively referred to as the "Group") are principally engaged in the manufacture and sale of automobiles (including sedan), the engine series and parts& components.

II. Representation regarding the preparation basis and compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared, in accordance with the Accounting Standards for Business Enterprises (including basic standards, specific standards, implementation guidance and other relevant provisions; the same below) promulgated by

the MOF in 2006.

According to the Notice of the Ministry of Finance on Publishing the “Accounting Standard for Business Enterprises No. 1- Inventory” and other 38 Specific Standards (Cai Kuai [2006] No. 3), the Company applied the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance in 2006 commencing from 1 January 2007.

The financial statements are presented on a going concern basis.

### III. Significant accounting policies and estimates

The financial statements of the Company and its subsidiaries (collectively “the Group”) for the year ended 31 December 2007, are prepared based on the following significant accounting policies and estimates set out by the Accounting Standards for Business Enterprises.

#### 1. Accounting year

The accounting year of the Group is from 1 January to 31 December of each calendar year.

#### 2. Functional currency

The Group’s functional and reporting currency is the Renminbi (“RMB”). Unless otherwise stated, the unit of the currency is Yuan.

#### 3. Basis of accounting and measurement basis

The Group maintains its accounting records on an accrual basis. Except for certain financial instruments, assets are recorded at actual cost when they are acquired. Subsequently, if the assets are impaired, the corresponding provisions should be made accordingly. The assets invested during the restructuring of the Company, should be recorded at the appraisal price determined by the National Assets Management Department.

#### 4. Business combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations

involving entities not under common control.

#### Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquiring party, while that other entity participating in the combination is a party being acquired. Combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

Assets and liabilities that are obtained by the acquiring party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being acquired. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

The cost of a combination incurred by the acquiring party includes any costs directly attributable to the combination, which shall be expensed when incurred.

#### Business combination involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For a business combination that involves one single exchange transaction, the cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree. For a business combination achieved in stages that involves multiple exchange transactions, the cost of combination is the aggregate of the costs of individual transactions. When a business combination contract provides for an adjustment to the cost of combination contingent on a future event, the acquirer shall include the amount of that adjustment in the cost of the combination if it is expected on the acquisition date that the occurrence of the future event is probable and the amount affecting the cost of combination can be measured reliably.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be accounted for according to the following requirements: (i) the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; (ii) if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in the income statement for the current period.

#### 5. Consolidated financial statements

The scope of consolidation of consolidated financial statements is determined based on control, and includes the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. A subsidiary is an entity that is controlled by the Group.

Consolidated financial statements are prepared using uniform reporting dates and

accounting policies. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

For any subsidiary consolidated by the Group, the portion of the profit or loss and net assets of such a subsidiary attributable to equity interests that are not owned, directly or indirectly by the Group is separately presented as minority interest in the consolidated financial statements.

With respect to subsidiaries acquired through business combinations involving entities not under common control, the operating results and cash flows of the acquiree should be included in the consolidated financial statements, from the day that the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer should adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

With respect to subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree should be included in the consolidated financial statements from the beginning of the period in which the combination occurs.

#### 6. Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

#### 7. Foreign currency conversion foreign currency transactions

The amount of foreign currency transactions occurred in the reporting year is converted into functional currency.

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount at the spot exchange rate as at the transaction dates. Foreign currency monetary items are translated using the spot exchange

rate quoted by the People's Bank of China at the balance sheet date. The exchange gains or losses arising from occurrence of transactions and exchange of currencies, except for those relating to foreign currency borrowings specifically for construction and acquisition of fixed assets capitalized, are dealt with in the profit and loss accounts. Non-monetary foreign currency items measured at historical cost remain to be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency should not be changed. Non-monetary foreign currency items measured at fair value should be translated at the spot exchange rate prevailing on the date when the fair values are determined. The exchange difference thus resulted should be charged to the current income or capital surplus account of the current period.

#### settlement of oversea transaction

When preparing consolidated financial statements, the financial statements of the subsidiaries presented in foreign currencies are translated into Renminbi as follows: asset and liability accounts are translated into Renminbi at exchange rates ruling at the balance sheet date; shareholders' equity accounts other than retained profits are translated into Renminbi at the applicable exchange rates ruling at the transaction dates; items in income statement other than profit appropriation statement are translated into Renminbi at spot exchange rates on transaction occurrence; total difference between translated assets and translated liabilities and shareholders' equity is separately listed as "foreign currency exchange differences" below retained profits. The translation difference arising from the settlement of oversea subsidiaries is charged to the current liquidation profit and loss in proportion to the settlement ratio of the assets concerned.

Foreign currency cash flows and the cash flows of foreign subsidiaries should be translated using the average exchange rate prevailing on the transaction month during which the cash flows occur. The amount of the effect on the cash arising from the change in the exchange rate should be separately presented as an adjustment item in the cash flow statement.



## 8. Inventory

Inventory includes raw materials, goods in transit, work in progress, finished goods, consigned processing materials, packaging materials and low-value consumables. Inventories are assets (a) held for sales in the ordinary course of business (b) in the process of production for such sale (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventory is initially carried at the actual cost. Inventory costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

Weighted average method is assigned to the determination of actual costs of inventories.

The Group applies a perpetual inventory system.

One-off writing off method is adopted in amortization of packaging materials and low-value consumables.

At the balance sheet date, the inventory is stated at the lower of cost and net realizable value. If the cost is higher than the net realizable value, provision for the inventory should be made through profit or loss. If factors that resulted in the provision for the inventory have disappeared and made the net realizable value higher than their book value, the amount of the write-down should be reversed, to the extent of the amount of the provision for the inventory, and the reversed amount should be recognized in the income statement for the current period.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The impairment provision should be made on a basis of each item of finished goods according to the difference between cost and net realizable value. For large numbers of inventories at relatively low unit prices, the provision for loss on decline in value of

inventories should be made by category.

## 9. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates. The long-term investments are initially recorded at cost on acquisition. It is accounted for using either the cost method or the equity method as appropriate under the following circumstances.

Cost method is applied to account for long-term equity investments, when the Group has control of the investee enterprise, or does not have jointly control or significant influence on the investee enterprise, the fair value of which cannot be reliably measured due to the fact they are not quoted in an active market.

Under cost method, the long-term equity investment is valued at the cost of the initial investment. Profit or cash dividends declared by the invested enterprise are recognized as investment income for the current period. The amount of investment income recognized is limited to the amount distributed out of accumulated net profit of the invested enterprise that arises after the investment is made. The amount of profit or cash dividends declared by the invested enterprise in excess of the above threshold is treated as return on investment cost, and netted against the carrying amount of investments.

The equity method is applied to account for long-term equity investments, when the Group has jointly control, or significant influence on the investee companies.

Under equity method, when the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference between them is accounted for as an initial cost. As to the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be charged to the income statement for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

Under equity method, the Group recognizes its share of post-acquisition equity in the

investee enterprise for the current period as a gain or loss on investment, and also increases or decreases the carrying amount of the investment. When recognizing its share in the net profit or loss of the investee entities, the Group should, based on the fair values of the identifiable assets of the investee entity when the investment is acquired, in accordance with the Group's accounting policies and periods, after eliminating the portion of the profits or losses, arising from internal transactions with joint ventures and associates, attributable to the investing entity according to the share ratio (but losses arising from internal transactions that belong to losses on the impairment of assets, should be recognized in full), recognize the net profit of the investee entity after making appropriate adjustments. The book value of the investment is reduced to the extent that the Group's share of the profit or cash dividend declared to be distributed by the investee enterprise.

However, the share of net loss is only recognized to the extent that the book value of the investment is reduced to zero, except to the extent that the Group has incurred obligations to assume additional losses. The Group shall adjust the carrying amount of the long-term equity investment for other changes in owners' equity of the investee enterprise (other than net profits or losses), and include the corresponding adjustments in equity, which should be realized through profit or loss in subsequent settlement of the respective long-term investment.

On settlement of a long-term equity investment, the difference between the proceeds actually received and the carrying amount shall be recognized in the income statement for the current period.

#### 10. Fixed assets

Fixed assets are tangible assets held by: (a) for use in production or supply of goods or services, for rental to others or for administrative purposes; (b) have useful life of more than one year.

A fixed asset shall be recognized only when the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent

expenditure incurred for a fixed asset that meet the recognition criterial shall be included in the cost of the fixed asset, and the book value of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in the income statement in the period in which they are incurred.

Fixed assets are initially measured at actual cost on acquisition. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and other surcharges.

Fixed assets are depreciated on straight-line basis. The estimated useful lives, estimated residual values and annual depreciation rates for each category of fixed assets are as follows:

	Usage life	Estimated Residual Rate	Annual Depreciation Rate
Buildings	20~40 years	3%	2.43%~4.85%
Machinery	10~20 years	3%	4.85%~9.7%
Vehicles	5~8 years	3%	12.13%~19.4%
Others	5 years	3%	19.4%

Note: the mould tools in machinery should be depreciated in proportionate to the estimated production.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each year and makes adjustments if necessary.

#### 11. Construction in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that should be capitalized before the construction reaches the condition for intended use and other relevant expenses.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

## 12. Intangible assets

Intangible assets of the Group are recorded at actual cost on acquisition.

The useful life of the intangible assets shall be assessed according to the estimated beneficial period expected to generate economic benefits. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follow:

Land use right	Useage life 25~61 years
Software	2 years
Trademark	15 years

Land use rights that are purchased or acquired through the payment of land use fees are accounted for as intangible assets. With respect to Self-developed properties, the corresponding land use right and buildings should be recorded as intangible and fixed assets separately. As to the purchased properties, if encountered the reasonable allocation of outlays between land and buildings, all assets purchased will be recorded as fixed assets.

The cost of a finite useful life intangible asset is amortized using the straight-line method during the estimated useful life. For an intangible asset with a finite useful life, the Group reviews the estimated useful life and amortization method at least at the end of each year and adjusts if necessary.

## 13. Research and development expenditures

The Group classified the internal research and development expenditures as follows: research expenditures and development cost.

The expenditures in research stage are charged to the current income on occurrence.

The expenditures in development stage are capitalized that meet all the conditions of (a) it is feasible technically to finish intangible assets for use or sale; (b) it is intended to finish and use or sell the intangible assets; (c) the usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that

there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; (d) it is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and The development expenditures of the intangible assets can be reliably measured. Expenses incurred that don't meet the above requirements unanimously should be expensed in the income statement of the reporting period.

The Company discriminates between research and development stage with the condition that the project research comes into project-determination stage ,in which the relevant research complete all the fractionization of products measurements and final product scheme under final approval of management. The expenditures incurred in and before project-determination stage is charged to the current income, otherwise it is recorded as development cost.

#### 14. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### Recognition and derecognition of financial instruments

The Group recognizes a financial asset or a financial liability on its balance sheet, when the Group becomes a party to the contractual provision of the instrument.

The Group derecognizes a financial asset when:

- 1) The contractual rights to the cash flows from the financial asset expire;
- 2) It transfers the financial asset and the transfer qualifies for derecognition as set out below.

If the obligation relating to a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If the existing financial liability is replaced by the same creditor, with another financial liability that has terms with an almost completely different nature, or if almost all the terms of the existing liability are

substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the difference thus resulted is recognized in the income statement of the current period.

#### Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: 1) the financial asset is acquired for the purpose of selling in a short term; 2) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial asset is a derivative financial instrument. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial assets are recognized in the income statement of the current period.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if one of the following criteria is met:

- 1) The designation eliminates or significantly reduces the inconsistency in the measurement or recognition of relevant gains or losses that would otherwise arise from measuring the financial instruments on a different basis.

2) A group of financial instruments is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

3) The financial asset involves a hybrid instrument that contains one or more embedded derivatives, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4) The financial asset contains an embedded derivative that would need to be separately recorded and cannot be separately measured when acquired or at the subsequent balance sheet date.

Investments in equity instruments, which have no quoted market price in active markets and whose fair values cannot be reliably measured, should not be designated as financial assets at fair value through profit or loss.

If the financial assets are, on initial recognition, classified into financial assets at fair value through profit or loss, it couldn't be reclassified into other categories; and other categories couldn't be classified into financial assets at fair value through profit or loss.

There are no financial assets at fair value through profit or loss in the reporting period of the Group.

#### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Held-to-maturity investments shall be measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in current profit or loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables shall be measured at amortized cost using the effective interest method. Gains or losses arising from



derecognition, impairment or amortization are recognized in the income statement.

#### Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at fair value. The premium/ discount is amortized using effective interest method and recognized as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognized in a separate component of capital reserve, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets, until the financial asset is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recognized in capital reserve shall be removed from capital reserve and recognized in the income statement. Interests and dividends relating to an available-for-sale financial asset are recognized in the income statement for the period they relate to.

#### Classification and measurement of financial liabilities

The financial liabilities are, upon initial recognition, classified as financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in the income statement of the current period, and transaction costs relating to other financial liabilities are included in the initially recognized amount.

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following conditions:

- 1) the financial liability is assumed for the purpose of repurchasing in a short term;

2) the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;

3) the financial liability is a derivative financial instrument.

For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial liabilities are recognized in the income statement of the current period.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss only when one of the following criteria is met:

1) The designation eliminates or significantly reduces the inconsistency in the measurement or recognition of relevant gains or losses that would otherwise arise from measuring the financial instruments on a different basis.

2) A group of financial instruments is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

3) The financial liability involves a hybrid instrument that contains one or more embedded derivatives, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited. The financial liability contains an embedded derivative that would need to be separately recorded and cannot be separately measured when acquired or at the subsequent balance sheet date.

If an enterprise has classified a financial liability as financial liability at fair value through profit or loss, the financial liability cannot be reclassified into other financial liabilities; other financial liabilities cannot be reclassified into financial liability at fair value through profit or loss, either.

The Group holds no financial liabilities at fair value through profit or loss at its initial recognition in the reporting period.

#### Other financial liabilities

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

#### Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are directly recognized in the income statement.

#### Fair value of financial instruments

If there is an active market for a financial asset or financial liability, the Group determines the fair value by using the quoted prices. If no active market exists for a financial instrument, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

#### Impairment of financial assets

The Group assesses the carrying amount of a financial asset, at the balance sheet date. If there is objective evidence that the financial asset is impaired, the Group makes provision for the impairment loss. Objective evidence that a financial asset is impaired is evidence arising from one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset which can be reliably estimated.

#### Financial assets carried at amortized cost

If objective evidence shows that the financial assets carried at amortized cost are impaired, the carrying amount of the financial asset shall be reduced to the present value of the estimated future cash flow (excluding future credit losses that have not been incurred). The amount of

reduction is recognized as an impairment loss in the income statement. Present value of estimated future cash flow is discounted at the financial asset's original effective interest rate and includes the value of any related collateral.

If a financial asset is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in the income statement if there is objective evidence of impairment. For a financial asset that is not individually significant, the Group can include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment [or assess the asset individually for impairment]. For financial assets that are not impaired upon individual tests (including financial assets that are individually significant or insignificant), impairment tests should be conducted on them again by including them in the group of financial assets. Assets for which an impairment loss is individually recognized will not be included in a collective assessment of impairment.

If, subsequent to the recognition of an impairment loss on a financial asset carried at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognised in the income statement. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

#### Financial assets carried at cost

If objective evidence shows that the financial assets carried at cost are impaired, the difference between the present value discounted at the prevailing rate of return of similar financial assets and the book value of the financial asset are provided as a provision. The impairment loss recognized cannot be reversed.

For long-term equity investments, which are accounted for according to the cost method set out by Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments and has no quoted market price in active markets, and whose fair

values cannot be reliably measured, their impairment should also be treated in accordance with the above principle.

#### Available-for-sale financial assets

When there is objective evidence that the asset is impaired, the cumulative loss from declines in fair value that had been recognized directly in capital reserve are removed from equity and recognized in the income statement. The amount of the cumulative loss that is removed from capital reserves and recognized in the income statement (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be related objectively to an event occurring after the impairment was recognized in the income statement, the previously recognized impairment loss shall be reversed with the amount of the reversal recognized in the income statement. Impairment losses recognized in the income statement for a debt instrument investment shall not be reversed through profit or loss.

#### Transfer of financial assets

Transfer of a financial asset is a transaction whereby the Group assigns or conveys a financial asset to another party (the transferee).

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognizes the financial asset; and if the Group retains substantially all the risks and rewards of the financial asset, the Group does not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset. In this case: (i) if the Group has not retained control, it derecognizes the financial asset and recognize separately as assets or liabilities any rights and obligations created not retained in the transfer; (ii) if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the

transferred financial asset and recognizes an associated liability.

#### 15. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of the funds. Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. A qualifying asset is an asset (an item of property, plant and equipment and inventory etc.) that necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of borrowing costs as part of the cost of a qualifying asset shall commence when:

- 1) Expenditure for the asset is being incurred;
- 2) Borrowing costs are being incurred;
- 3) Activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale. And subsequent borrowing costs are recognized in the income statement.

During the capitalization period, the amount of interest to be capitalized for each accounting period shall be determined as follows:

1) where funds are borrowed for a specific-purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds;

2) Where funds are borrowed for a general-purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above the amounts

of specific-purpose borrowings.

During the construction or manufacture of assets that are qualified for capitalization, if abnormal discontinuance, other than procedures necessary for their reaching the expected useful conditions, happens, and the duration of the discontinuance is over three months, the capitalization of the borrowing costs is suspended. Borrowing costs incurred during the discontinuance are recognized as expense and charged to the income statement of the current period, till the construction or manufacture of the assets resumes.

#### 16. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventory, deferred income taxes, financial assets, and long-term equity investment which is measured by employing the cost method, for which there is no offer in the active market and of which the fair value cannot be reliably measured, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment tests. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at the end of every year, irrespective of whether there is any indication that the asset may be impaired.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash flows generated by the asset group are largely independent of the cash flows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The impairment of

asset is provided for and the impairment loss is recognised in the income statement for the current period.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated, on a reasonable basis, to related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or related sets of asset groups is an group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

When an impairment test is conducted on an asset group or a set of asset groups that contains goodwill, if there is any indication of impairment, the Group firstly tests the asset group or the set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compares the recoverable amount with the related carrying amount and then recognize impairment loss if any. Whereafter, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss is firstly eliminated by and amortized to the book value of the goodwill included in the asset group or set of asset groups, and then eliminated by the book value of other assets according to the proportion of the book values of assets other than the goodwill in the asset group or set of asset groups.

Once the above impairment loss is recognized, it cannot be reversed in subsequent periods.

#### 17. Estimated liabilities

The Group recognizes an estimated liability when the obligation arising from a contingency meets the following conditions:

- 1) the obligation is a present obligation of the Group;
- 2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;



3) a reliable estimate can be made of the amount of the obligation.

## 18. Revenue

Revenue is recognized only when an inflow of economic benefits is probable, the amount of which can be reliably measured, and all of the following conditions are qualified.

### Revenue from the sale of goods

The Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably.

### Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method, or otherwise, the revenue is recognized to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Group; the stage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably. The Group determines the stage of completion of a transaction involving the rendering of services by using the proportion of services performed to date to the total services to be performed.

### Interest income

It should be measured based on the length of time for which the Group's cash is used by others and the applicable effective interest rate.

### Rental income

Rental income from operating leases is recognized by the lessor in the income statement on a straight-line basis over the lease term.

19. Leases

A finance lease is a lease that transfers in substance all the risks and benefits incident to ownership of an asset. An operating lease is a lease other than a finance lease.

The Group recording the operating lease as a lessee

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of another related asset or charged to the income statement for the current period.

The Group recording the operating lease as a lessor

Rental income under a finance lease is recognized by a lessor on a straight-line basis over the lease term, through profit or loss.

20. Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditure incurred by the Group in exchange for service rendered by employees. During the accounting period that the employees render services to the Group, the employee benefits payable is recognized as a liability. When the termination benefits fall due more than 1 year after the balance sheet date, if the discounted value is material, it is reflected in present value.

The employees of the Group participate in social insurance, such as pension insurance, medical insurance, non-employment insurance, etc., and housing accumulation fund, which is managed by local government and the relevant expenditure, is recognized, when incurred, in the costs of relevant assets or the profit and loss for the current period.

When the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision shall be recognized for the compensation arising from termination of employment relationship with employees, with a corresponding charge to the income statement for the current period, when both of the following conditions are satisfied: (a) the Group has a formal plan for termination of employment relationship, or has made an offer for voluntary redundancy, which will be implemented immediately; (b) the Group cannot unilaterally withdraw from the

termination plan or the redundancy offer.

The same principle is applied to the early retirement plan, as it is for the above-mentioned termination benefits. The salaries, social insurance premiums, etc., to be paid for the early retired employees, during the period from the date when the employees stop rendering service to the normal retirement date, should be recognized as employee benefits payable and charged to the income statement of the current period, when the above conditions for recognising the termination benefit plan are satisfied.

## 21. Income taxes

Income tax comprises current and deferred tax. Income tax is recognized as an income or an expense and include in the income statement for the current period, except to the extent that the tax arises from a business combination or if it relates to a transaction or event which is recognized directly in equity.

Current tax is the amount of income tax payable in respect of the taxable profit for the current period. Taxable profit is the profit for current period, which is determined in accordance with rules established by the taxation authorities.

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid to (or recovered from) the tax authorities according to the requirements of the tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their book values, and temporary differences between the book values and the tax bases of items, the tax bases of which can be determined for tax purposes, but which have not been recognized as assets and liabilities, deferred taxes are provided using the liability method.

A deferred tax liability is recognized for all taxable temporary differences, except:

1) to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (i) the transaction is not a business combination; and (ii) at the time of the transaction, it affects neither the accounting profit nor taxable profit

or loss.

2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled enterprises, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except:

1) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, the Group reviews the book value of deferred tax assets. If it is probable that sufficient taxable income cannot be generated to use the tax benefits of deferred tax assets, the book value of deferred tax assets should be reduced. When it is

probable that sufficient taxable income can be generated, the amount of such reduction should be reversed.

## 22. Significant accounting judgements and estimates

### Judgements

When applying the accounting policies of the Group, except for accounting estimates, management will make accounting judgements which have significant effects on the financial statements:

The Group makes a judgment on whether there is any sign of possible assets impairment on the day of balance sheet date at least. If there is any sign of possible assets impairment, the assets concerned should be subject to impairment test based on the estimated recoverable amount. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets. When making an estimate of the present value of the future cash flow of an asset, the Group should estimate the future cash flows of the asset or the relevant assets group, with the appropriate discount rate selected to reflect the present value of the future cash flows.

### Uncertainty of accounting estimates

The crucial assumptions of significant accounting estimates in future and other crucial sources of estimated uncertainty, which may result in the significant adjustments to the book value of the subsequent accounting period, are as the following:

### Impairment of goodwill

Goodwill is subject to the impairment test yearly at least, which brings the estimates of the use value of the assets group that is allocated in goodwill. When making an estimate of the use value of the assets concerning goodwill, the Group should estimate the future cash flows of the assets group concerned, with the appropriate discount rate to reflect the present value of the cash flows.

## 23. Other changes in Accounting Policies and Accounting Estimates

There are no other changes in accounting policies and accounting estimates.

### III Taxes

The major categories of taxes and surcharges with the respective tax rates applicable

to the Group are as follows:

- Value added tax ( “VAT” ) - In accordance with the relevant tax laws in the PRC, the VAT rate for domestic sales is 17%. VAT is levied at 17% on the invoiced value of sales of goods and rendering of services, and is payable by the purchaser. The Group is required to pay the VAT it collects to the tax authority, but may deduct the VAT it has paid on eligible purchases.
- Business tax - In accordance with the relevant tax laws in the PRC, Business Tax is levied at 5% on the relevant revenue.
- City maintenance and construction surtax - In accordance with the relevant tax laws in the PRC, it is levied at 7% on the turnover taxes paid.
- Educational surcharge - In accordance with the relevant tax laws in the PRC, it is levied at 3% on the turnover taxes paid.
- Corporate income tax - In accordance with the relevant tax laws in the PRC, the Group is subject to a corporate income tax rate of 15%~33% on its taxable income. The Company is subject to the PRC EIT and local income tax. As the Company is qualified as a domestic enterprise in encouraged industries, the Company is entitled to a preferential EIT rate of 15% from 2001 to 2010, in accordance to *Circular on the Issue of Preferential Taxation Policies for Western Development Program (Paragraph 1, Article 2, No 202-2001)* collectively issued by the Ministry of Finance, the National Taxation Bureau and the Customs General Administration of PRC and also approved by the Guo Shui Han-Yu (2002) No 186. And it is exempted from local income tax to a corporate income tax rate of 15%~33% on its taxable income. The EIT rate for other companies of the Group is 33%.

The Enterprise income tax law of the People’s Republic of China(hereafter as “New EIT Law”) approved by the Fifth Session of The Tenth National People’s Congress, ended on March 16 2007, will be enforced as of 1st January 2008. In accordance to the New EIT law, the domestic and foreign enterprises will be subject to 25% unanimously. Whereas the Company keeps a preferential tax rate of 15% in conforms to the relevant tax policies, and the subsidiaries are subject to 25%. The Group has been made respective adjustments due to the reversal of taxable temporary time difference and deductible temporary time difference, according to new applicable tax rates in effect as of 1st January 2008.

#### IV Consolidation scope

On 30 June 2009, the main subsidiaries of the Group are as follows:

Name of Subsidiaries	Company Registration Place	Nature of Business	Registered Capital of the Group (RMB 10,000)	Investment of the Group (RMB 10,000)	Total proportion of shares held		Code
					Direct(%)	Indirect(%)	
Nanjing Changan Auto-Mobile Co., Ltd	Nanjing	Manufacturer, development and seller of mini cars and spare parts	60,181	47,308	73.60	-	83.2275410659-X
Hebei Changan Auto-Mobile Co., Ltd	Dingzhou	Manufacturer, development and seller of mini cars and spare parts	26,469	21,249	80.11	-	93.4573872432-0
Chongqing Changan International Automobile Sales Co., Ltd	Chongqing	Seller and agent of import / export services of commodities and techniques	1,376	1,307	95.00	-	100.00 20282099-8
Chongqing Changan Auto-Mobile Sales Co., Ltd	Chongqing	Seller of cars and spare parts	4,850	4,850	100.00	-	100.0020289809-0
Chongqing Anfu Auto-Mobile Co., Ltd	Chongqing	Seller of cars and spare parts	4,200	2,100	50.00	-	50.0073657088-2
Chongqing Changan Special Automobile Co., Ltd	Chongqing	Seller of special cars and spare parts and vehicles maintenance	500	250	50.00	-	50.00 74534852-X
Chongqing Changan Auto-Mobile sales subsidiaries	China	Seller of Changan series cars and spare parts	1,900	1,900	90 -100	20.0	100.00
Chongqing Changan Auto-Mobile supporting service Co., Ltd	Chongqing	Seller of cars and spare parts	3,000	3,000	99.00	1.00	99.0075308943-3
Chongqing Changan Auto-Mobile Mould Co. Ltd	Chongqing	Manufacturer and seller of Car moulds and car spare parts	11,550	11,616	100.00	-	100.0066089542-8
Chongqing Changan Europe Design Academy Co. Ltd	Turin, Italy	Research and development of vehicles	EUR 10	97	100.00	-	100.0009372440017

Although the Group owns more than half of the voting power of the following investees, it does not have control over the investees as:

Name of Subsidiaries	Registration Place	Nature of Business	Registered Capital (RMB 10,000)	Investment of the Group (RMB 10,000)	Direct(%)	Indirect(%)	of voting shares	Code
Changan Ford Mazda Auto-Mobile Co., Ltd	Chongqing	Manufacturer and seller of cars and spare parts	USD35,144	139,510	50.00	-	50.00	70937510-9
Changan Ford Mazda Engine Co., Ltd	Nanjing	Manufacturer and seller of automobile engine and spare parts	USD 13,920	55,729	50.00	-	50.00	71785962-1
Chongqing Changan Suzuki Automobile Co., Ltd	Chongqing	Manufacturer and seller of cars and spare parts	USD19,000	23,991	51.00	-	51.00	62190016-7
Jiangling Holding Co., Ltd	Nanchang	Manufacturers and seller of cars and spare parts	200,000	100,000	50.00	-	50.00	76703230-7

The company does not have control over the four joint-ventures above, and their main finance and management decision were controlled by the company and other shareholders. Therefore, it is not included in scope of consolidated financial statements, and the retrospective

adjustments have been made.

#### 四、 合并财务报表主要项目注释

#### V Notes to the consolidated financial statements

##### 1. Monetary capital

	30 June 2009	31 December 2008
Cash	29,091	66,535
Deposit in bank	2,400,432,294	1,538,113,598
Other monetary capital	454,930,171	85,984,026
<b>Total</b>	<b>2,855,391,556</b>	<b>1,624,164,159</b>

##### 2. Notes receivable

	30 June 2009	31 December 2008
Trade acceptance	634,859,036	241,420,000
Bank acceptance	3,545,075,446	1,692,663,075
<b>Total</b>	<b>4,179,934,482</b>	<b>1,934,083,075</b>

##### 3. Accounts receivable and others

###### (1) Accounts receivable

The credit period is generally one month, extending up to three months for major customers. Trade receivables are non-interest-bearing.

An aged analysis of the accounts receivable as at the balance sheet date is as follows:

	30 June 2009	31 December 2008
Within 1 year	403,228,713	365,641,255
1 to 2 years	39,692,376	34,180,592
2 to 3 years	2,298,785	2,395,786
Over 3 years	67,175,609	67,137,517
Less: Bad debt Provision	70,186,797	70,689,236
<b>Total</b>	<b>442,208,686</b>	<b>398,665,914</b>

Provisions for bad debts are as follows:

	30 June 2009			
	Amount	Percentage (%)	Bad debt Provision	provision rate(%)
Individual significant item	279,502,101	54.55	21,657,004	7.75
individual insignificant items with similar credit risk characteristics, that has significant risk	57,564,765	11.23	48,449,980	84.17
Other insignificant items	175,328,617	34.22	79,813	0.05
<b>Total</b>	<b>512,395,483</b>	<b>100</b>	<b>70,186,797</b>	
	31 December 2008			
	Amount	Percentage (%)	Bad debt Provision	provision rate(%)
Individual significant item	229,756,748	48.95	21,860,665	9.51
individual insignificant items with similar credit risk characteristics, that has significant risk	126,427,272	26.94	48,828,571	38.62
Other insignificant items	113,171,130	24.11		
<b>Total</b>	<b>469,355,150</b>	<b>100</b>	<b>70,689,236</b>	



(2) other receivables

An aged analysis of other accounts receivable as at the balance sheet date is as follows

	30 June 2009	31 December 2008
Within 1 year	46,879,117	61,232,048
1 to 2 years	27,160,573	33,598,221
2 to 3 years	294,632	3,959,184
Over 3 years	5,609,412	4,822,390
Less: Bad debt Provision	8,830,721	9,089,247
	<u>71,113,013</u>	<u>94,522,596</u>

Provisions for bad debts drawing are as follows

	30 June 2009			
	Amount	Percentage (%)	Bad debt Provision	provision rate(%)
Individual significant item	45,150,000	56.48		
individual insignificant item with similar credit risk characteristics, that has significant risk	8,830,721	11.05	8,830,721	100.00
Other insignificant items	25,963,013	32.47		
	79,943,734	100	8,830,721	
	31 December 2008			
	Amount	Percentage (%)	Bad debt Provision	provision rate(%)
Individual significant item	64,699,000	62.45		
individual insignificant items with similar credit risk characteristics, that has significant risk	6,634,213	6.40	6,634,213	100.00
Other insignificant items	32,278,629	31.15	2,455,034	7.61
	103,611,842	100	9,089,247	

#### 4. Prepayments

	30 June 2009		31 December 2008	
	Amount	Percentage(%)	Amount	Percentage(%)
Within 1 year	184,177,100	99.51	262,501,911	99.33
1 to 2 years	910,869	0.49	1,692,087	0.64
2 to 3 years			71,868	0.03
over 3 years				
total	<u>185,087,969</u>	<u>100</u>	<u>264,265,866</u>	<u>100</u>

#### 5. Inventory

	30, June 2009	31, December 2008
Raw materials	427,820,028	414,930,917
Materials in transit	42,169,948	43,257,642
Work in progress	164,192,620	221,768,842
Commodity stock	719,200,958	1,003,235,235
Consigned processed material	3,537,991	5,193,083
Low-value Consumables	41,647,528	43,263,063
Less: provision for value decline of	<u>146,362,038</u>	<u>69,433,481</u>

inventory		
Inventory net value	1,252,207,035	1,662,215,301

Changes in provision for value decline of inventory:

provision for value decline of inventory:	31 December 2008	Increase	charge off	30 June 2009
Raw materials	4,320,568	116,858,062		121,178,630
work in progress	235,570			235,571
finished goods	64,877,343	18,785,689	58,715,194	24,947,837
Low-Value Consumables	69,433,481	135,643,751	58,715,194	146,362,038

#### 6. Long-term equity investments

	31, December 2008	Increase	Decrease	Incl: cash dividend	30, June 2009
Cost method	148,609,274				148,609,274
Equity method	4,434,600,109	323,390,925	550,000,000	550,000,000	4,207,991,034
Less: impairment for long-term equity investments	27,120,000				27,120,000
Net value for long-term equity investments	4,556,089,383	323,390,925	550,000,000	550,000,000	4,329,480,308

On 30 June 2009, Equity method of Long-term equity investments is listed as follows:

	31 December 2008	Increase	Decrease	30 June 2009
South-western Securities Co., Ltd	50,000,000			50,000,000
Chongqing Changan Jinling Vehicles Parts Co., Ltd.	2,900,000			2,900,000
Chongqing International Golf Club Co., Ltd.	4,900,000			4,900,000
China South Industry Group Finance Co., Ltd.	80,000,000			80,000,000
Sichuan Glass Co., Ltd.	1,809,274			1,809,274
Chongqing ANTE co., Ltd	3,000,000			3,000,000
zhongfalian investment co., Ltd	6,000,000			6,000,000
total	148,609,274			148,609,274

On 30 June 2009, Equity method of Long-term equity investments is listed as follows:

	Initial Amount	Accumulate Additional Investment	Equity adjustment			Provision		Year end balance
			Changes in current year profit/loss	Cash dividend received in current year	Accumulated profit/loss changes in	Current	Accumulated additions	
Joint venture:								
Chongqing Changan Suzuki	239,905,266		13,001,872		936,001,243			1,175,906,509

Automobile Co., Ltd.								
Jiangling Holding Co., Ltd.	50,000,000	950,000,000	26,388,167		65,988,187		2,669,322	1,068,657,509
Changan Ford Mazda Automobile Co., Ltd.	210,901,925	1,184,208,792	299,159,602	550,000,000	357,256,309		19,575,055	1,771,942,081
Changan Ford Mazda Engine Co., Ltd.	242,568,000	314,724,960	-16,420,282		-374,850,063			182,442,897
Associates:								
Chongqing HelpGo Information Technology Co., Ltd.	4,500,000		1,261,566		4,542,038			9,042,038
Total	747,875,191	2,448,933,752	323,390,924	550,000,000	988,937,713		22,244,377	4,207,991,034

Impairment provision for long-term equity investment:

Impairment provision: for long-term equity investment	31 December 2008	Increase	Decrease	30 June 2009
South-western Securities Co., Ltd.	27,120,000			27,120,000

7. Fixed assets

	Buildings	Machinery	Vehicles	other equipments	Total
original price					
31 December 2008	1,038,049,825	3,150,813,129	43,462,039	1,357,460,922	5,589,785,914
Acquisition					
Transferred from construction in progress	2,031,572	73,599,785	3,111,348	235,428,159	314,170,864
Disposal and write-off	2,363,942	3,957,326	2,237,748	650,870	9,209,886
30 June 2009	1,037,717,456	3,220,455,588	44,335,638	1,592,238,210	5,894,746,892
Accumulated depreciation					
31 December 2008	144,149,774	1,445,903,819	18,989,865	536,364,415	2,145,407,873
Provision	19,061,565	100,325,426	2,715,861	77,678,626	199,781,478
Write-off	443,646	1,456,929	1,137,988	422,716	3,461,279
30, June 2009	162,767,693	1,544,772,317	20,567,737	613,620,325	2,341,728,072
Impairment provision					
31 December 2008		110,614,721		652,218	111,266,939
Provision		82,584,520		59,438,400	142,022,920
Write-off					
30 June 2009		193,199,241		60,090,617	253,289,859
book value					
31 December 2008	893,900,050	1,594,294,589	24,472,174	820,444,289	3,333,111,102
30 June 2009	874,949,762	1,482,484,030	23,767,901	918,527,268	3,299,728,961

### 8. Construction in progress

	Budget	31 December 2008	Increase	Decrease	Transferred to Fixed assets	30 June 2009
Equipment for Mini Vehicle Production	51,163,130	13,496,938	29,155,895	29,155,895		35,504,173
Changan Industrial Zone Project	531,037,799	157,385,317	161,155,602	161,155,602		527,267,513
Engine Plant	73,639,990	247,609,271	14,701,349	14,701,349		306,547,912
Equipment for Sedan Production	35,228,514	42,132,499	37,084,505	37,084,505		40,276,507
Projects of Changan Engineering Institute	45,807,273	30,354,566	23,616,141	23,616,141		52,545,698
Vehicle Dies	40,097,774	22,183,619	8,785,792	8,785,792		53,495,602
Hebei Changan weld and Paint Base		12,702,549	12,192,549	11,893,455	299,094	510,000
Others	74,313,049	66,026,266	7,606,002	7,529,017	76,985	132,733,313
<b>Total</b>	<b>851,287,528</b>	<b>591,891,024</b>	<b>294,297,835</b>	<b>293,921,756</b>	<b>376,079</b>	<b>1,148,880,718</b>

### 9. Intangible assets

	Land use rights	Software userights	Trademark rights	Capitalisation expenditure	Total
<b>original price</b>					
31 December 2008	81,957,279	33,241,729	36,770,000	13,272,910	165,241,919
Additions		13,885,569		183,917,744	197,803,313
Deductions		77,400			77,400
<b>30 June 2009</b>	<b>81,957,279</b>	<b>47,049,898</b>	<b>36,770,000</b>	<b>197,190,654</b>	<b>362,967,831</b>
<b>Accumulated amortization</b>					
31 December 2008	10,316,985	10,326,250	21,040,612	1,990,937	43,674,784
Provision	2,356,925	7,322,089	1,225,667	12,284,135	23,188,816
Write-off		77,400			77,400
<b>30 June 2009</b>	<b>12,673,911</b>	<b>17,570,939</b>	<b>22,266,278</b>	<b>14,275,072</b>	<b>66,786,200</b>
<b>Impairment provision</b>					
31 December 2008	6,700,000				6,700,000
Provision					
Write-off					
<b>30 June 2009</b>	<b>6,700,000</b>				<b>6,700,000</b>

Book value					
31 December 2008	64,940,294	22,915,479	15,729,388	11,281,973	114,867,135
30 June 2009	62,583,369	29,478,959	14,503,722	182,915,582	289,481,631

10. Development expenditure

	31 December 2008	30 June 2009
Automobile Development	308,158,911	211,213,027

11. Deferred tax assets

	Provision for the assets impairment	Accrued expenses and contingent liabilities	Unpaid Tech develop. Expense and ad Expense	Unpaid Salary and bonus	Total
31 December 2008	26,254,707	88,956,647	1,833,276	22,488,827	139,533,458
Charged to the income statement	3,048,933	55,508,214	1,896,801	5,931,811	66,385,759
30 June 2009	29,303,640	144,464,861	3,730,077	28,420,638	205,919,216

12. Short-term loans

	31, December 2008	30, June 2009
Mortgage loans	128,000,000	193,300,000
Pledge loans	53,236,904	17,249,590
Credit loans	870,000,000	438,300,000
Bill purchased	19,662,291	
Bill discounted	22,850,000	
Total	1,093,749,195	648,849,590

13. Notes payable

	31, December 2008	30 June 2009
Trade acceptance		
Bank acceptance	2,196,879,137	1,844,079,919
Total	2,196,879,137	1,844,079,919

14. Accounts payable

Accounts payable bear no interest, and are normally repaid in four months.

On 30 June 2009, the accounts payable to units that hold 5% or more of the Company's voting shares or to related parties included in this account balance is RMB206,275,969 Yuan (31 December 2008: RMB38,276,662 Yuan).

On 30 June 2009 and 31 December 2008, there is no significant accounts payable of over one year.

15. Advances receipts

On 30 June 2009, within the aforesaid balance, there is no amount due to shareholders that hold 5% or more of the Company's voting shares. (31 December 2008: nil)

On 30 June 2009 and 31 December 2008, there are no significant advances receipts of over one year.

16. Employee compensation payable

	31 December 2008	Additions	Payments	30 June 2009
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Salary, bonus, allowance and subsidy	72,916,437	353,036,292	309,510,713	116,442,016
Employee salary	543,411	13,356,782	12,788,112	1,112,081
Labour fund	6,389,323	9,866,546	9,413,097	6,842,772
Social insurance premium	20,237,610	56,775,626	56,416,967	20,596,269
Housing accumulation fund	10,787,673	16,676,757	16,303,951	11,160,479
Total	110,874,454	449,712,002	404,432,840	156,153,616

### 17. Taxes payable

	31 December 2008	30 June 2009
Corporate income tax	8,577,435	25,943,612
Business tax	3,279,247	1,365,012
Value-added tax	-72,464,680	10,840,375
City maintenance and construction tax	6,355,335	8,854,353
Income tax	172,688	250,055
Consumption tax	109,753,108	127,831,632
Additional education expenses	2,177,808	4,024,196
Others	605,881	-668,777
Total	58,456,823	178,440,458

### 18. Other payables

	31 December 2008	30 June 2009
Dealer earnest money	16,334,249	23,225,213
Warrenty	36,449,174	25,402,181
Repair fees	32,756,418	47,596,289
Rental fees	187,680	337,681
Advertisement fees	18,940,841	8,322,680
Sales bonus	1,291,775	906,005
Discount transfer	0	3,879,483
Technical assignment fees	0	0
Warehousing and transport fees	101,061,859	96,732,022
Loans temporarily	9,424,467	13,013,749
Information technology expense	3,181,927	0
Project funds	72,159,775	33,735,433
Project earnest money	14,076,410	254,000
Others	61,436,928	80,759,654
Total	367,301,503	334,164,389

### 19. Anticipated liabilities

Categories of Expenses	31 December 2008	Additions	Deduction	30 June 2009	Reasons for year-end cash in hand maintenance expense drew beforehand
Warranty expenses	213,392,485	222,225,452	116,144,906	319,473,031	
	213,392,485	222,225,452	116,144,906	319,473,031	

### 20. Specialised item payable

Categories of expenses	31 December 2008	Additions	Deduction		30 June 2009
			Carry-forward	Others	
Project 863	25,202,235	8,650,000		5,266,684	28,585,551
Check	6,537,774	2,000,000		341,101	8,196,673

For HEV key technology				
Development of internal combustion hydrogen engine	685,381	450,000	475,792	659,589
Complete region-platform key technology		600,000	204,072	395,928
New vehicle product development	830,893	1,000,000	34,909	1,795,984
Automobile industry chain Collaborative Platform	1,000,000		36,849	963,151
Others	3,683,710	9,540,000	441,971	12,781,739
Total	37,939,993	22,240,000	6,801,378	53,378,615

## 21. Operating revenue and expenses

Categories of business	From January to June 2009		From January to June 2008	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Major business	10,880,132,187	8,693,844,062	7,429,333,038	6,252,791,186
Others	402,574,370	309,247,789	450,316,148	302,458,145
Total	11,282,706,557	9,003,091,851	7,879,649,185	6,555,249,330

## 22. Business tax and surcharges

	From January to June 2009	From January to June 2008
Business tax	1,639,833	16,547
Consumption tax	154,636,512	155,884,685
City maintenance and construction tax	49,796,259	25,284,182
Additional education expenses	23,627,529	11,600,993
Others	0	321,090
Total	229,700,133	193,107,497

## 23. Financial expenses

	From January to June 2009	From January to June 2008
Interest expense	25,357,851	42,869,610
Deduction: the amount of capitalized interest	13,629,491	886,906
Deduction: interest income	14,358,694	11,291,589
Exchange gain or loss	1,261,412	3,545,998
Others	59,244	5,660,972
Total	-1,309,678	39,898,085

## 24. Impairment on assets

	From January to June 2009	From January to June 2008
Bad debt loss	-760,965	-13,576,288
Loss due to the market price decline of inventory	76,928,557	5,992,973
Impairment on fixed assets	142,022,920	126,269,969
Total	218,190,512	118,686,653

VI. Notes to the financial statements of parent company

1. Accounts receivable and others

(1) Accounts receivable

	30 June 2009	31 December 2008
Within 1 year	959,055,252	332,734,003
1 to 2 years	24,231,033	171,503,791
2 to 3 years	20,053,730	94,326,605
Over 3 years	85,912,947	430,610,395
Provisions for bad debts drawing	68,894,583	69,397,022
	<u>1,020,358,378</u>	<u>959,777,773</u>

Provisions for bad debts drawing are as follows:

	30 June 2009			
	Sum	Percentage (%)	debt Provision	provision rate (%)
Individual significant item	879,502,101	80.74	21,657,004	2.46
individual insignificant item with similar credit risk characteristics, that has significant risk	49,273,579	4.52	47,237,579	95.87
Other insignificant items	160,477,281	14.73		
	<u>1,089,252,961</u>	<u>100</u>	<u>68,894,583</u>	
	31 December 2008			
	Sum	Percentage (%)	debt Provision	provision rate (%)
Individual significant item	885,565,594	86.05	21,860,665	2.47
individual insignificant item with similar credit risk characteristics, that has significant risk	101,674,465	9.88	47,536,357	46.75
Other insignificant items	41,934,736	4.07		
	<u>1,029,174,795</u>	<u>100</u>	<u>69,397,022</u>	

(2) Other receivables

An analysis of other accounts receivable as at the balance sheet date is as follows:

	30 June 2009	31 December 2008
Within 1 year	116,432,300	164,319,684
within 1 to 2 years	769,926	1,852,537
within 2 to 3 years	215,763	3,875,614
Over 3 years	5,590,912	1,932,065
Deduct: Provisions for other bad debts	5,446,508	5,705,033
	<u>117,562,393</u>	<u>166,274,867</u>

Provisions for bad debts drawing are as follows

	30 June 2009			
	Amount	Percentage (%)	Bad debt Provision	provision rate(%)
Individual significant item	100,000,000	81.3		
individual insignificant item with similar credit risk characteristics, that has significant risk	9,205,469	7.48	5,446,508	59.17



Other insignificant items	13,803,432	11.22		
	123,008,901	100	5,446,508	
	31 December 2008			
	Amount	Percentage (%)	Bad debt Provision	provision rate(%)
Individual significant item	150,000,000	87.22		
individual insignificant items with similar credit risk characteristics, that has significant risk	10,731,497	6.24	5,705,033	53.16
Other insignificant items	11,248,404	6.54		
	171,979,901	100	5,705,033	

## 2.Inventory

	30, June 2009	31, December 2008
Raw materials	176,261,428	172,870,589
Materials in transit	32,169,948	37,877,242
Work in progress	86,538,548	72,135,750
Commodity stock	390,847,698	605,070,557
Consigned processed material		
Low-value Consumables	37,759,740	39,377,715
Less: provision for value decline of inventory	141,295,989	59,687,616
Inventory net value	582,281,373	867,644,237

Changes in provision for value decline of inventory:

provision for value decline of inventory:	of 31 December 2008	Increase	charge off	30 June 2009
Raw materials	4,320,568	116,858,063		121,178,630
work in progress				
finished goods	235,571			235,571
Low-Value Consumables	55,131,477	18,343,977	53,593,667	19,881,788
	59,687,616	135,202,040	53,593,667	141,295,989

## 3.Long-term equity investments

	31, December 2008	Increase	Decrease	Incl:cash dividend	30, June 2009
Cost method	1,025,014,110	300,000			1,025,314,110
Equity method	4,462,020,212	330,792,097	550,000,000	550,000,000	4,242,812,309
Less: impairment for long-term equity investments	27,120,000				27,120,000
Net value for long-term equity investments	5,459,914,322	331,092,097	550,000,000	550,000,000	5,241,006,419

As of June 30, 2009, cost method long term equity investment list as follow:

	Dec.31, 2009	current increase	current decrease	including: cash bonus received
Nanjing Changan Automobile Co., Ltd	399,615,259			399,615,259
Hebei changan Automobile Co., Ltd	212,487,236	300,000		212,787,236

Chongqing Changan International Automobile Sales Co., Ltd	13,068,580	13,068,580
Chongqing Changan Automobile Customer Service Co., Ltd	29,700,000	29,700,000
Chongqing Anfu Sales Co., Ltd	16,000,000	16,000,000
Chongqing Changan Automobile Sales Co., Ltd	48,500,000	48,500,000
Chongqing Changan Automobile Sales Subsidiary	18,550,000	18,550,000
Chongqing Changan Special Automobile Co., Ltd	2,500,000	2,500,000
Changan Automobile European Designing Center	974,020	974,020
Chongqing Changan Automobile Mould Co., Ltd	116,159,741	116,159,741
Southwest Securities Co., Ltd	50,000,000	50,000,000
Chongqing Changan Jinling Automobile Parts Co., Ltd	2,900,000	2,900,000
Chongqing International Golf Club	4,900,000	4,900,000
Chian South Financing Co., Ltd	80,000,000	80,000,000
Chongqing Ante Imp.& Exp. Co., Ltd	3,000,000	3,000,000
Sichuan Glass Co., Ltd	1,809,274	1,809,274
Chongqing Changan New Energy Automobile Co., Ltd	18,850,000	18,850,000
Zhongfalian Investment Co., Ltd	6,000,000	6,000,000
	<u>1,025,014,110</u>	<u>300,000</u>
		<u>1,025,314,110</u>

As of June 30, 2009, Equity method of Long-term equity investments is list as follows:

	initial Amount	Accumulated additional investment	equity adjustment		accumulated profit/loss changes	Provision		year end balance
			profit/loss changes in current year	cash bonus received		current year additions	accumulated additions	
joint venture								
Chongqing Changan Suzuki Automobile Co., Ltd	239,905,266		13,001,872		936,001,243			1,175,906,509
Jiangling Holding Co., Ltd	50,000,000	950,000,000	26,388,167		97,057,723	2,669,322		1,099,727,045
Changan Ford Mazda Automobile Co., Ltd	210,901,925	1,184,208,792	306,560,775	550,000,000	361,008,047	19,575,055		1,775,693,820
Changan Ford Mazda Engine Co., Ltd	242,568,000	314,724,960	-16,420,282		-374,850,063			182,442,897
Associates								
Chongqing HelpGo Information	4,500,000		1,261,566		4,542,038			9,042,038

Technology  
Co., Ltd

Total 747,875,191 2,448,933,752 330,792,097 550,000,000 1,023,758,989 22,244,377 4,242,812,309

long term equity investment impairment provision

long term equity investment impairment provision	Dec.31, 2008	current increase	current decrease	June 30, 2009
Southwest Securities Co., Ltd	27,120,000			27,120,000

4.Fixed assets

	Buildings	Machinery	Vehicles	other equipments	Total
original price					
31 December 2008	924,637,602	1,911,586,081	29,200,701	1,724,975,200	4,590,399,583
Acquisition					
Transferred from construction in progress	2,031,572	60,827,622	2,999,382	223,912,205	289,770,781
Disposal and write-off	993,129	2,208,275	103,179		3,304,583
30 June 2009	925,676,045	1,970,205,428	32,096,904	1,948,887,405	4,876,865,782
Accumulated depreciation					
31 December 2008	224,264,303	922,909,881	11,273,164	625,357,262	1,783,804,610
Provision	14,261,376	67,163,361	1,627,769	75,316,431	158,368,936
Write-off		682,657	100,083		782,741
30,June 2009	238,525,679	989,390,584	12,800,850	700,673,693	1,941,390,806
Impairment provision					
31 December 2008		652,217			652,217
Provision		82,584,520		59,438,400	142,022,920
Write-off					
30 June 2009		83,236,738		59,438,400	142,675,137
		83,236,738			83,236,738
book value					
31 December 2008	700,373,299	988,023,982	17,927,536	1,099,617,938	2,805,942,755
30 June 2009	687,150,367	897,578,106	19,296,054	1,188,775,312	2,792,799,839

5.construction in process

item	Dec. 31, 2008	current increase	current decrease	current transfer from fixed asset	other decrease	June 30, 2009
mini-van production equipment	51,163,130	13,496,938	29,155,895	29,155,895		35,504,173
Chang Industrial Zone project engine plant	531,037,799	157,385,317	161,155,602	161,155,602		527,267,513
sedan production equipment	73,639,990	247,609,271	14,701,349	14,701,349		306,547,912
Automotive Engineering Institute project vehicle moulds	35,228,514	42,132,499	37,084,505	37,084,505		40,276,507
	45,807,273	30,354,566	23,616,141	23,616,141		52,545,698
	40,097,774	22,183,619	8,785,792	8,785,792		53,495,602

others	28,461,618	7,740,316	4,468,684	4,468,684	31,733,250
total	805,436,097	520,902,526	278,967,968	278,967,968	1,047,370,654

## 6.operation income, operation cost

type of business	Jan. to June 2009		Jan. to June 2008	
	operation income	operation cost	operation income	operation cost
primary business	7,041,468, 826	5,555,206,850	4,688,465,786	3,929,722,739
other business	417,721,642	330,983,446	504,188,403	363,019,597
total	7,459,190,468	5,886,190,296	5,192,654,188	4,292,742,336

## VII Related party relationships and transactions

### 1. Criteria for the identification of related parties

If a party has the power to control, jointly control or exercise significant influence over another party, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control, joint control or significant influence from the same party.

The following are related parties of the Group:

- 1) Parent company of the Group;
- 2) Subsidiaries of the Group;
- 3) Other enterprises that are controlled by the parent company as the Group;
- 4) Investors who have joint control over the Group;
- 5) Investors who can exercise significant influence over the Group;
- 6) Joint ventures of the Group ;
- 7) Associates of the Group;
- 8) Principal individual investors of the Group, and close family members of such individuals;
- 9) Key management personnel of the Group or its parent, and close family members of such individuals;
- 10) Other enterprises that are controlled, jointly controlled, or significantly influenced by the Group's principal individual investors, key management personnel, or close family members of such individuals.

Enterprises are not regarded as related parties simply because they are under the common control from the State, if no other related party relationships exist between them.

### 2. Parents Company and subsidiaries

Name of the Parent Company	Place of registration	Main business	Proportion of shares in the Company	Corporate type	Legal representative
China South Industries Automobile Company Limited	Beijing	Manufacture and sale of automobiles, engine, and components	45.548%	Stock Company Limited	Xu Bin

Notes: On July 3, 2009, approved by SAIC, China South Industries Motor Company Limited is changed into China Changan Automobile Group Company Limited.

Refer to Note IV "Scope of consolidation for consolidated financial statements" for the Group's subsidiaries.

### 3. Other related parties

Name of the related parties	Relationship with related parties
China South Industries Automobile Co., Ltd – Chongqing Tsingshan Transmission Branch Company (hereafter abbreviated as “CSIA-Chongqing Tsingshan Transmission Branch”)	Branch of parent company
China South Industries Automobile Co., Ltd - Sichuan Ningjiang Shock-absorber Branch (hereafter referred to as “CSIA-Ningjiang Shock-absorber Branch”)	Branch of parent company
China South Industries Automobile Co., Ltd - Jian'an Automobile Axle Branch (hereafter abbreviated as “CSIA-Jian'an Automobile Axle Branch”)	Branch of parent company
Chongqing Automobile Air-conditioner Co., Ltd	under control of CSIA
Chongqing Changfeng Jiquan Machinery Co., Ltd	under control of CSIA
Chongqing Changan Jinling Vehicles Parts Co., Ltd	under control of CSIA
Changan Ford Mazda Engine Co., Ltd	Joint ventures
Changan Ford Mazda Automobile Co., Ltd	Joint ventures
Chongqing Changan Suzuki Automobile Co., Ltd	Joint ventures
Jiangling Holding Co., Ltd	Joint ventures
Chongqing HelpGo Information Technology Co., Ltd	Associate of the Group
Chongqing Shangfang Automobile Fittings Co., Ltd	under control of CSIA
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd	under control of CSIA
Chengdu Tianxing Instrument and Meter Co., Ltd	under control of CSIA
Chengdu Lingchuan Vehicle Fuel Tank Co., Ltd	under control of CSIA
China South Industry Group Finance Co., Ltd	under control of CSIA
Chongqing Wanbing Material Co., Ltd	under control of CSIA
Sichuan Hongguang Machinery and Electrics Co., Ltd	under control of CSIA
Chengdu Lingchuan Special Industry Co., Ltd	under control of CSIA
Chongqing Yihong Engineering Plastic Products Co., Ltd	under control of CSIA
Hubei Xiaogan Huazhong Automobile Lamp Co., Ltd	under control of CSIA
Yunnan Xiyi Industries Co., Ltd	under control of CSIA
司 Longchang Shanchuan Shock-absorber Industries Co., Ltd	under control of CSIA
Chongqing Jianshe Automobile Air-conditioner Co., Ltd	under control of CSIA
Southwest Industries Corporation	under control of CSIA
Chongqing Wanyou Economic Development Co., Ltd	under control of CSIA
Chengdu Wanyou Economic Technological Development Co., Ltd	under control of CSIA
Chongqing Jiangling Construction Co., Ltd	under control of CSIA
Baoding Changan Bus Manufacturing Co., Ltd	under control of CSIA
Chongqing Changan Construction Co., Ltd	under control of CSIA
Changan Automobile (Group) Liability Co. Ltd	under control of CSIA
Chengdu Ningxing Automobile Spring Co., Ltd	under control of CSIA
South Yingte Air-conditioner Co., Ltd	under control of CSIA
South Tianhe Chassis System Co., Ltd	under control of CSIA
Chongqing Changan Lingyun Automobile Components Co., Ltd	under control of CSIA
Chongqing Shanrui Automobile Components Co., Ltd	Associate of CSIA
Chongqing Xiyi Automobile Connecting Rod Co., Ltd	Associate of CSIA
Beijing Beiji Mechanical and Electrical Industry Co., Ltd	under control of CSIA
Chengdu Wanyou Filter Co., Ltd	under control of CSIA
Chongqing Changan Kuayue Automobile Co., Ltd	under control of CSIA
Chongqing Dajiang Millison Die-Casting Co., Ltd	under control of CSIA

Chongqing Dajiang Yuqiang Plastic Co., Ltd	under control of CSIA
Congqing Jiangda Aluminium Alloy Wheel Co., Ltd	under control of CSIA
Chongqing Jinhai Standard Parts Co., Ltd	under control of CSIA
Chongqing Qingshan Sales Co., Ltd	under control of CSIA
Chongqing Wanyou Auto Sales and Service Corporation	under control of CSIA
Chongqing Changrong Machinery Co., Ltd	under control of CSIA
Chongqing Changan Minsheng Logistics Co., Ltd	Under significant influence from manager

#### 4. Major transactions between the Group and its related parties

##### (1) Selling goods to related parties (the transactions below not including tax)

Selling goods to related parties	From January to June 2009	From January to June 2008
Total	1,964,097,594	1,168,271,170

##### (2) Purchases of goods from related parties

Purchases of goods from related parties	From January to June 2009	From January to June 2008
Total	1,374,118,701	1,513,657,884

##### (3) Other major related-party transactions

#### Payment for comprehensive service charges

Name of related parties	Content of transaction	From January to June 2009	From January to June 2008
Changan Industry (Group) Liability Co. Ltd	Payment for trademark royalties	8,530,980	5,713,980
Changan Industry (Group) Liability Co. Ltd	Payment for land rental fees	10,249,095	1,620,040
Changan Industry (Group) Liability Co. Ltd	Payment for building rental fees	11,278,345	12,682,950
Changan Industry (Group) Liability Co. Ltd	Payment for water, electricity and gas expenses	82,947,241	45,765,198
Changan Industry (Group) Liability Co. Ltd	Payment for social welfare expenses	15,704,488	12,336,066
Changan Industry (Group) Liability Co. Ltd	Payment for education expense	0	1,157,974
Changan Industry (Group) Liability Co. Ltd	Payment for police security & fire fighting expense	5,500,078	7,443,810
Changan Industry (Group) Liability Co. Ltd	Payment for labour union expense	0	1,562,792
Changan Industry (Group) Liability Co. Ltd	Others	4,510,590	3,444,516
Total		138,720,817	91,727,326

#### Engineering procurement

Name of related parties	From January to June 2009	From January to June 2008
Changan Industry (Group) Liability Co. Ltd	2,479,887	0

Chongqing Changan Construction Co., Ltd	96,352,297	47,554,742
Chongqing HelpGo Information Technology Co., Ltd	12,741,526	7,688,086
Total	111,573,710	55,242,828

**other**

Name of related parties	Content of transaction	From January to June 2008	From January to June 2007
Chongqing HelpGo Information Technology Co., Ltd	development and maintenance of information system	17,696,304	25,111,650
Changan Industry (Group) Liability Co. Ltd	Housing rental revenue	2,173,400	1,086,720
Chongqing Changan Minsheng Logistics Co., Ltd	Logistic Storage	354,926,715	342,001,000
China South Industry Group Finance Co., Ltd	revenue	354,926,715	342,001,000

**(5)balance of related-party receivable and payable**

**notes receivable**

notes receivable	June 30, 2009	Dec. 31, 2008
Total	633,602,075	220,870,000

**Accounts receivable**

Accounts receivable	June 30, 2009	Dec. 31, 2008
Total	131,130,930	164,348,535

**other accounts receivable**

other accounts receivable	June 30, 2009	Dec. 31, 2008
Changan Ford Mazda Automobile Co., Ltd	73,034	0

**Notes payable**

Notes payable	June 30, 2009	Dec. 31, 2008
Total	253,218,781	100,810,000

**accounts payable**

accounts payable	June 30, 2009	31, 2008
Total	566,114,592	396,751,378

**Advances receipts**

Advances receipts	June 30, 2009	Dec. 31, 2008
Total	13,885,657	27,355,677

**Other payables**

Other payables	June 30, 2009	Dec. 31, 2008
Total	60,986,360	48,624,649

### (6) Cash saved in related parties

<u>Cash in bank</u>	June 30, 2009	Dec. 31, 2008
China South Industry Group Finance Co., Ltd	581,879,526	299,091,595

### (7) Loans

<u>Short-term loans</u>	June 30, 2009	Dec. 31, 2008
China South Industry Group Finance Co., Ltd	85,649,590	78,418,796
China South Industries Automobile Co., Ltd	100,000,000	0

### VIII Contingencies

As on 30 June 2008, the Group has no important events or contingencies.

### IX Fututre matters on banlance sheet

As on 30 June 2008, the Group has no future matters on the balance sheet.

### X Provision for the impairment of assets

Items	Opening balance at the beginning of the year	Provision	Deductions		Closing balance at the end of the year
			Reversal	Write-off	
1.Bad debt provision	79,778,483		760,965		79,017,518
2.Provision for obsolete inventory	69,433,481	135,643,752	58,715,194		146,362,038
3. Provision for the impairment of available-for-sale financial assets					
4.Provision for the impairment of held-to-maturity investments					
5.Provision for the impairment of long-term equity investments	27,120,000				27,120,000
6.Provision for the impairment of investmental realty					
7.Provision for the impairment of fixed assets	111,266,939	142,022,920			253,289,859
8.Provision for the impairment of constructional materials					
9.Provision for the impairment of Construction in progress					
10.Provision for the impairment of productive assets					
11.Provision for the impairment of oil gas assets					
12.Provision for the impairment of intangible assets	6,700,000				6,700,000
13.Provision for the impairment of goodwill	73,465,335				73,465,335
14.others					
Total	367,764,238	277,666,671	59,476,159		585,954,750

### XI Net profit except non-recurring profit and loss

Non-recurring gain and loss items	Amount	Note (if applicable)
Profit and loss arising from the disposal of non-current assets	-839,063.00	
Government grants	2,041,200.00	



Donation expenditure on public welfare	859,303.00	
The other	-2,640,886.00	
Non-recurring profit and loss effect on income tax	-201,271.00	
Net effect on the non-recurring profit and loss attributable to minority shareholders	-629,286.00	
Total	-1,410,003.00	-

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

Account difference adjustment list	30 June 2008	From January to June 2008
	Net assets	Net profits
Workout accountant according to the enterprise accounting rule and system under the PRC	8,071,964,540	532,801,780
Adjustment according to international accounting rules		
1. Corporation income tax reduction on the basis of purchasing domestic equipments	-92,268,223	5,119,725
2. payment in cash price to shareholders of A share	-71,284,065	
Workout accountant according to the international accounting rules	7,908,412,252	537,921,505

### VIII Documents for Future Reference

1. semi-annual report with the signature of chairman
2. Financial reports with signatures and stamps of the legal representative, the chief accountant and the chief of accounting organization.
3. All the original documents and manuscripts of the Company which has been disclosed in the reporting period in the newspapers designated by China Securities Regulatory Commission
4. Article of Association
5. Semi-annual reports disclosed in other securities markets.
6. Other relevant document.

Chairman of BOD: Xu Liuping

General Manager: Zhang Baolin

Chongqing Changan Automobile Co., Ltd

Aug.28, 2009