Chongqing Changan Automobile

Company Limited

Semi-annual report 2010

I. Important notes, Explaination 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, misguiding 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..

All directors attended the Board meeting.

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

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

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 2010	Last reporting period end as on 31 December 2009		Increase/Decrease (%)
		Before adjustment	Adjusted	Adjusted
Total assets	27,263,028,614.29	24,471,416,861.89	25,241,314,645.21	8.01%
Owner's equity(or shareholder's equity)	9,907,922,628.88	8,800,120,393.15	8,895,667,191.69	11.38%
Share capital	2,325,657,615.00	2,334,022,848.00	2,334,022,848.00	-0.36%
Net assets per share	4.26	3.77	3.81	11.81%

	Reporting period (January-June)	Corresponding period of previous year		Increase/Decrease (%)
		Before adjustment	Adjusted	Adjusted
operation total income	16,627,454,932.78	11,282,706,557.00	11,500,650,715.90	44.58%
Operation profit	1,374,742,402.37	499,571,315.00	486,019,960.40	182.86%
Gross profit	1,371,628,474.32	498,132,565.00	484,740,350.97	182.96%
Net profit	1,366,565,351.61	532,801,780.00	522,993,993.40	161.30%
Net profit except non-recurring loss and profit	1,365,347,793.93	534,211,783.00	524,244,856.72	160.44%
Basic earnings per share	0.59	0.23	0.22	168.18%
Diluted earning per share	0.59	0.23	0.22	168.18%
Return rate on net assets	14.27%	6.78%	6.66%	Increase 7.61 percentage points
Net cash flow from operating activities	2,687,373,910.69	1,303,517,504.00	1,504,416,207.86	78.63%
Net cash flow from operating activities per share	1.16	0.56	0.64	81.25%

Note1:Since May 31, 2010, the Company started to merge Chongqing Changan Jinling Automobile Parts Co., Ltd. which is controlled by the same parent. According to the specifications in" Accounting Standards for Business Enterprises," all parties should be seemed as in current condition when the final controller proceed control, corresponding reports are to be adjusted, including the balance sheet, comparison of statement of changes in owner’s equity between last period and earlier this period, comparison of income statement and cash flow over between last period and this period.

Note2: deduction from non-recurring profit and loss project and cash

Non-recurring profit and loss project	Amount
Gain/loss of non-current assets	-2,090,764.45
Government subsidies accounted into current gain/loss account, other than those closely related to the Company’s common business, comply with the national policy and continues to enjoy at certain fixed rate or amount.	1,557,629.83
Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company’s common businesses	4,563,744.00
Other non-business income and expenditures other than the above	-1,734,397.59
Influenced amount of income tax	-537,688.81
Influenced amount of miniority shareholders’ equity	-540,965.30
total	1,217,557.68

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	13.79%	14.27%	0.59	0.59
Net profit attributed to listed company shareholder except non-recurring loss and profit	13.78%	14.25%	0.59	0.59

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

Unit：（RMB）Yuan

	Net profits		Net assets	
	Jan.-Jun., 2010	Jan.-Jun., 2009	As at 30 Jun. 2010	As at 31 Dec, 2009
Account report according to the international finance report rules	1,366,565,351.61	522,993,993.40	9,836,638,563.88	8,824,383,126.69
Account report according to the enterprise accounting rule and system under the PRC	1,366,565,351.61	522,993,993.40	9,907,922,628.88	8,895,667,191.69
Adjustment of according to international accounting rules：				
Payment to currency shareholders of A share cash opposite price（Note ）			-71,284,065.00	-71,284,065.00
Total			-71,284,065.00	-71,284,065.00
Difference between Chinese and international accounting standard	Note Jiangling Holding company, the Company's JV, held by Jiangling stake in listed companies the right to paid circulation on the price in cash, according to international norms should be included in the profit and loss.			

Ⅲ. Change in shareholdings and information about main shareholders

ⅰChange 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	829,694,860	35.55%				-622,263,878	-622,263,878	207,430,982	8.92%
1、State-owned shares									
2、State-owned legal person shares	829,685,204	35.55%				-622,263,903	-622,263,903	207,421,301	8.92%
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	9,656	0.00%				25	25	9,681	0.00%
Ⅱ.Circulated shares	1,504,327,988	64.45%				613,898,645	613,898,645	2,118,226,633	91.08%
1、Domestic listed RMB shares	899,527,988	38.54%				622,263,878	622,263,878	1,521,791,866	65.43%
2、Domestic listed foreign shares	604,800,000	25.91%				-8,365,233	-8,365,233	596,434,767	25.65%
3、Oversea listed foreign shares									
4、Others									
Ⅲ.Total shares	2,334,022,848	100.00%				-8,365,233	-8,365,233	2,325,657,615	100.00%

Note：During the reporting period, the Company's domestic listed foreign investment shares are reduced due to repurchase of B shares for cancellation.

ⅱ. The information on top 10 shareholders

Unit: share

Total shareholders number	Persons in total 239,721, among of which A shareholder is 204,277, B shareholder is 35,444.				
The top ten shareholders					
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 CHANGAN AUTOMOBILE COMPANY LIMITED	State-owned legal person	45.71%	1,063,087,489	207,421,301	0
DREYFUS PREMIER INVESTMENT FDS INC.-DREYF	Foreign legal person	1.13%	26,292,615	0	0
BONJOUR CHINA FUND 2	Foreign legal person	0.71%	16,568,176	0	0
Bank Of China－E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund	Domestic non-state legal pe	0.56%	13,131,333	0	0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.49%	11,356,539	0	0
JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI	Foreign legal person	0.40%	9,239,280	0	0
China Reinsurance (Group) Co., Ltd. - Traditional - General insurance products	Domestic non-state legal pe	0.37%	8,499,844	0	0
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	Domestic non-state legal pe	0.35%	8,105,956	0	0
Tokai Securities - Bank of Communications - Dongfeng 5 Asset Management Plan sets	Domestic non-state legal pe	0.33%	7,634,123	0	0
TEMPLETON CHINA WORLD FUND INC	Foreign legal person	0.32%	7,507,924	0	0

The top 10 holders of circulated shares

Name of shareholders	Total number of circulated shares	Share type
CHINA CHANGAN AUTOMOBILE COMPANY LIMITED	855,666,188	RMB ordinary share
DREYFUS PREMIER INVESTMENT FDS INC.-DREYF	26,292,615	Foreign capital stock listed within China
BONJOUR CHINA FUND 2	16,568,176	Foreign capital stock listed within China
Bank Of China－E Fund Shenzhen Stock Exchange 100 Exchange-Traded Fund	13,131,333	RMB ordinary share
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	11,356,539	Foreign capital stock listed within China
JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI	9,239,280	Foreign capital stock listed within China
China Reinsurance (Group) Co., Ltd. - Traditional - General insurance products	8,499,844	RMB ordinary share
Rongtong Shenzhen Stock Exchange 100 Index Securities Investment Fund	8,105,956	RMB ordinary share
Tokai Securities - Bank of Communications - Dongfeng 5 Asset Management Plan sets	7,634,123	RMB ordinary share
TEMPLETON CHINA WORLD FUND INC	7,507,924	Foreign capital stock listed within China
Related partner relationship of the ten largest shareholders and their consistant act	Among the largest ten share holders, the state-owned legal person shareholder CHINA CHANGAN AUTOMOBILE COMPANY	

	LIMITED had no relationship with other share holders, and nor was the party who agreed to act alike as stipulated in Administrative Measures on Information Disclosure Concerning Changes in Shareholdings of Listed Companies. The company did not know whether there was relationship among the large ten circulated shareholders , and nor knew whether they were the parties who agreed to act alike as stipulated in Administrative Measures on Information Disclosure Concerning Changes in Shareholdings of Listed Companies.

iii. The top 10 holders of non-circulated shares and condition of limited sale

By the end of the reporting period, the non-circulated shares shareholder, China Changan Automobile Group Co., Ltd. holds 1,063,087,489 shares, of which 855,666,188 shares are circulated shares, the remaining 207,421,301 shares are non-circulated shares and will be released after the implementation of management incentive plan according to the commitment of share reform.

iv. Change of controlling shareholder and actual controllers.

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

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.

After taking a vote and passing through the ninth session of the Board of Director's fifth meeting on Feb, 09, 2010, Mr. Deng Zhiyou , Mr. Zhao Luchuan were no longer the director of the company due to employment change. In accordance with the company's big shareholders' recommendation, Mr. Lian Gang, Ma Junpo were appointed director of the Company while Mr. Zou Wen chao , Wu Xuesong were no longer the vice general manager of company. , nominated by General manager, elected Mr. Du Yi by board of directors as vice general manager .

After taking a vote and passing through the forht session of the Board of Director's fifth meeting on Feb, 09, 2010, Mr. Liu Zhiyan was no longer the supervisor of the company due to employment change. In accordance with the company's big shareholders' recommendation, elected Mr. Yang Jian as the supervisor of company.

After taking a vote and passing through the first temporary big shareholders'on Mar.08, 2010, elected Mr. Lian Gang, Ma Junpo as the director and supervisor of company.

Ⅴ The Report from Board of Directors

Ⅰ The operation of the Company during the reporting period

㈠The main business of the company

The Company is mainly engaged in the development, manufacturing and sales of passenger cars and commercial cars. The current products of the Company, its subsidiaries and its joint venture mainly include: mini-vehicle such as Changan Star mini-commercial vehicle, Changan Brand mini-truck, Changan sedan such as Benni, Jiexun, CX30 and Yuexiang; Changan Suzuki's Gazalle, Swift, new Alto and SX4; Changan Ford Mazda's new Mondeo"Zhisheng", Focus, New Fiesta, Mazda 3, Mazda 2, S-MAX, Volvo S40 sedan and Volvo S80 sedan; Jiangling Holding's Landwind MPV, and sedan such as Landwind Fenghua and Fengshang.

㈡The operation of the Company during the reporting period

In the first half of 2010, the Company continued to take " Course Leading Plan " as the guide, overcame many difficulties such as economic environment complexity, industry slowdown, increased market competition, closely focused on all-year goal, paid close attention to marketing management, continually enhanced cost control and product construction optimization, achieved good situations in a steady growth of own business profitability, and increase of investment income contribution from JV business year-on-year, the Company's scale and efficiency continue to grow.

In the first half year, the Company and its subsidiaries, JVs totally produced 956,440 vehicles, up 49.85 percent year-on-year; sold 974,499 vehicles, up 47.60 percent year-on-year, production and sales both broke the record. Production and sales still ranked in the first 4 in Chinese automotive industry.

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

㈠Chart of the industry or main products that account for over 10%

Unit: (RMB) Yuan

Distribution on industries						
On industry or product	Turnover	Operation cost	Operation profit ratio	Change of income over last year %	Change of cost over last year %	Change of operation profit ratio over last year %
Vehicle manufacturing	1,662,745.00	1,338,785.00	19.48%	44.58%	45.55%	Decrease 0.54 percentage points
Distribution on products						
Whole vehicles	1,602,941.00	1,287,431.00	19.68%	44.68%	44.86%	Decrease 0.1 percentage points
others	59,805.00	51,354.00	14.13%	42.00%	65.34%	Decrease 12.12 percentage points

㈡Notes for the significant change in profit components, main business or its structure and profit in the main business during the report period

During the reporting period, the Company’s Investment income has been increased to 1.0035 billion RMB from the same period of the last year which was 337.67 million RMB, representing of proportion of up to 73.43 percent in the consolidated net profit from 64.56% of the same period of last year, and that mainly because the investment income from Changan Ford Mazda Automobile Co., Ltd. has increased 436.59 million RMB and the investment income from Jiangling Holdings Co., Ltd. increased 132.25 million RMB.

㈢The 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, Mazda 3, Mazda 2, SMAX and Volvo S40 sedan	2,340,473	150,714
Jiangling Holding Corporation	Landwind MPV, and sedan such as Landwind Fenghua and Fengshang	78,749	31,727

㈣Operation Result and Financial Analysis

Due to the expansion of the production and sale, by the end of reporting period, the total asset of Company is 27.263 billion Yuan, comparing with the beginning of this year, up 8.01%. Total liability is 17.23 billion Yuan, comparing with the beginning of this year, up 6.34%; liability rate is 63.20%, comparing with the beginning of this year, down 0.99%. Monetary fund is 22.42%, up 4.82% than the beginning of this year, receivable note and receivable are 25.25%, decreased 3.29% than the beginning of this year, stock is 7.04%, decreased 3.66% than the beginning of this year, immaterial asset is 3.14%, up 1.65% than the beginning of this year, total asset structural is more reasonable.

In the first half of 2010, due to the growth in car sales, the operating income, operating costs, sales taxes and additional sales expenses increased significantly. Gross margin remained stable during the reporting period and the investment income increased 197.18 percent year on year, total profit, and net profit attributable to the parent increased 161.30% and 182.96% respectively year on year.

In the first half of 2010, the Company achieved net increase in cash and cash equivalents of 2.453 billion Yuan, up 80.03 percent year on year, of which net cash flow from the operating activities is 2.687 billion Yuan, up 78.63 percent year on year, the Company's net increase in cash and cash equivalents mainly is from the operations, that reflects the Company is with high quality in operation.

Ⅲ The problems ,troubles and solutions of operation

At present, China is facing a complexity of the macroeconomic situation of economic restructuring and economic slowdown, the domestic automobile industry is gradually returning to a rational growth. On the other hand, China's promotion of energy-saving vehicles and recalling system become stronger and stricter, which brings the domestic auto manufacturers opportunities and challenges.

To achieve the goal of the year and the long-term planning, the Company's management will focus on the following work in the second half of this year: First is to innovate the marketing services to win the market tough fight. Second is to strengthen quality control. Third is to make an overall plan for brand and marketing strategy. Fourth is to strengthen the strategic planning. Fifth is to enhance R & D ability to build a first-class R & D system. Sixth is to do a good job in work safety in production and procurement, and strengthen cost competitiveness strategy. Seventh is to accelerate the development of joint ventures. Eighth is to promote the leading strategy of human resources. Ninth is to build a standardized management system.

Ⅳ Investment of the company during the reporting period

㈠No usage information on raised money is available during the reporting period

㈡Usage 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 programme	11,621	Under construction	Included in the total profit of the Company
2	engine programme	18,478	Under construction	
3	TechnologyDevelopment	3,998	Under construction	
4	Industry Zone	8,770		
5	others	25,536	Under construction	
	Total	68,403		

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 made External Message Submission, Application and Management Procedure and Responsibility Tracking System for Information Disclosure Error in Annual Report, and modified Collected Capital Management System. In accordance with Determination on Modifying Provision on Cash Bonus of Listed Company (Zhengjianhui No. 57) by China Securities Regulatory Commission, the Company edited the policy of cash bonus in the regulations. 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 2009 and the semi-annual distribution plan of profits in 2010

1.The implementation situation of the annual distribution of profits in 2009

The profit distribution plan of 2009 is made in the company's 2009 annual shareholders' meeting which was held on April 26th, 2010.The plan is as follow: The basis of total shares 2,325,657,615 at the end of 2009, donating 10 shares, giving interest 0.65 RMB. A share interest rights registration date is 9th Jun.2010, Ex. Right and ex. dividend date is 10th Jun.2010. B share final dealing date is 9th Jun.2010, ex dividend date is10th Jun.2010, registry date is17th Jun.2010.

2. The semi-annual distribution plan of profits in 2010: 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 April, 27th, 2010, according to the pre-arranged plan approved in the 2009 annual shareholders' meeting. Until the end of this report period, related parties purchasing volume amounted to 3,684,060,000 RMB, sales volume amounted to 2,584,220,000 RMB, general service volume amounted to 169,430,000 RMB, respectively accounted for 45.48%,39.10%, and 53.14% of the predicted total volume of 2010.

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's Sales Branch, the total area is 2886.79 square meters, the monthly rental is RMB 40 yuan per sq. m. rented some offices in Changxin Road from Changan Automobile (Group) Company, he total area is 588 square meters, the monthly rental is RMB 40 yuan per sq. m and the Company rented Auto workshops building of 34,147 square meters and monthly rental is RMB 35 yuan per sq. m.; The Company rented 385,770 square meters land of Changan Automobile (Group) Company, yearly rental is RMB 33 yuan per sq. m. The company rented 2,803.1 square meters production and office building in Cuntan of Changan Automobile (Group) Company， monthly rental is RMB 35 yuan per sq. m. The company rented 11,617.65 square meters production building in Dashiba of Changan Automobile (Group) Company，monthly rental is RMB 35 Yuan per sq. m. The company rented 2,387.47 square meters office building in Dashiba of Changan Automobile (Group) Company，monthly rental is RMB 40 Yuan per sq. m. The Company rented 214,623.55 square meters land in Cuntan of Changan Automobile (Group) Company，yearly rental is RMB 33 yuan per sq. m. ;the Company rented 48,500 square meters land in Yubei Airport Machining Area of Changan Automobile (Group) Company, the yearly rental is RMB 33 yuan per sq. m.; The company rented 5,800.56 square meters offices from Changan Real Estate Development Company, monthly rental is RMB 48 Yuan per sq. m.; Changan International Trading Company , a subsidiary of Changan Automobile Company rented 1,933.56 square meters offices from Changan Real Estate Development Company, monthly rental is RMB 48 Yuan per sq. m.

2. Asset entrustment matters

There is no entrustment or no continuous entrustment of cash management occurring in the reporting period except for loans entrustment. According to the directorate's decision of Nanjing Changan on November 3, 2007, Nanjing Changan as the entruster has delivered a trust credit of RMB 23.50 million yuan to Lishui State-Owned Asset Holding Company Limited through the Lishui sub-branch of Bank of China. The Above three parties signed a 24-month trust credit contract with the annual rate of 7.2% on November 28th, 2007. The interest started to execute from November 29, 2007. Upon the expiration the contract,three patties re-signed a loan agreement entrusted entrusted loan period: one year from November 29, 2009 to November 28, 2010, other conditions are the same.

VII. Commitment

Commitment of the controlling shareholder (CHINA CHANGAN AUTOMOBILE COMPANY LIMITED) 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 followissue 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 2010 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 proposal on buy-back partial domestic listed foreign shares (B shares) , examined and passed on the second temporary Shareholder Meeting on March 3, 2009, the Company’s domestic partial foreign shares (B shares) listed in China expired to buy back until March 3, 2010, and the Company's B shares repurchase program was completed. In the repurchase, the company’s repurchased total number of B shares accumulated to 8,365,233 shares, occupying 0.3584% of the company's total share capital. On March 17, 2010, the Company had finished write-off of share repurchase in the China Securities Register and Clearing Co., Ltd. Shenzhen Branch, carried out industry &commerce change formalities related to capital reduction.

3.According to the related proposal to issue additional A shares to raise funds, which was examined and approved on the first time temporary General Shareholders’ Meeting on March 8, 2010 meeting, the Company will issue share less than 20% of total capital stock before the issuance, to raise not more than RMB 4 billion yuan (including issuance costs) which will be used for Changan car production line expansion, technological transformation projects, small-displacement engine upgrading projects, and its own brand R&D capacity-building projects. The current application materials have been submitted to the China Securities Regulatory Commission.

4.Changes in consolidation scope

During the reporting period, in order to improve the Company’s mold development and manufacturing capacity, lower the manufacturing costs, the Company has accomplished the cancellation of Chongqing Changan Automobile Mould Co., Ltd. through overall absorption and merging. The absorption and merging have no effect on the Company's financial statements.

During the reporting period, in order to strengthen the management of components & parts and control of quality of the components & parts, the Company acquired 97.1% of the shares of Chongqing Changan Jinling Automobile Parts Co., Ltd., which was held by China Changan Automobile Group Co., Ltd., makes it become wholly-owned subsidiary of the Company. And the Company carried out merge in May 31, 2010 by taking as it is under the same controller, this new added consolidation scope has no significant impact on the Company’s financial statements.

5.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
2010.1.5	Meeting Room, Changan Headquarters	On-Site Survey	Value Partners Ltd	Automotive Industry Development and Company’s Business
2010.1.6	Meeting Room, Changan Headquarters	On-Site Survey	Dong Xing Securities	Automotive Industry Development and Company’s Business
2010.1.11	Meeting Room, Changan Headquarters	On-Site Survey	Gao Hua Securities	Automotive Industry Development and Company’s Business
2010.1.18	Meeting Room, Changan Headquarters	On-Site Survey	DAIWA	Automotive Industry Development and Company’s Business
2010.1.19	Meeting Room, Changan Headquarters	On-Site Survey	Huatai United Securities、HuaAn Funds	Automotive Industry Development and Company’s Business
2010.1.21	Meeting Room, Changan Headquarters	On-Site Survey	Deutsche Bank	Automotive Industry Development and Company’s Business
2010.3.8	Meeting Room, Changan Headquarters	On-Site Survey	Huatai United Securities、Sinolink Securities、Shenyin & Wanguo Securities	Automotive Industry Development and Company’s Business
2010.3.11	Meeting Room, Changan Headquarters	On-Site Survey	CLSA	Automotive Industry Development and Company’s Business

2010.3.15	Meeting Room, Changan Headquarters	On-Site Survey	NOMURA	Automotive Industry Development and Company's Business
2010.3.18	Meeting Room, Changan Headquarters	On-Site Survey	Morgan Stanley	Automotive Industry Development and Company's Business
2010.3.19	Meeting Room, Changan Headquarters	On-Site Survey	China Merchants Securities	Automotive Industry Development and Company's Business
2010.4.22	Meeting Room, Changan Headquarters	On-Site Survey	RCM	Automotive Industry Development and Company's Business
2010.5.7	Meeting Room, Changan Headquarters	On-Site Survey	TX Investment Consulting Ltd	Automotive Industry Development and Company's Business
2010.5.13	Meeting Room, Changan Headquarters	On-Site Survey	Morgan Stanley	Automotive Industry Development and Company's Business
2010.5.14	Meeting Room, Changan Headquarters	On-Site Survey	UBS	Automotive Industry Development and Company's Business
2010.5.18	Meeting Room, Changan Headquarters	On-Site Survey	Citigroup Global Markets Asia	Automotive Industry Development and Company's Business
2010.5.18	Meeting Room, Changan Headquarters	On-Site Survey	CICC	Automotive Industry Development and Company's Business
2010.5.20	Meeting Room, Changan Headquarters	On-Site Survey	BOC International Limited	Automotive Industry Development and Company's Business
2010.6.1	Meeting Room, Changan Headquarters	On-Site Survey	Macquarie Securities	Automotive Industry Development and Company's Business
2010.6.2	Meeting Room, Changan Headquarters	On-Site Survey	Industrial Securities	Automotive Industry Development and Company's Business
2010.6.4	Meeting Room, Changan Headquarters	On-Site Survey	Goldman Sachs	Automotive Industry Development and Company's Business
2010.6.7	Meeting Room, Changan Headquarters	On-Site Survey	KGI	Automotive Industry Development and Company's Business
2010.6.9	Meeting Room, Changan Headquarters	On-Site Survey	Morgan Stanley	Automotive Industry Development and Company's Business

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*.

VII. Financial Report (Unaudited)

i Financial statements

Chongqing Changan Automobile Company Limited

30, June 2010 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	6,111,751,380.02	4,358,177,385.28	3,658,380,928.50	1,973,263,003.71
Settlement provision					
Outgoing call loan					
Trading financial assets					
Notes receivable	（V）2	6,067,446,783.19	4,576,975,714.19	7,022,333,591.84	5,372,680,455.66
Account receivable	（V）3 （VI）1	812,311,870.26	865,754,953.34	182,991,180.86	581,698,017.44
Prepayment	（V）4	418,347,206.71	230,990,885.90	503,479,133.38	329,644,151.89
Insurance receivable					
Reinsurance receivable					
Provisions of Reinsurance contracts receivable					
Interest receivable					
Dividend receivable		450,030.00	450,030.00	450,030.00	450,030.00
Other account receivable	（V）3 （VI）1	125,300,303.97	181,538,598.24	63,636,373.59	129,910,087.06
Repurchasing of financial assets					
Inventories	（V）5	1,920,290,852.51	1,222,728,801.31	2,701,131,615.71	1,438,979,289.27
Non-current asset due in 1 year					
Other current asset				20,508.87	
Total of current asset		15,455,898,426.66	11,436,616,368.26	14,132,423,362.75	9,826,625,035.03
Non-current assets					
Loans and payment on other’s behalf disbursed					
Disposable financial asset		167,915,000.00	167,915,000.00	238,205,000.00	238,205,000.00
Expired investment in possess					
Long-term receivable					
Long-term share equity investment	（V）6 （VI）2	4,986,300,890.30	5,987,888,619.17	4,787,860,441.63	5,856,668,740.78
Property investment		64,275,896.63		65,563,825.59	
Fixed assets	（V）7	3,320,118,655.45	2,750,178,968.38	3,347,742,796.93	2,572,674,562.93
Construction in process	（V）8	1,731,408,362.29	1,449,872,987.15	1,316,169,651.80	1,226,791,383.39

Engineering material		756,912.75	795,898.75	838,718.75	838,718.75
Fixed asset disposal		30,627.62		869,564.07	
Production physical assets					
Gas & petrol					
Intangible assets	（Ⅴ）9	856,961,808.23	682,267,030.72	378,030,601.16	250,935,419.01
R&D expense	（Ⅴ）10	182,624,926.05	182,450,250.63	200,849,901.80	199,526,282.03
Goodwill		9,804,394.00		9,804,394.00	
Long-term prepaid expenses		35,128,993.99	1,170,520.00	33,495,141.27	1,260,560.00
Differed income tax asset	（Ⅴ）11	321,803,720.32	227,520,627.46	322,381,245.46	204,563,633.47
Other non-current asset		130,000,000.00	130,000,000.00	407,080,000.00	407,080,000.00
Total of non-current assets		11,807,130,187.63	11,580,059,902.26	11,108,891,282.46	10,958,544,300.36
Total of assets		27,263,028,614.29	23,016,676,270.52	25,241,314,645.21	20,785,169,335.39
Current liabilities					
Short-term loans	（Ⅴ）12	425,949,532.00	50,000,000.00	350,270,268.00	50,000,000.00
Loan from Central Bank					
Deposit received and hold for others					
Call loan received					
Trade off financial liabilities				4,563,744.00	
Notes payable	（Ⅴ）13	5,197,331,956.01	4,958,851,814.32	2,797,030,532.62	2,716,438,173.31
Account payable	（Ⅴ）14	5,651,372,861.25	3,187,046,760.76	6,559,948,368.16	3,988,443,774.45
Prepayment received	（Ⅴ）15	1,436,274,911.19	1,069,862,282.90	3,031,972,501.29	1,718,105,586.42
Selling of repurchased financial assets					
Fees and commissions receivable					
Employees' wage payable	（Ⅴ）16	165,062,189.71	137,038,267.05	177,703,190.75	145,719,031.19
Tax payable	（Ⅴ）17	313,722,136.91	296,493,851.80	246,689,891.89	289,396,852.43
Interest payable		420,000.00	420,000.00	420,000.00	420,000.00
Dividend payable		4,032,810.45	3,953,067.65	79,742.80	
Other account payable	（Ⅴ）18	628,148,683.16	213,972,473.10	683,865,744.49	416,328,996.78
Reinsurance fee payable					
Insurance contract provision					
Entrusted trading of securities					
Entrusted selling of securities					
Non-current liability		300,000,000.00	300,000,000.00	15,000,000.00	

due in 1 year					
Other current liability		1,774,467,224.37	910,412,491.88	842,516,160.16	465,475,119.91
Total of current liability		15,896,782,305.05	11,128,051,009.46	14,710,060,144.16	9,790,327,534.49
Non-current liabilities					
Long-term borrowings		157,000,000.00		499,000,000.00	300,000,000.00
Bond payable					
Long-term payable		20,737,270.84	20,737,270.84	30,081,000.00	22,216,000.00
Special payable		536,306,817.92	536,306,817.92	515,089,405.79	515,089,405.79
Expected liabilities	（V）19	597,071,607.61	334,361,961.06	416,077,626.26	222,800,775.48
Differed income tax liability	（V）11	21,755,250.00	21,755,250.00	32,298,750.00	32,298,750.00
Other non-recurring liabilities					
Total of non-current liabilities		1,332,870,946.37	913,161,299.82	1,492,546,782.05	1,092,404,931.27
Total of liability		17,229,653,251.42	12,041,212,309.28	16,202,606,926.21	10,882,732,465.76
Owners' equity (or shareholders' equity)					
Practical capital collected (or share capital)		2,325,657,615.00	2,325,657,615.00	2,334,022,848.00	2,334,022,848.00
Capital reserves		1,575,795,664.76	1,705,578,707.86	1,797,604,215.47	1,859,502,088.33
Less: Shares in stock				26,925,731.38	26,925,731.38
Special reserves					
Surplus reserves		1,167,011,424.00	1,167,011,424.00	1,167,011,424.00	1,167,011,424.00
Common risk provision					
Attributable profit		4,839,457,925.12	5,777,216,214.38	3,623,954,435.60	4,568,826,240.68
Different of foreign currency translation					
Total of owner's equity belong to the parent company		9,907,922,628.88	10,975,463,961.24	8,895,667,191.69	9,902,436,869.63
Minor shareholders' equity		125,452,733.99		143,040,527.31	
Total of owners' equity		10,033,375,362.87	10,975,463,961.24	9,038,707,719.00	9,902,436,869.63
Total of liabilities and owners' equity		27,263,028,614.29	23,016,676,270.52	25,241,314,645.21	20,785,169,335.39

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, 2010 PROFIT STATEMENT

(Expressed in RMB Yuan)

Items	Note	Current term		Same period last year	
		Consolidated	Parent company	Consolidated	Parent company
I. Total business income		16,627,454,932.78	11,242,504,620.75	11,500,650,715.90	7,459,190,467.92
Incl. Business income	（V）20 （VI）3	16,627,454,932.78	11,242,504,620.75	11,500,650,715.90	7,459,190,467.92
Interest income					
Insurance fee earned					
Fee and commission received					
II. Total business cost		16,260,772,013.79	10,863,723,696.48	11,353,159,199.03	7,276,568,173.08
Incl. Business cost	（V）20 （VI）3	13,387,852,025.12	9,040,356,397.63	9,197,935,588.53	5,886,190,296.31
Interest expense					
Fee and commission paid					
Insurance discharge payment					
Net claim amount paid					
Net insurance policy reserves provided					
Insurance policy dividend paid					
Reinsurance expenses					
Business tax and surcharge	（V）21	357,977,295.97	259,268,103.04	231,957,920.12	161,801,778.74
Sales expense		1,810,978,661.82	1,083,721,040.71	1,145,717,652.72	605,248,449.00
Administrative expense		721,615,349.36	543,393,337.92	552,022,387.45	425,752,699.12
Financial expenses	（V）22	-565,730.67	-35,911,495.01	7,335,138.19	-21,570,630.22
Asset impairment loss	（V）23	-17,085,587.81	-27,103,687.81	218,190,512.02	219,145,580.13
Plus: Gains from change of fair value (“-“ for loss)		4,563,744.00		859,303.20	
Investment gain (“-“ for loss)	（V）24 （VI）4	1,003,495,739.38	992,273,032.91	337,669,140.33	344,993,270.11
Incl. Investment gains from affiliates		975,094,449.15	975,094,449.15	330,869,140.33	330,869,140.33
Gains from currency exchange (“-“ for loss)					
III. Operational profit (“-“ for loss)		1,374,742,402.37	1,371,053,957.18	486,019,960.40	527,615,564.95
Plus: Non business income		7,583,973.03	4,025,336.74	6,024,436.29	2,584,497.97
Less: Non-business expenses		10,697,901.08	6,509,739.05	7,304,045.72	6,080,192.54
Incl. Loss from disposal of non-current assets		3,061,777.08		1,056,225.15	931,000.00
IV. Gross profit (“-“ for loss)		1,371,628,474.32	1,368,569,554.87	484,740,350.97	524,119,870.38
Less: Income tax		22,650,916.03	9,117,719.08	-39,261,220.20	-48,577,660.90

expenses					
V. Net profit ("-" for net loss)		1,348,977,558.29	1,359,451,835.79	524,001,571.17	572,697,531.28
Net profit attributable to the owners of parent company		1,366,565,351.61	1,359,451,835.79	522,993,993.40	572,697,531.28
Minor shareholders' equity		-17,587,793.32		1,007,577.77	
VI. Earnings per share:					
(I) Basic earnings per share		0.59	0.58	0.22	0.25
(II) Diluted earnings per share		0.59	0.58	0.22	0.25
VII. Other misc. incomes		-75,863,340.95	-75,863,340.95	1,077,628.00	1,077,628.34
VIII. Total of misc. incomes		1,273,114,217.34	1,283,588,494.84	525,079,199.17	573,775,159.62
Total of misc. incomes attributable to the owners of the parent company		1,290,702,010.66	1,283,588,494.84	524,071,621.40	573,775,159.62
Total misc gains attributable to the minor shareholders		-17,587,793.32		1,007,577.77	

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, 2010
CASH FLOW STATEMENT
(Expressed in RMB Yuan)

Items	Current term		Same period last year	
	Consolidated	Parent company	Consolidated	Parent company
I. Net cash flow from business operation				
Cash received from sales of products and providing of services	12,878,287,105.69	11,422,262,368.36	7,179,920,577.00	5,067,535,401.08
Net increase of customer deposits and capital kept for brother company				
Net increase of loans from central bank				
Net increase of inter-bank loans from other financial bodies				
Cash received against original insurance contract				
Net cash received from reinsurance business				
Net increase of client deposit and investment				
Net increase of trade financial asset disposal				
Cash received as interest, processing fee, and commission				
Net increase of inter-bank fund received				
Net increase of repurchasing business				
Tax returned	25,871,777.12		25,658,619.45	
Other cash received from business operation	154,597,784.42	50,715,275.98	147,001,840.36	89,819,373.49

Sub-total of cash inflow from business activities	13,058,756,667.23	11,472,977,644.34	7,352,581,036.81	5,157,354,774.57
Cash paid for purchasing of merchandise and services	7,025,953,870.17	6,301,692,529.40	3,887,292,800.30	3,178,516,504.83
Net increase of client trade and advance				
Net increase of savings in central bank and brother company				
Cash paid for original contract claim				
Cash paid for interest, processing fee and commission				
Cash paid for policy dividend				
Cash paid to staffs or paid for staffs	642,032,020.93	484,525,672.57	397,404,229.13	294,924,179.08
Taxes paid	1,128,844,421.45	789,035,660.48	797,798,309.73	516,319,520.17
Other cash paid for business activities	1,574,552,443.99	1,365,936,628.09	765,669,489.79	629,286,181.61
Sub-total of cash outflow from business activities	10,371,382,756.54	8,941,190,490.54	5,848,164,828.95	4,619,046,385.69
Cash flow generated by business operation, net	2,687,373,910.69	2,531,787,153.80	1,504,416,207.86	538,308,388.88
II. Cash flow generated by investing				
Cash received from investment retrieving	4,900,000.00	4,900,000.00		
Cash received as investment gains	827,029,165.91	832,155,290.91	553,796,025.00	564,201,172.92
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	11,843,177.68	10,750,089.68	2,050,602.02	74,598.28
Net cash received from disposal of subsidiaries or other operational units				
Other investment-related cash received			190,000.00	
Sub-total of cash inflow due to investment activities	843,772,343.59	847,805,380.59	556,036,627.02	564,275,771.20
Cash paid for construction of fixed assets, intangible assets and other long-term assets	767,014,993.08	659,139,599.99	653,892,164.48	531,254,216.50
Cash paid as investment	168,482,160.00	141,382,160.00	1,896,370.15	1,896,370.15
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	935,497,153.08	800,521,759.99	655,788,534.63	533,150,586.65
Net cash flow generated by investment	-91,724,809.49	47,283,620.60	-99,751,907.61	31,125,184.55
III. Cash flow generated by financing				
Cash received as investment				
Incl. Cash received as investment from minor shareholders				
Cash received as loans	584,203,930.00		1,065,547,854.00	400,000,000.00
Cash received from bond placing				
Other financing-related cash received	1,608,635.34	44,155.76	2,652,103.55	626,297.00
Subtotal of cash inflow from financing activities	585,812,565.34	44,155.76	1,068,199,957.55	400,626,297.00
Cash to repay debts	555,807,718.50	39,000,000.00	1,018,225,505.59	455,026,516.42

Cash paid as dividend, profit, or interests	168,058,219.00	155,122,263.94	63,486,017.20	60,664,990.01
Incl. Dividend and profit paid by subsidiaries to minor shareholders				
Other cash paid for financing activities	3,983,709.92	78,284.65	28,218,581.72	17,757,930.60
Subtotal of cash outflow due to financing activities	727,849,647.42	194,200,548.59	1,109,930,104.51	533,449,437.03
Net cash flow generated by financing	-142,037,082.08	-194,156,392.83	-41,730,146.96	-132,823,140.03
IV. Influence of exchange rate alternation on cash and cash equivalents	-241,567.60		-195,230.51	
V. Net increase of cash and cash equivalents	2,453,370,451.52	2,384,914,381.57	1,362,738,922.78	436,610,433.40
Plus: Balance of cash and cash equivalents at the beginning of term	3,658,380,928.50	1,973,263,003.71	1,661,738,524.68	1,166,965,437.50
VI. Balance of cash and cash equivalents at the end of term	6,111,751,380.02	4,358,177,385.28	3,024,477,447.46	1,603,575,870.90

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 2010 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Renminbi Yuan)

Items	Amount of the Current Term										Amount of Last Year									
	Owners' Equity Attributable to the Parent Company								Minor shareholders' equity	Total of owners' equity	Owners' Equity Attributable to the Parent Company								Minor shareholders' equity	Total of owners' equity
	Capital paid in (or share capital)	Capital reserves	Less: Shares in stock	Special reserves	Surplus reserves	Common risk provision	Retained profit	Others			Capital paid in (or share capital)	Capital reserves	Less: Shares in stock	Special reserves	Surplus reserves	Common risk provision	Retained profit	Others		
I. Balance at the end of last year	2,334,022,848.00	1,797,604,215.47	26,925,731.38		1,167,011,424.00		3,623,954,435.60		143,040,527.31	9,038,707,719.00	2,334,022,848.00	1,603,529,681.06	0.00		1,042,968,948.06		2,706,071,671.34		146,541,141.19	7,833,134,289.65
Plus: Change of accounting policy																				
Correcting of previous errors																				
Others																				
II. Balance at the beginning of current year	2,334,022,848.00	1,797,604,215.47	26,925,731.38		1,167,011,424.00		3,623,954,435.60		143,040,527.31	9,038,707,719.00	2,334,022,848.00	1,603,529,681.06	0.00		1,042,968,948.06		2,706,071,671.34		146,541,141.19	7,833,134,289.65
III. Changed in the current year ("- " for decrease)	-8,365,233.00	-221,808,550.71	-26,925,731.38	0.00	0.00	0.00	1,215,503,489.52	0.00	-17,587,793.32	994,667,643.87	0.00	194,074,534.41	26,925,731.38	0.00	124,042,475.94	0.00	917,882,764.26		-3,500,613.88	1,205,573,429.35
(I) Net profit							1,366,565,351.61		-17,587,793.32	1,348,977,558.29							1,083,937,385.76		21,460,521.03	1,105,397,906.79
(II) Other misc. income	0.00	-75,863,340.95	0.00		0.00		0.00		0.00	-75,863,340.95	0.00	183,026,250.00	0.00		0.00		0.00			183,026,250.00
Total of (I) and (II)	0.00	-75,863,340.95	0.00	0.00	0.00	0.00	1,366,565,351.61	0.00	-17,587,793.32	1,273,114,217.34	0.00	183,026,250.00	0.00	0.00	0.00	0.00	1,083,937,385.76		21,460,521.03	1,288,424,156.79
(III) Investment or decreasing of capital by owners	-8,365,233.00	-13,599,049.76	-26,925,731.38	0.00	0.00	0.00	0.00	0.00	0.00	4,961,448.62	0.00	11,048,284.41	26,925,731.38	0.00	0.00	0.00	0.00		-19,961,134.91	-35,838,581.88
1. Capital inputted by owners										0.00									-9,760,000.00	-9,760,000.00
2. Amount of shares paid and accounted as owners' equity										0.00										0.00

3. Others	-8,365,233.00	-13,599,049.76	-26,925,731.38		0.00		0.00		0.00	4,961,448.62		11,048,284.41	26,925,731.38						-10,201,134.91	-26,078,581.88
(IV) Profit allotment	0.00	-132,346,160.00	0.00	0.00	0.00	0.00	-151,061,862.09	0.00	0.00	-283,408,022.09	0.00	0.00	0.00	0.00	124,042,475.94	0.00	-166,054,621.50		-5,000,000.00	-47,012,145.56
1. Providing of surplus reserves										0.00					124,042,475.94		-124,042,475.94			0.00
2. Common risk provision										0.00										0.00
3. Allotment to the owners (or shareholders)		-132,346,160.00					-151,061,862.09			-283,408,022.09	0.00						-42,012,145.56			-42,012,145.56
4. Others										0.00									-5,000,000.00	-5,000,000.00
(V) Internal transferring of owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
1. Capitalizing of capital reserves (or to capital shares)										0.00										0.00
2. Capitalizing of surplus reserves (or to capital shares)										0.00										0.00
3. Making up losses by surplus reserves										0.00										0.00
4. Others										0.00										0.00
(VI) Special reserves										0.00										0.00
1. Provided this year										0.00										0.00
2. Used this term										0.00										0.00
IV. Balance at the end of this term	2,325,657,615.00	1,575,795,664.76	0.00	0.00	1,167,011,424.00	0.00	4,839,457,925.12	0.00	125,452,733.99	10,033,375,362.87	2,334,022,848.00	1,797,604,215.47	26,925,731.38	0.00	1,167,011,424.00	0.00	3,623,954,435.60		143,040,527.31	9,038,707,719.00

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 2010　STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Renminbi Yuan)

Items	Amount of the Current Term								Amount of Last Year							
	Capital paid in (or share	Capital reserves	Less: Shares in stock	Special reserves	Surplus reserves	Common risk provision	Retained profit	Total of owners'	Capital paid in (or share	Capital reserves	Less: Shares in stock	Special reserves	Surplus reserves	Common risk provision	Retained profit	Total of owners'

	capital)							equity	capital)							equity
I. Balance at the end of last year	2,334,022,848.00	1,859,502,088.33	26,925,731.38	0.00	1,167,011,424.00	0.00	4,568,826,240.68	9,902,436,869.63	2,334,022,848.00	1,675,528,688.83	0.00		1,042,968,948.06		3,450,652,154.50	8,503,172,639.39
Plus: Change of accounting policy								0.00								0.00
Correcting of previous errors								0.00								0.00
Others								0.00								0.00
II. Balance at the beginning of current year	2,334,022,848.00	1,859,502,088.33	26,925,731.38		1,167,011,424.00		4,568,826,240.68	9,902,436,869.63	2,334,022,848.00	1,675,528,688.83	0.00		1,042,968,948.06		3,450,652,154.50	8,503,172,639.39
III. Changed in the current year (“-“ for decrease)	-8,365,233.00	-153,923,380.47	-26,925,731.38		0.00		1,208,389,973.70	1,073,027,091.61	0.00	183,973,399.50	26,925,731.38	0.00	124,042,475.94	0.00	1,118,174,086.18	1,399,264,230.24
(I) Net profit							1,359,451,835.79	1,359,451,835.79							1,284,228,707.68	1,284,228,707.68
(II) Other misc. income	0.00	-75,863,340.95	0.00		0.00		0.00	-75,863,340.95	0.00	183,026,250.00	0.00		0.00		0.00	183,026,250.00
Total of (I) and (II)	0.00	-75,863,340.95	0.00		0.00		1,359,451,835.79	1,283,588,494.84	0.00	183,026,250.00	0.00	0.00	0.00	0.00	1,284,228,707.68	1,467,254,957.68
(III) Investment or decreasing of capital by owners	-8,365,233.00	-13,599,049.76	-26,925,731.38		0.00		0.00	4,961,448.62	0.00	947,149.50	26,925,731.38	0.00	0.00	0.00	0.00	-25,978,581.88
1. Capital inputted by owners								0.00								0.00
2. Amount of shares paid and accounted as owners’ equity								0.00								0.00
3. Others	-8,365,233.00	-13,599,049.76	-26,925,731.38					4,961,448.62		947,149.50	26,925,731.38					-25,978,581.88
(IV) Profit allotment	0.00	-64,460,989.76	0.00		0.00		-151,061,862.09	-215,522,851.85	0.00	0.00	0.00	0.00	124,042,475.94	0.00	-166,054,621.50	-42,012,145.56
1. Providing of surplus reserves								0.00					124,042,475.94		-124,042,475.94	0.00
2. Common risk provision								0.00							-42,012,145.56	-42,012,145.56
3. Allotment to		-64,460,					-151,061	-215,522								0.00

the owners (or shareholders)		989.76					,862.09	,851.85								
4. Others								0.00								0.00
(V) Internal transferring of owners' equity								0.00								0.00
1. Capitalizing of capital reserves (or to capital shares)								0.00								0.00
2. Capitalizing of surplus reserves (or to capital shares)								0.00								0.00
3. Making up losses by surplus reserves								0.00								0.00
4. Others								0.00								0.00
(VI) Special reserves								0.00								0.00
1. Provided this year								0.00								0.00
2. Used this term								0.00								0.00
IV. Balance at the end of this term	2,325,657,615.00	1,705,578,707.86	0.00	0.00	1,167,011,424.00	0.00	5,777,216,214.38	10,975,463,961.24	2,334,022,848.00	1,859,502,088.33	26,925,731.38	0.00	1,167,011,424.00	0.00	4,568,826,240.68	9,902,436,869.63

Legal representative: Xu Liuping　　Principal in Charge of Accountancy：Cui Yunjiang　　Chief Accountant: Ni Erke ii Notes to financial statements

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 into506,190,000 shares (B share) for investment, was established on October 31, 1996 by issuing 250,000,000 oversea shares domestically listed for abroard 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 Regulatary Committes, 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 4shares per 10 shares, then the total capital increases toRMB 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 sharesare donated, and then the total capital increases to RMB 1,471,999,200 Yuan.

Under the assent of China Securities Regulatary Committes, 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 subsidy-Changan Automobile (Group) Liability Co. Ltd. was taken as part of investment into China South Industry Autmobile 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 restructing. As the share equity restructing 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 sail 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 sharesare 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.

On 5th ,July,2009, Company received the notice from control shareholder China South Motor Co.ltd: through approved by State Administration for Industrry and Commmerce 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,owenership, control share percentage and control relationship never been changed.

By March 3, 2010, the Company's repurchase program of B shares was completed. During the repurchase period, the Company repurchased totally 8,365,233 B shares. By March 17, 2010, the Company has already accomplished the cancellation of the repurchased shares in Shenzhen Branch under China Securities Depository and Clearing Co., Ltd., after the cancellation, the Company's registered capital is RMB 2,325,657,615 Yuan, of which 45.71% is held by China Changan, the public shares (A shares) occupies 28.64%, the public shares (B shares) occupies 25.65%.

The Company and its subsidiaries and jointly controlled entities (hereafter collectively referred to as the "Group") are principally engaged in the manufacture and sail 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") 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 entitites 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 shareds 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 entitites 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 realizeable 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.

ost 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 thourgh 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:

	Useage life
Land use right	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 exenditures

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 contractural 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 liaibility 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 wih 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 determineable 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 asse 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 wih 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 bu using the quoted prices. If no active market exits 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 ovjectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recongised 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 cumulateive 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 imapairment 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 proit 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) it 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 of sale.

The capitalization of borrowing costs are 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 form 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, financeial 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 businesss combination and an intangible asset with an indefinite usefull 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 impaird.

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 cah 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 reconised 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 diferred 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 accouoting 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 repsent value of the future cash flows.

Uncertainty of accouting 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 accouting 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 approriate 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 srvices, 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 (Paragragh 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 Entreprise 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 subisidiaries 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 2010, the main subsidiaries of the Group are as follows:

Name of Subsidiaries	Company Registration Place	Nature of Business	Registered Capital (RMB 10,000)	Investment of the Group (RMB 10,000)	Total proportion of shares held Direct(%)	Indirect(%)	Totalproportion of voting shares	Code
Nanjing Changan Auto-Mobile Co., Ltd	Nanjing	Manufacturer, development and seller of mini cars and spare parts	60,181	47,308	74.13	-	83.75	75410659-X
Hebei Changan Auto-Mobile Co., Ltd	Dingzhou	Manufacturer, development and seller of mini cars and spare parts	46,469	42,019	92.43	-	95.62	73872432-0
Chongqing Changan International Automobile Sales Co., Ltd	Chongqing	Seller and agent of import / export services of commodities and tech niques	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	-	100.00	20289809-0
Chongqing Anfu Auto-Mobile Co., Ltd.	Chongqing	Seller of cars and spare parts	4,200	2,100	50.00	-	50.00	73657088-2
Chongqing Changan Special Automobile Co., Ltd	Chongqing	Seller of special cars and spare parts and vehicles maintainance	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 Mould Co. Ltd	Chongqing	Manufacturer and seller of Car moulds and car spare parts	11,550	11,616	100.00	-	100.00	66089542-8
Chongqing Changan Europe	Turin,	Research and development of	EUR 10	97	100.00	-	100.00	09372440017

Design Academy Co. Ltd.Italy	vehicles							
Chongqing Changan Jinling Automobile Parts Co., Ltd.	Auto parts manufacturing, sales	10,000	13,498	100.00	-	100.00	75306009-1	

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 enegine and spare parts	USD 13,920	55,729	50.00	-	50.00	71785962-1
Chongqing Changan Suziki 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.

Ⅴ Notes to the consolidated financial statements

1. Monetary capital

	30 June 2010	31 December 2009
Cash	35,700.54	469,185.20
Deposit in bank	5,757,810,717.63	3,505,335,019.14
Other monetary capital	353,904,961.85	152,576,724.16
Total	6,111,751,380.02	3,658,380,928.50

2. Notes receivable

	30 June 2010	31 December 2009
Trade acceptance	1,847,438,684.00	1,523,503,760.00
Bank acceptance	4,220,008,099.19	5,498,829,831.84
	6,067,446,783.19	7,022,333,591.84

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 2010	31 December 2009
Within 1 year	777,817,004.72	162,465,366.27
1 to 2 years	24,330,074.87	24,269,094.91
2 to 3 years	10,368,527.55	6,443,036.93
Over 3 years	89,687,253.97	63,983,882.68
Less:Bad debt Provision	89,890,990.85	74,170,199.93

812,311,870.26	182,991,180.86

Provisions for bad debts are as follows:

	30 June 2010			
	Amount	Percentage（%）	Bad debt Provision	provision rate(%)
Individual significant item	679,364,217.04	75.30	30,353,487.90	4.47
individual insignificant items with similar credit risk characteristics, that has significant risk	74,468,295.74	8.25	57,268,402.40	76.90
Other insignificant items	148,370,348.33	16.45	2,269,100.55	1.53
	902,202,861.11	100	89,890,990.85	
	31 December 2009			
	Amount	Percentage（%）	Bad debt Provision	provision rate(%)
Individual significant item	38,921,454.89	18.39	21,410,982.64	55.01
individual insignificant items with similar credit risk characteristics, that has significant risk	59,679,247.90	28.19	50,481,025.16	84.59
Other insignificant items	158,560,678.00	53.42	2,278,192.13	1.44
	257,161,380.79	100	74,170,199.93	

(2)other receivables

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

	30 June 2010	31 December 2009
Within 1 year	88,944,489.12	47,066,938.51
1 to 2 years	55,611,650.98	24,444,744.22
2 to 3 years	10,347,391.43	29,485,593.56
Over 3 years	9,838,336.16	9,013,100.50
Less:Bad debt Provision	39,441,563.72	46,374,003.20
	125,300,303.97	63,636,373.59

Provisions for bad debts drawing are as follows

	30 June 2010			
	Amount	Percentage（%）	Bad debt Provision	provision rate(%)
Individual significant item	115,983,430.29	65.49%	0.00	-
individual insignificant item with similar credit risk characteristics, that has significant risk	39,441,563.72	22.27%	39,441,563.72	100%
Other insignificant items	9,316,873.68	5.26%	0.00	-
	164,741,867.69	93.02%	39,441,563.72	
	31 December 2009			
	Amount	Percentage（%）	Bad debt Provision	provision rate(%)
Individual significant item	48,403,593.30	45.96	24,199,000.00	49.99
individual insignificant items with similar credit risk characteristics, that	25,737,764.42	24.44	9,209,376.54	35.78

has significant risk				
Other insignificant items	35,869,019.07	29.60	12,965,626.66	36.15
	110,010,376.79	100	46,374,003.20	

4.Prepayments

	30 June 2010 Amount	30 June 2010 Percentage(%)	31 December 2009 Amount	31 December 2009 Percentage(%)
Within 1 year	335,018,080.78	80.08	503,272,740.86	99.96
1 to 2 years	56,369,607.80	13.47	200,664.12	0.04
2 to 3 years	25,867,742.76	6.18	5,728.40	0.00
over 3years	1,091,775.37	0.26		
total	418,347,206.71	100	503,479,133.38	100

5.**Inventory**

	30, June 2010	31, December 2009
Raw materials	427,590,285.91	413,799,028.06
Materials in transit	107,033,266.14	56,735,363.45
Work in progress	223,493,492.15	434,795,412.61
Commodity stock	1,258,469,885.20	1,921,760,309.40
Consigned processed material	0.00	413,619.91
Low-value Consumables	37,308,909.96	36,718,611.21
Less: provision for value decline of inventory	133,604,986.85	163,090,728.93
Inventory net value	1,920,290,852.51	2,701,131,615.71

Changes in provision for value decline of inventory:

provision for value decline of inventory:	31 December 2009	Increase	charge off	30 June 2010
Raw materials	136,192,171.02	18,100	28,437,134.81	107,773,136.21
work in progress	457,129.84			457,129.84
finished goods	26,441,428.07		1,066,707.27	25,374,720.80
Low-Value Consumables				
	163,090,728.93	18,100	29,503,842.08	133,604,986.85

6.Long-term equity investments

	31, December 2009	Increase	Decrease	30, June 2010
Cost method	148,609,274			148,609,274
Equity method	4,434,600,109	323,390,925	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	4,329,480,308

7.Fixed assets

	31, December 2009	Increase	Decrease	30, June 2010
1、Original price	6,260,669,432.20	257,552,466.91	47,436,349.62	6,470,785,549.49
Buildings	1,175,211,359.09	100,205,489.23	642,173.44	1,274,774,674.88
Machinery	3,579,890,858.24	86,307,993.10	45,214,152.66	3,620,984,698.68
Vehicles	48,997,033.64	5,002,780.60	900,553.67	53,099,260.57

other Equipments	1,456,570,181.23	66,036,203.98	679,469.85	1,521,926,915.36
2、Accumulated depreciation	2,504,679,993.88	271,562,984.74	27,156,057.33	2,749,086,921.29
Buildings	298,585,099.81	23,744,577.86	76,846.41	322,252,831.26
Machinery	1,571,518,869.96	184,673,820.52	25,923,688.42	1,730,269,002.06
Vehicles	20,876,297.03	2,826,359.87	650,018.21	23,052,638.69
other Equipments	613,699,727.08	60,318,226.49	505,504.29	673,512,449.28
3、Net Value	3,755,989,438.32	-14,010,517.83	20,280,292.29	3,721,698,628.20
Buildings	876,626,259.28	76,460,911.37	565,327.03	952,521,843.62
Machinery	2,008,371,988.28	-98,365,827.42	19,290,464.24	1,890,715,696.62
Vehicles	28,120,736.61	2,176,420.73	250,535.46	30,046,621.88
other Equipments	842,870,454.15	5,717,977.49	173,965.56	848,414,466.08
4、Impairment provision	408,246,641.39	0.00	6,666,668.64	401,579,972.75
Buildings				
Machinery	407,594,423.53		6,666,668.64	400,927,754.89
Vehicles				
other Equipments	652,217.86			652,217.86
5、Book Value	3,347,742,796.93	-14,010,517.83	13,613,623.65	3,320,118,655.45
Buildings	876,626,259.28	76,460,911.37	565,327.03	952,521,843.62
Machinery	1,600,777,564.75	-98,365,827.42	12,623,795.60	1,489,787,941.73
Vehicles	28,120,736.61	2,176,420.73	250,535.46	30,046,621.88
other Equipments	842,218,236.29	5,717,977.49	173,965.56	847,762,248.22

8.Construction in progress

	31 December 2009	Increase	Decrease	Transferred to Fixed assets	Other deduction	30 June 2010
Equipment for Mini Vehicle Production	46,516,097.99	98,554,269.25	10,912,842.55	10,912,842.55		134,157,524.69
Changan Industrial Zone Project	661,623,502.53	87,701,908.13	141,335,814.64	141,335,814.64		607,989,596.02
Engine Plant	339,268,528.26	184,779,389.97	26,643,000.82	26,638,060.82	4,940.00	497,404,917.41
Equipment for Sedan Production	85,158,914.56	17,655,387.14	42,179,065.19	42,179,065.19		60,635,236.51
Projects of Changan Engineering Institute	36,291,436.76	39,979,526.04	33,089,292.00	33,089,292.00		43,181,670.80
Vehicle Dies	57,776,903.29	21,203,992.14				78,980,895.43
Car moulds	89,534,268.41	234,156,030.57	14,631,777.55	9,784,357.32	4,847,420.23	309,058,521.43
Others	1,316,169,651.80	684,030,503.24	268,791,792.75	263,939,432.52	4,852,360.23	1,731,408,362.29
Total	46,516,097.99	98,554,269.25	10,912,842.55	10,912,842.55		134,157,524.69

9.Intangible assets

	31, December 2009	Increase	Decrease	30, June 2010

1、Original price	494,355,855.84	530,665,746.58	1,025,021,602.42
Land use rights	189,410,325.45	392,551,896.04	581,962,221.49
Software use rights	49,601,206.83	26,958,666.17	76,559,873.00
Trademark use rights	36,770,000.00		36,770,000.00
Non-patent technology	218,574,323.56	111,155,184.37	329,729,507.93
2、Accumulated amortization	109,625,254.68	51,734,539.51	161,359,794.19
Land use rights	18,695,564.22	4,037,893.46	22,733,457.68
Software use rights	28,320,601.61	13,824,370.01	42,144,971.62
Trademark use rights	23,491,945.15	1,225,666.68	24,717,611.83
Non-patent technology	39,117,143.70	32,646,609.36	71,763,753.06
3、Net Value	384,730,601.16	478,931,207.07	863,661,808.23
Land use rights	170,714,761.23	388,514,002.58	559,228,763.81
Software use rights	21,280,605.22	13,134,296.16	34,414,901.38
Trademark use rights	13,278,054.85	-1,225,666.68	12,052,388.17
Non-patent technology	179,457,179.86	78,508,575.01	257,965,754.87
4、Impairment provision	6,700,000.00		6,700,000.00
Land use rights	6,700,000.00		6,700,000.00
Software use rights			
Trademark use rights			
Non-patent technology			
5、Book Value	378,030,601.16	478,931,207.07	856,961,808.23
Land use rights	164,014,761.23	388,514,002.58	552,528,763.81
Software use rights	21,280,605.22	13,134,296.16	34,414,901.38
Trademark use rights	13,278,054.85	-1,225,666.68	12,052,388.17
Non-patent technology	179,457,179.86	78,508,575.01	257,965,754.87

10.Development expenditure

	31 December 2009	30 June 2010
Automobile Development	200,849,901.80	182,624,926.05

11.Deferred tax assets

	31 December 2009	30 June 2010
Provision for the assets impairment	78,107,700.60	61,813,368.27
Accrued expenses and contingent liabilities	193,911,878.20	241,921,065.86
Unpaid Tech develop. Expense and ad Expense	6,377,189.92	1,810,851.92
Unpaid Salary and bonus	43,984,476.74	16,258,434.27
	322,381,245.46	321,803,720.32

12.Short-term loans

	31 December 2009	30 June 2010
Mortgage loans	30,270,268	125,949,532
Pledge loans	230,000,000	200,000,000
Credit loans	80,000,000	100,000,000
Bill purchased	10,000,000	
Bill discounted	350,270,268	425,949,532
Total	30,270,268	125,949,532

13.Notes payable

	31 December 2009	30 June 2010
Trade acceptance	20,000,000.00	36,000,000.00
Bank acceptance	2,777,030,532.62	5,161,331,956.01
Total	2,797,030,532.62	5,197,331,956.01

14.Acounts payable

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

On 30 June 2010, 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 RMB125, 404, 137Yuan (31 December 2009: RMB26, 757, 579 Yuan).

On 30 June 2010 and 31 December 2009, there is no significant accounts payable of over one year.

15.Advances receipts

On 30 June 2010, within the aforesaid balance, there is no amount due to shareholders that hold 5% or more of the Company's voting shares. (31 December 2009: nil)

On 30 June 2010 and 31 December 2009, there are no significant advances receipts of over one year.

16.Employee compensation payable

	31 December 2009	Additions	Payments	30 June 2010
Salary, bonus, allowance and subsidy	139,455,178.37	512,314,028.89	529,909,423.68	121,859,783.58
Employee salary	1,733,710.25	28,473,896.66	28,207,820.20	1,999,786.71
Labour fund	7,073,946.35	14,088,724.98	13,009,818.81	8,152,852.52
Social insurance premium	29,961,126.29	85,697,857.08	82,592,565.99	33,066,417.38
Housing accumulation fund	-520,770.51	22,252,302.64	21,748,182.61	-16,650.48
Total	177,703,190.75	662,826,810.25	675,467,811.29	165,062,189.71

17.Taxes payable

	31 December 2009	30 June 2010
Corporate income tax	173,837,776.17	130,490,130.53
Business tax	3,436,963.09	2,225,535.44
Value-added tax	-137,863,378.62	30,591,328.58
City maintenance and construction tax	19,282,957.77	9,295,329.58
Income tax	430,934.76	273,942.67
Consumption tax	177,386,383.88	136,396,899.56
Additional education expenses	8,521,228.09	4,642,278.58
Others	1,657,026.75	-193,308.03
Total	246,689,891.89	313,722,136.91

18.Other payables

	31 December 2009	30 June 2010
Dealer earnest money	54,699,650.84	68,011,208.92
Warrenty	74,803,551.86	30,079,820.16
Repair fees	126,734,419.08	48,892,936.46

Rental fees	21,737,709.69	25,778,527.39
Advertisment fees	59,557,629.05	18,924,117.97
Sales bonus	3,418,872.18	12,644.00
Warehousing and transport fees	202,013,385.88	74,901,493.15
Loans temporarily	9,365,418.92	0.00
Information technology expense	3,243,039.18	42,119,486.88
Project funds and Project earnest money	70,855,136.57	12,454,137.14
Others	57,436,931.24	306,974,311.09
Total	683,865,744.49	628,148,683.16

19.Anticipated liabilities

Categoris of Expenses	31 December 2009	Additions	Deduction	30 June 2010	Reasons for year-end cash in hand
Warranty expenses	405,475,601.66	355,135,796.26	198,845,455.29	561,765,942.63	maintenance expense drew beforehand
External guarantee	10,602,024.60			10,602,024.60	Bank Guarantee
Termination benefits		11,912,814.71	2,664,874.33	9,247,940.38	Accrued termination benefits
Accrued sales support costs		15,455,700.00		15,455,700.00	
Total	416,077,626.26	382,504,310.97	201,510,329.62	597,071,607.61	

20. Operatiing revenue and expenses

	From January to June 2010		From January to June 2009	
Catogories of business	Operating revenue	Operating cost	Operating revenue	Operating cost
Major business	16,029,407,679.42	12,874,313,867.46	11,079,479,580.56	8,887,336,514.42
Others	598,047,253.36	513,538,157.66	421,171,135.34	310,599,074.11
Total	16,627,454,932.78	13,387,852,025.12	11,500,650,715.90	9,197,935,588.53

21. Business tax and surcharges

	From January to June 2010	From January to June 2009
Business tax	1,118,313.18	1,708,694.69
Consumption tax	281,176,249.35	154,636,512.22
City maintenance and construction tax	51,129,939.77	51,328,507.20
Additional education expenses	24,547,851.28	24,284,206.01
Others	4,942.39	
Total	357,977,295.97	231,957,920.12

22. Financial expenses

	From January to June 2010	From January to June 2009
Interest expense	42,819,868.65	33,993,175.68
Deduction: the amount of capitalized interest	50,578,770.32	14,281,823.01
Deduction: interest income	527,918.23	14,358,693.81
Exchange gain or loss	5,138,099.24	1,261,411.98

Others	2,582,989.99	721,067.35
Total	-565,730.67	7,335,138.19

23. Impairment on assets

	From January to June 2010	From January to June 2009
Bad debt loss	6,728,663.67	-760,964.74
Loss due to the market price decline of inventory	-28,644,429.48	76,928,557.05
Impairment of long-term equity investment loss	4,830,178.00	0.00
Impairment on fixed assets	0.00	142,022,919.71
Total	-17,085,587.81	218,190,512.02

24.Investment income

Sources of investment income generated	From January to June 2010	From January to June 2009
Long-term equity investment income accounted for by using the equity method	975,094,449.15	330,869,140.33
Long-term equity investment income accounted for by using the cost method	6,245,999.32	6,800,000.00
Equity investment income	22,155,290.91	
Total	1,003,495,739.38	337,669,140.33

VI. Notes to the financial statements of parent company

1.Accounts receivable and others

(1)Accounts receivable

	30 June 2010	31 December 2009
Within 1 year	832,776,318.53	551,094,346.95
1 to 2 years	9,404,862.34	14,606,768.76
2 to 3 years	10,201,701.99	10,327,396.62
Over 3 years	72,281,137.44	62,961,016.83
Provisions for bad debts drawing	58,909,066.96	57,291,511.72
	865,754,953.34	581,698,017.44

Provisions for bad debts drawing are as follows:

	30 June 2010			
	Sum	Percentage（%）	debt Provision	provision rate（%）
Individual significant item	719,721,420.65	77.84%	21,410,982.64	2.97
individual insignificant item with similar credit risk characteristics, that has significant risk	59,833,129.90	6.47%	37,498,084.32	62.67
Other insignificant items	145,109,469.75	15.69%		
	924,664,020.30		58,909,066.96	

	31 December 2009			
	Sum	Percentage（%）	debt Provision	provision rate（%）
Individual significant item	546,809,919.75	85.58	21,410,982.64	3.91
individual insignificant item with similar credit	43,143,272.69	6.75	35,880,529.08	83.17

risk characteristics, that has significant risk			
Other insignificant items	49,036,336.72	7.67	
	638,989,529.16	100.00	57,291,511.72

(2)Other receivables

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

	30 June 2010	31 December 2009
Within 1 year	154,099,953.96	29,401,719.20
within 1 to 2 years	22,186,185.16	100,063,039.90
within 2 to 3 years	5,339,859.00	643,604.00
Over 3 years	2,318,517.44	2,266,354.85
Deduct:Provisions for other bad debts	2,405,917.32	2,464,630.89
	181,538,598.24	129,910,087.06

Provisions for bad debts drawing are as follows

	30 June 2010			
	Amount	Percentage（%)	Bad debt Provision	provision rate(%)
Individual significant item	56,550,601.25	28.81%		
individual insignificant item with similar credit risk characteristics, that has significant risk	8,685,462.25	4.42%	2,405,917.32	27.70
Other insignificant items	118,708,452.06	66.77%		
	183,944,515.56	100.00%	2,405,917.32	
	31 December 2009			
	Amount	Percentage（%)	Bad debt Provision	provision rate(%)
Individual significant item	100,000,000.00	75.54		
individual insignificant items with similar credit risk characteristics, that has significant risk	18,993,018.77	14.35	2,464,630.89	12.98
Other insignificant items	13,381,699.18	10.11		
	132,374,717.95	100.00	2,464,630.89	

2.Long-term equity investments

	31, December 2009	Increase	Decrease	30, June 2010
Cost method	1,179,774,110.00	77,185,170.24	121,059,741.00	1,135,899,539.24
Equity method	4,676,894,630.78	231,941,281.19	56,846,832.04	4,851,989,079.93
Less: impairment for long-term equity investments				
Net value for long-term equity investments	5,856,668,740.78	309,126,451.43	177,906,573.04	5,987,888,619.17

3. Operatiing revenue and expenses

	From January to June 2010		From January to June 2009	
type of business	operation income	operation cost	operation income	operation cost
primary business	10,647,826,495.36	8,488,995,509.05	7,041,468,826.01	5,555,206,850.27
other business	594,678,125.39	551,360,888.58	417,721,641.91	330,983,446.04
total	11,242,504,620.75	9,040,356,397.63	7,459,190,467.92	5,886,190,296.31

4. Investment income

Sources of investment income generated	From January to June 2010	From January to June 2009
Gain arising from dividends of subsidiaries	10,000,000.00	330,792,097.19
Long-term equity investment income	975,094,449.15	14,201,172.92
Gain or loss arising from the disposal of long-term equity investments	7,178,583.76	
Total	992,273,032.91	344,993,270.11

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 Changan Automobile Company Limited	Beijing	Manufacture and sale of automobiles, engine, and comporents	45.71%	Stock Company Limited	Xu Bin

Notes: On July 3, 2009, apporved 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 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
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 singificant 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 2010	From January to June 2009
Total	2,584,415,409	1,964,097,598

(2) Purchases of goods from related parties

Purchases of goods from related parties	From January to June 2010	From January to June 2009
Total	3,144,518,401	1,917,846,801

(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	11,724,300	8,530,980
Changan Industry (Group) Liability Co. Ltd	Payment for land rental fees	7,841,346	10,249,095
Changan Industry (Group) Liability Co. Ltd	Payment for building rental fees	14,630,384	11,278,345
Changan Industry (Group) Liability Co. Ltd	Payment for water, electricity and gas expenses	121,935,914	82,947,241
Changan Industry (Group) Liability Co. Ltd	Payment for social welfare expenses	0	15,704,488
Changan Industry (Group) Liability Co. Ltd	Payment for education expense	0	0
Changan Industry (Group) Liability Co. Ltd	Payment for police security &fire fighting expense	5,509,971	5,500,078
Changan Industry (Group) Liability Co. Ltd	Payment for labour union expense	0	0
Changan Industry (Group) Liability Co. Ltd	Others	4,756,124	4,510,590
Total		166,398,039	138,720,817

Engineering procurement

Name of related parties	From January to June 2010	From January to June 2009
Changan Industry (Group) Liability Co. Ltd	1,226,000	2,479,887
Chongqing Changan Construction Co., Ltd	63,898,527	96,352,297
Chongqing HelpGo Information Technology Co., Ltd	6,239	12,741,525
Total	65,130,766	111,573,710

other

Name of related parties	Content of transaction	From January to June 2010	From January to June 2009
Chongqing HelpGo Information Technology Co., Ltd	Development and maintenance of information system	119,644	17,696,304
Changan Industry (Group) Liability Co. Ltd	Housing rental revenue		2,173,400
Chongqing Changan Real Estate Development Co.,	Housing rental fees paid	3,029,108	

Ltd			
Chongqing Changan Minsheng Logistics Co., Ltd	Logistic Storage	474,288,045	354,926,715
China South Industry Group Finance Co., Ltd	revenue	2,781,358	1,720,378

⑸balance of related-party receivable and payable

notes receivable

notes receivable	June 30, 2010	Dec. 31, 2009
Total	806,616,300	633,602,075

Accounts receivable

Accounts receivable	June 30, 2010	Dec. 31, 2009
Total	232,787,363	131,130,930

other accounts receivable

other accounts receivable	June 30, 2010	Dec. 31, 2009
Changan Ford Mazda Automobile Co., Ltd	78,880	73,034

Notes payable

Notes payable	June 30, 2010	Dec. 31, 2009
Total	505,333,747	252,818,781

accounts payable

accounts payable	June 30, 2010	Dec. 31, 2009
Total	550,668,695	556,744,080

Advances receipts

Advances receipts	June 30, 2010	Dec. 31, 2009
Total	29,727,916	13,885,657

Other payables

Other payables	June 30, 2010	Dec. 31, 2009
Total	100,535,306	60,986,360

⑹Cash saved in related parties

Cash in bank	June 30, 2010	Dec. 31, 2009
China South Industry Group Finance Co., Ltd	367,936,730	581,879,526

⑺Loans

Short-term loans	June 30, 2010	Dec. 31, 2009
China South Industry Group Finance Co., Ltd	280,949,532	85,649,590
China South Industries Automobile Co., Ltd		100,000,000

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 2010, 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	120,544,203.13	8,788,351.44			129,332,554.57
2.Provision for obsolete inventory	163,090,728.93	18,100.00	28,662,529.48	841,312.60	133,604,986.85
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		4,830,178.00			4,830,178.00
6.Provision for the impairment of investmental realty					
7.Provision for the impairment of fixed assets	408,246,641.39		6,666,668.64		401,579,972.75
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	6,700,000.00				6,700,000.00
13.Provision for the impairment of goodwill	73,465,335.00				73,465,335.00
14.others					
Total	772,046,908.45	13,636,629.44	35,329,198.12	841,312.60	749,513,027.17

Ⅺ Net profit except non-recurring profit and loss

Non-recurring profit and loss project	Amount
Gain/loss of non-current assets	-2,090,764.45
Government subsidies accounted into current gain/loss account, other than those closely related to the Company's common business, comply with the national policy and continues to enjoy at certain fixed rate or amount.	1,557,629.83
Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company's common businesses	4,563,744.00
Other non-business income and expenditures other than the above	-1,734,397.59
Influenced amount of income tax	-537,688.81
Influenced amount of miniority shareholders' equity	-540,965.30
total	1,217,557.68

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

Unit:（RMB）Yuan

	Net profits		Net assets	
	Jan.-Jun., 2010	Jan.-Jun., 2009	As at 30 Jun. 2010	As at 31 Dec, 2009
Account report according to the international finance report rules	1,366,565,351.61	522,993,993.40	9,836,638,563.88	8,824,383,126.69
Account report according to the enterprise accounting rule and system under the PRC	1,366,565,351.61	522,993,993.40	9,907,922,628.88	8,895,667,191.69
Adjustment of according to international accounting rules:				
.Payment to currency shareholders of A share cash opposite price (Note)			-71,284,065.00	-71,284,065.00
Total			-71,284,065.00	-71,284,065.00
Difference between Chinese and international accounting standard	Note Jiangling Holding company, the Company's JV, held by Jiangling stake in listed companies the right to paid circulation on the price in cash, according to international norms should be included in the profit and loss.			

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.30, 2010