重慶長安民生物流股份有限公司

CMA Logistics Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8217)

2006 Annual Report

* For identification purposes only

´CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website, http://www.hkgem.com, in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange of Hong Kong for the purpose of giving information with regard to CMA Logistics Co., Ltd. (the “Company”). The directors of the Company collectively and individually accept full responsibility of this report. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Yin Jiaxu *(Chairman)*
Huang Zhangyun
Lu Xiaozhong
Shi Chaochun
James H McAdam

NON-EXECUTIVE DIRECTORS

Lu Guoji *(Vice Chairman)*
Daniel C. Ryan
Zhang Baolin
Cao Dongping
Wu Xiaohua
Lau Man Yee, Vanessa

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wang Xu
Peng Qifa
Chong Teck Sin

SUPERVISORS

Hua Zhanbiao
Tang Yizhong
Dai Baiming
Ye Guangrong
Chen Haihong

GENERAL MANAGER AND DEPUTY GENERAL MANAGERS

Shi Chaochun, Li Xiwen, Huang Yong,
Huang Ming

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Yang Chuen Liang, Charles *CPA, ACA*

AUDIT COMMITTEE

Peng Qifa *(Chairman)*
Wang Xu
Chong Teck Sin

COMPLIANCE OFFICER

Huang Zhangyun

AUTHORISED REPRESENTATIVES

Huang Zhangyun
Shi Chaochun

REPRESENTATIVE FOR THE ACCEPTANCE AND SERVICE OF PROCESS

Lam Lai Sha

AUDITORS

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central, Hong Kong

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place, Central
Hong Kong

PRINCIPAL BANKERS

China Minsheng Bank Limited, Chongqing Branch
Merchants Bank of China Limited, Chongqing Branch
Construction Bank of China Limited, Chongqing Branch

H SHARES REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

REGISTERED OFFICE

Liangjing Village, Yuanyang Town
Yubei District
Chongqing, the PRC

OFFICE AND ADDRESS OF CORRESPONDENCE

No.561 Hongjin Road, Yubei District,
Chongqing, the PRC
Zip Code: 401121

HEAD OFFICE IN HONG KONG

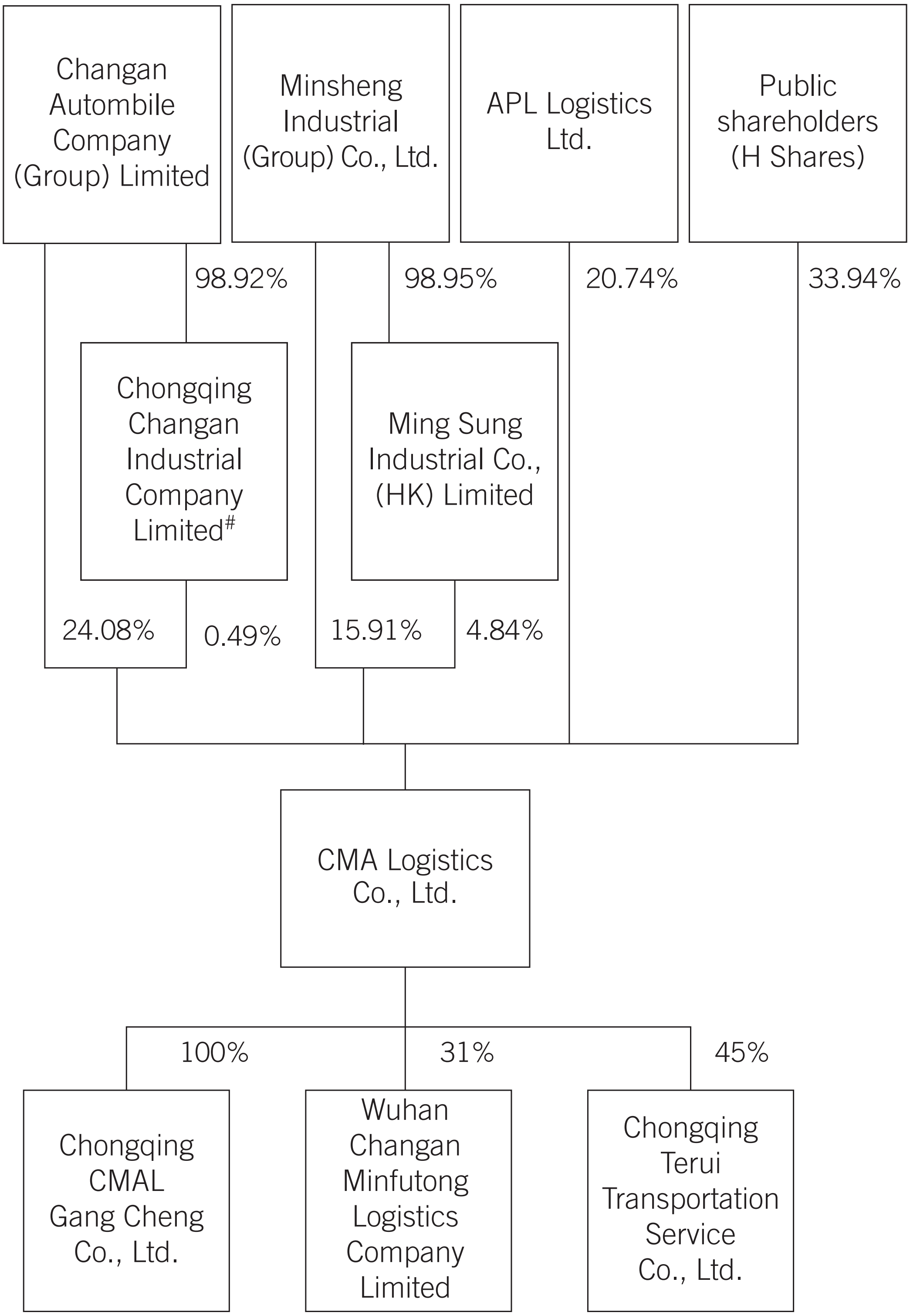
16/F, 144-151 Singga Commercial Centre
Connaught Road West
Hong Kong

STOCK CODE

8217

WEBSITE

http://www.camsl.com



#: Chongqing Changan Sanchan Industrial Company Limited has changed its name to Chongqing Changan Industrial Limited ("Changan Industrial").

RESULTS

Set out below is the summary of the consolidated results of the Company and its subsidiaries (the "Group") for the four years ended 31 December 2006 (as extracted from the Group's audited consolidated income statement):

	For the year ended 31 December			
	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**1,104,477**	882,176	823,504	486,130
Profit before taxation	**71,889**	63,660	42,595	21,208
Income tax	**5,940**	5,799	—	—
Profit after tax but before minority interests	**65,949**	57,861	42,595	21,208
Minority interests	**—**	—	—	—
Profit attributable to shareholders of the Company	**65,949**	57,861	42,595	21,208
	RMB	RMB	RMB	RMB
Earnings per share *(Note 1)*	**0.43**	0.52	0.40	0.32
Dividends per share	**0.08**	0.11	0.25	N/A
	(Note 2)			*(Note3)*

Notes:

1. Earnings per share is calculated by dividing the profit attributable to the shareholders of the Company for the years ended 31 December 2003, 2004, 2005 and 2006 by the weighted average number of 66,647,000, 106,439,000, 112,064,000 and 153,730,667 shares in issue for the years ended 31 December 2003, 2004, 2005 and 2006 respectively.

2. This is the final dividend for the year ended 31 December 2006 which the board of directors proposed to distribute, pending approval at the annual general meeting.

3. The Company was a limited liability company in 2003 and the capital of the Company was not divided into shares. There was no concept of dividends per share when appropriating the dividends.

FINANCIAL SUMMARY

ASSETS AND LIABILITIES

Set out below is the summary of the Group's balance sheet for the four years ended 31 December 2006 (as extracted from the Group's audited balance sheet):

	For the year ended 31 December			
	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**197,972**	141,559	113,402	88,184
Current assets	**479,733**	325,565	282,071	164,348
Total assets	**677,705**	467,124	395,473	252,532
Non-current liabilities	**—**	—	—	18,560
Current liabilities	**339,554**	306,944	248,370	135,535
Minority interests	**—**	50	—	—
Total liabilities and minority interests	**339,554**	306,994	248,370	154,095
Net assets	**338,151**	160,180	147,103	98,437

On behalf of the Board, I am pleased to present the audited financial statements for the year ended 31 December 2006 of the Group to all shareholders.

ANNUAL RESULTS

The Group's business has performed well in 2006 and presented a steady growth. For the year ended 31 December 2006, the Group's turnover was RMB1,104,477,000, representing an increase of approximately 25.2% from the same period in 2005. Profits attributable to shareholders for the period was RMB65,949,000, representing an increase of approximately 14.0% from the same period in 2005. Earnings per share were RMB0.43 for the year ended 31 December 2006, as compared to RMB0.52 for the same period in 2005.

ANNUAL REVIEW

Listing in Hong Kong

The Company successfully listed on the GEM of the Stock Exchange of Hong Kong in February 2006, and became the first GEM listed logistics company from the mainland China, enhancing the reputation and social influence of the Company and building a new platform for future development of the Company.

Market Expansion

During the reporting period, the Company continued to improve its service network and invest in Junshan, Wuhan to build a wharf for finished vehicle transportation and a vehicle distribution centre through Wuhan Changan Minfutong Logistics Co., Ltd. ("Changan Minfutong") in order to strengthen the Group's business capacity to handle logisitics services including the finished vehicle transfer and warehousing in the region.

During the reporting period, the Company has expanded its logistics business activities to the carriage level of finished vehicles transportation. In this regard, the Company set up a joint venture with Beijing Changjiu Logistics Co., Ltd. ("Beijing Changjiu") and it is named Chongqing Terui Transportation Service Co., Ltd. ("Chongqing Terui"), whose registered capital is RMB10,000,000 and 45% of its equity interest belongs to the Company.

During the reporting period, the Company strengthened the relationship with its existing customers and expanded its customer base. As at 31 December 2006, the Group had 573 customers.

Strengthening infrastructure of information technology and improving the level of governance

During the year, the Company had improved all the existing information systems with a view to enhancing the efficiency of collecting and processing logistics information.

Awards

Operating results of the Company were recognised by our local society. During the year, the Company won the second prize for the National Enterprise Management Modernization Innovation Achievement, the first prize for Management Modernization Innovation of Chongqing City, the Top 10 Foreign Investment Enterprises of Chongqing City, and was awarded the Leading Enterprise of Chongqing Economic and Technology Development Area. In January 2007, State Administration of Taxation classified the Company as one of the second pilot group of logistics enterprises for logistics taxation purpose.

OUTLOOK AND PROSPECTS

We believe that the economy in the PRC will continue to grow steadily in 2007 and the prospects for the future development of the logistics industry in the PRC are bright. The Company will seek to continue to strengthen its relationship with existing customers and will be committed to developing new customers. The Company will also seek to take advantage of every opportunity to expand its business scale so as to strengthen its business and customer base.

The board of directors and I are very optimistic about the future development of the Group. All staff will also continue to work hard and contribute to the Group's development.

I would like to take this opportunity to express my heartfelt thanks to members of the Board and all our staff for their highly effective work and unremitting efforts. As in the past, the Company will reward all shareholders for their great support.

Chairman
Yin Jiaxu

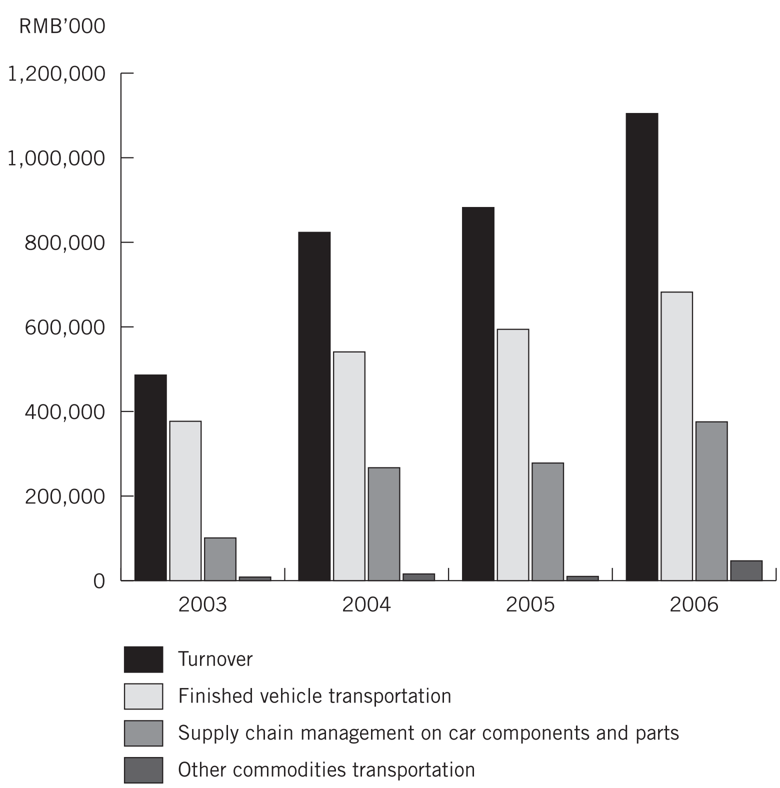
Chongqing, China
28 March 2007

BUSINESS REVIEW

The principal businesses of the Group are finished vehicle transportation and related logistics services, car components and parts supply chain management services and non-vehicle commodities transportation services. The Group's major customers include Chongqing Changan Automobile Co., Ltd. ("Changan Automobile"), Changan Ford Mazda Automobile Corporation Ltd. ("Changan Ford Mazda"), Hebei Changan Automobile Co., Ltd. ("Changan Hebei"), Nanjing Changan Automobile Produce Company Limited ("Changan Nanjing"), Webasto Roof Systems (Shanghai) Ltd., Shanghai Delphi International Battery Company Ltd., Volvo(China) Investment Co.,Ltd. in Shanghai, Yanfeng Visteon Automotive Electronics Co.,Ltd. ,Qingdao Haier Logistics Company Limited and Chengdu Baogang West Trade Company Limited. As at 31 December 2006, the Group had 573 customers.

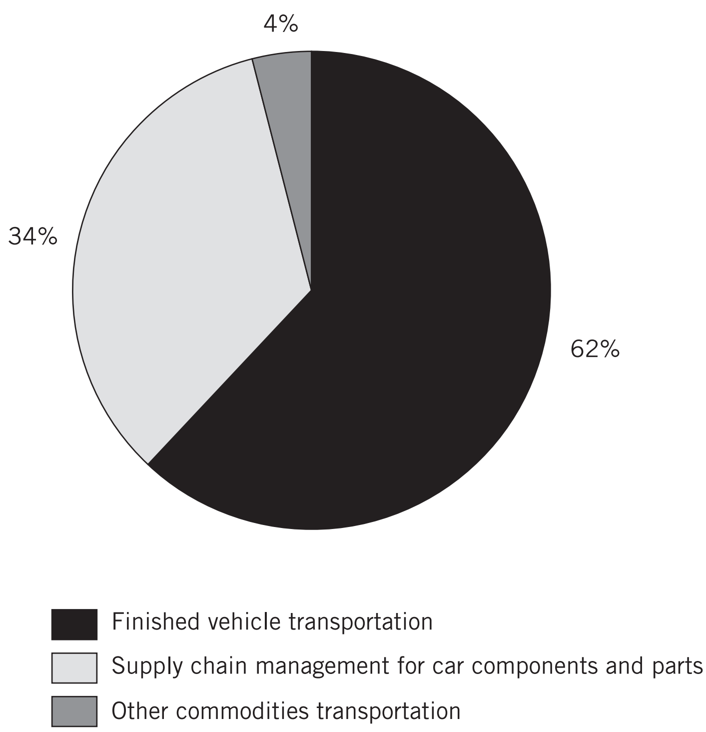
During the reporting period, the automotive industry in China developed at a high speed. The growth in both car production and sales volume of the Group's major customers, Changan Ford Mazda and Changan Hebei, was over 100% and 40% respectively. The demand for car logistics services from our customers was very strong. Accordingly, the business of the Group performed satisfactorily with an increasing trend (see Chart One). For the year ended 31 December 2006, turnover of the Group was RMB1,104,477,000, representing an increase of approximately 25.2% from RMB882,176,000 in 2005. In 2006, the Group's income from finished vehicle transportation services, supply chain management services for car components and parts and transportation services of non-vehicle commodities was RMB682,243,000 (2005: RMB594,209,000), RMB375,456,000 (2005: RMB278,059,000) and RMB46,778,000 (2005:RMB9,908,000) respectively.

Chart One: Changes of the turnover and its breakdown for the four years ended 31 December 2006



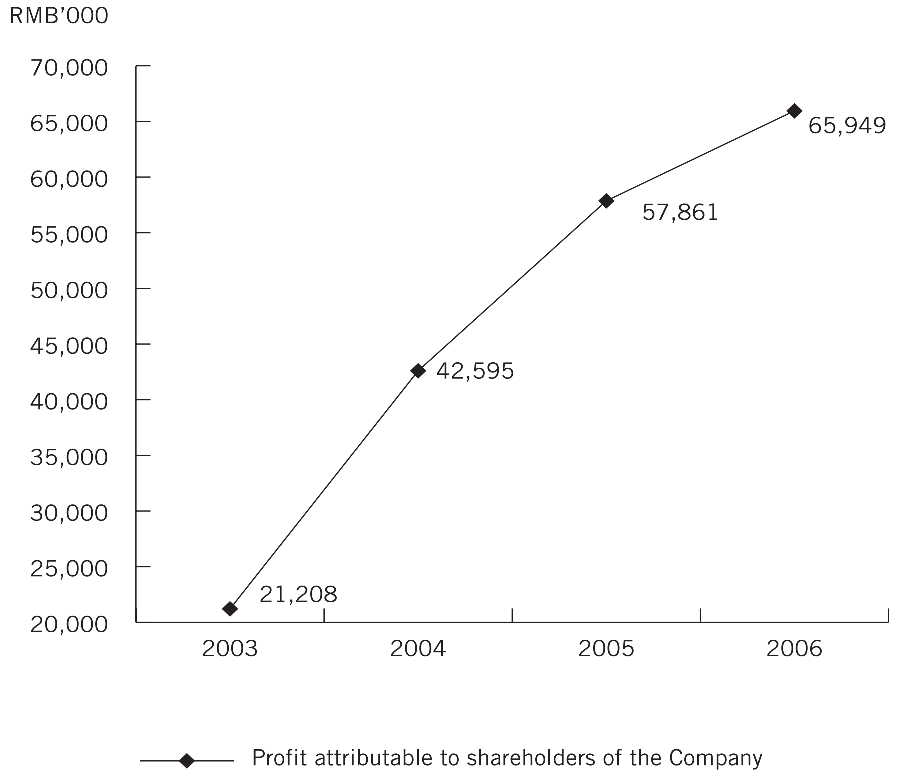
During the reporting period, the Group's business in non-vehicle commodities transportation services increased strongly and was more than four times over that in the corresponding period of 2005. The revenue generated from these services accounted for approximately 4% of the Group's turnover in 2006 (see Chart Two for details).

Chart Two: Turnover by business segments in 2006



For the year ended 31 December 2006, profit attributable to shareholders of the Company was RMB65,949,000, representing an increase of approximately 14.0% from RMB57,861,000 in 2005 (see Chart Three for details).

Chart Three: Changes in profit attributable to shareholders of the Company for the four years ended 31 December 2006



In order to enhance the services network and capability, the Company strengthened the infrastructure of its branches by utilising information technology to manage them in a more scientific way. As at 31 December 2006, the Company had a total of 12 branches, subsidiaries, associated companies and representative offices (including a subsidiary to be established), which are mainly located in East China, Central China, North China, South China and Southwest China (see the map below for details). The continuous enhancement of service network enables the Group to provide logistics services to different parts of the country.

Location of the Company's existing branches, subsidiaries, associates and offices

During the reporting period, the Company has explored new ways to develop and extend our business activities to the carriage level of finished vehicle transportation through an associated company Chongqing Terui. As at the date of this announcement, Chongqing Terui had 50 owned special trailers for transporting finished vehicles, and will continue to attract and integrate with other trailers in order to increase the number of transportation vehicles controlled by it and raise its profitability.

During the reporting period, the Company won the bid to provide logistics services to Changan Ford Mazda Nanjing Plant. This project will be carried out through establishing a joint venture (details are set out in the section headed "Significant Purchase, Sale and Future Investment Plans" in this section) and was an important new business secured by the Company during the year.

FINANCIAL REVIEW

Turnover

The Group's turnover for the year ended 31 December 2006 was RMB1,104,477,000 (2005: RMB882,176,000), representing an increase of approximately 25.2% from the previous financial year. The increase was mainly attributable to increased sales to the Group's key customers, Changan Automobile and its subsidiaries including Changan Ford Mazda, Changan Hebei, Changan Nanjing and Chongqing Changan Suzuki Automobile Co., Ltd. ("Changan Suzuki"), which increased their car production significantly and recorded larger sales this year. Accordingly, the demand for logistics services from these customers increased correspondingly.

Cost of sales and gross profit margin

For the year ended 31 December 2006, the Group's cost of sales was RMB986,228,000 (2005: RMB776,599,000), representing an increase of approximately 27.0% from the previous financial year.

For the year ended 31 December 2006, the Group's gross profit margin was approximately 10.7% (2005: 12.0%), decreasing 1.3% compared with prior year. Without taking into account the effect from the additional recognized revenue of RMB10,002,000 during the six months ended 30 June 2005 (the relative cost had been recognized in the financial year of 2004, details of which were disclosed in the 2005 annual report of the Company), the Company's gross profit margin remained steady in 2006.

Distribution Expenses

The Group's distribution expenses of RMB25,863,000 for the year ended 31 December 2006 remained stable and represented some 2.3% of the Group's turnover during the year (2005: 2.3%).

The distribution expenses included salaries and benefits, traveling, business and communication expenses, and marketing and promotion expenses incrred by the Group's sales and marketing department. Such expenses rose approximately 27.5 % during the year due to the increase in the Group's headcount to support its business development and strengthened its market expansion activities.

Administrative Expenses

Due to the Group's business expansion, especially in Nanjing and Hebei regions, administrative expenses increased from RMB20,786,000 in 2005 to RMB23,250,000 in 2006. Such expenses include salaries and benefits, traveling, business and communication expenses.

Finance Costs

The Group's finance costs for the year amounted to RMB3,715,000 (2005: RMB1,988,000) which included interests on bank loans borrowed to provide more liquid funds and the exchange loss on foreign currency deposits. As at 31 December 2006, the Group had bank loans of RMB30,000,000.

Taxation

The Company was entitled to a 50% tax reduction for the year 2006. The effective tax rate was approximately 8.3% (2005: 9.1%) and the provision for income tax for the year amounted to RMB5,940,000 (2005: RMB5,799,000).

Profit Attributable to Shareholders

During the year, profits attributable to shareholders of the Company were RMB65,949,000, representing an increase of approximately 14.0% from the previous financial year.

Dividends

The board of directors recommended the payment of a final dividend of RMB0.08 (including tax) (2005: RMB0.11 (including tax)) per share for the year ended 31 December 2006 to shareholders registered in the register of members of the Company on 30 May 2007. The final dividend will be paid on or before 31 August 2007 upon approval of the Board's proposal by shareholders at the annual general meeting.

Liquidity and Financial Resources

For the year ended 31 December 2006, the Group maintained a sound position. As at 31 December 2006, the balance of the Group's cash and bank deposit was RMB116,842,000 (31 December 2005: RMB40,425,000). As at 31 December 2006, total assets of the Group amounted to RMB677,705,000 (31 December 2005: RMB467,124,000). Capital resources were current liabilities of RMB339,554,000 (31 December 2005: RMB306,944,000), shareholders' interests of RMB338,151,000 (31 December 2005: RMB160,130,000) and minority interests of nil (31 December 2005: RMB50,000).

Capital Structure

The Company placed and listed 55,000,000 H shares (including 5,000,000 shares offered by domestic shareholders, each with a nominal value of RMB1.00 per share and placed at HK$2.70 per share) on the GEM of the Stock Exchange on 23 February 2006. Accordingly, the Company's equity increased from 112,064,000 shares to 162,064,000 shares with a nominal value of RMB1.00 per share. Since then, there has been no change in the Company's equity.

Loans and Borrowings

As at 31 December 2006, the balance of the Group's bank loans and borrowings was RMB30,000,000 (31 December 2005: nil).

Gearing Ratio

As at 31 December 2006, the gearing ratio (total liabilities as a percentage of total assets) of the Group was 50.1% (31 December 2005: 65.7%). The ratio of total liabilities to net assets of the Group was 1.004:1 (31 December 2005: 1.92:1).

Pledge of Assets

As at 31 December 2006, buildings and property with a net value of approximately RMB13,408,000 and land use right of RMB8,359,000 belonging to the Group were utilized to secure a loan of RMB30,000,000 from the bank

Exchange Rate Risks

The proceeds of H shares offered by the Company were denominated in Hong Kong Dollar ("HKD") and deposited in banks as HKD in accordance with the rules of China State Administration of Foreign Exchange. Accordingly, the Group may face certain exchange rate risks. However, as the Group had limited transaction denominated in foreign currencies, there is no significant effect on the Group's operations.

Contingent Liabilities

As at 31 December 2006, the Group did not have any significant contingent liabilities.

Capital Commitment

As at 31 December 2006, except for the investment commitments as disclosed below under the heading of "Significant Purchase, Sale and Future Investment Plans", the Group has no capital commitment.

Substantial Investment

During the reporting period, the Group did not make any substantial investment.

Significant Purchase, Sale and Future Investment Plans

The Group did not have any significant purchase or sale transactions in this year.

In order to provide logistics services to Changan Ford Nanjing Plant which is still under construction, the Company has signed a joint venture contract with Japan Sumitomo Corporation ("Sumitomo Japan") and Beijing Changjiu in November 2006. For details please refer to the announcement of the Company dated 2 November 2006 ("the Announcement") and the circular to shareholders dated 14 November 2006 ("the Circular"). The Company will invest RMB51,000,000 from the H share issue proceeds and the internal resources of the Company in two years and will hold 51% equity interests in this joint venture after such investment. The establishment of the joint venture shall be approved by the relevant government authority in the PRC.

USE OF PROCEEDS FROM SHARE OFFER

The Company placed and issued 55,000,000 H shares in Hong Kong on 23 February, 2006. As at 31 December 2006, the Group has applied the net proceeds from the placing as follows:

	Proposed uses of funds during the period HK$'000	**Actual uses of funds during the preriod** HK$'000	**Balance of proceeds as at 31 December 2006** HK$'000
The construction of phase I and phase II of the regional distribution centre for Changan Ford Mazda in Nanjing	45,000	12,776	51,224 (Note 1)
Completion of upgrading of phase III and construction of phase IV of the regional distribution centre for Changan Ford in Chongqing	26,000	26,000	0
Sub-contracting transportation services through the use of external transportation companies	5,900	5,900	0

Note 1: The balance includes the proposed uses of proceeds allocated to the period from 1 January 2007 to 31 December 2007.

As the Company's H shares were placed at the maximum placing price of HK$2.7 per H share, the Company was able to apply approximately HK$17,181,000 of the additional net proceeds for the purpose of expanding and constructing facilities in its existing regional distribution centres up to 31 December 2006.

The details of the use proceeds for the interim period ended 30 June 2006 are disclosed in the 2006 interim report of the Company.

As at 31 December 2006, the Company was expected to have applied HK$97,441,000 of the net proceeds, but the actual amount of funds used was HK$35,584,000 less than the expected amount during this period due to the delay in the Company's investment in the construction of phase I and phase II of the regional distribution centre for Changan Ford Mazda in Nanjing.

As at 31 December 2006, the balance of unused net proceeds of HK$54,584,000 was deposited with the commercial banks in the PRC.

Through the investment in a subsidiary, the Company will invest in the construction of facilities for providing logistics services to our customers including but not limited to Changan Ford Mazda Nanjing Plant (details of which has been mentioned in the prospectus of the Company dated 16 February 2006 (the "Prospectus")). Please also refer to the Announcement and the Circular. As part of the arrangements, the Company has to invest RMB51,000,000, lower than the originally proposed amount of HK$64,000,000, while the other two parties have to invest RMB49,000,000. At the same time, the Company has an immediate need to construct the logistics facilities required by Chongqing Changan Ford to cope with its production expansion. Accordingly, the proceeds invested in the construction of phase I and phase II of Changan Ford's regional distribution centre in Nanjing by the Company shall be reduced to HK$24,000,000. The balance of HK$40,000,000 will be used to construct the logistics facilities required by Changan Ford Mazda to cope with its production expansion in Chongqing. Such adjustment to the use of proceeds requires shareholders' approval at the annual general meeting.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL PROGRESS

Business objectives disclosed in the Prospectus for the six months ended 31 December 2006	The actual progress for the six months ended 31 December 2006
Business development	
1. To secure the transportation of finished vehicles business from Jiangxi Jiangling Holding Limited (about 50,000 units).	As the return of project was less satisfactory than expected, the Company did not proceed with this project.
2. To secure the business of supply chain management of car components and parts from Changan Suzuki	The Company has secured part of the international freight forwarding business from Changan Suzuki. It has started the supply chain management of car components and parts business with Changan Suzuki.
3. To secure the supply chain management of car components and parts project from Changan Zijin factory, Nanjing	The Company has started to provide supply chain management services including warehousing services to Changan Zijin factory.
4. To expand logistics business for non-vehicle commodities	During this year, the Company recorded a significant increase in bulk transportation services for such commodities as steel and wirings.
5. To consolidate and expand business volume from existing customers, especially car manufacturers.	The Company strengthened the relationship with our existing clients and our turnover generated from vehicle logistics business achieved an increasing growth.

Business objectives disclosed in the Prospectus for the six months ended 31 December 2006	The actual progress for the six months ended 31 December 2006
Service facilities	
Construct car components and parts distribution center for Changan Suzuki (about 8,000 sq.m) or establish a joint venture to invest in distribution center.	Changan Suzuki has yet to contract out its car components and parts distribution business.
Customers 600	573. The Company believes that consolidation of our existing customer base is more important than tapping new customers. Accordingly, the growth in the number of customers slowed down.
Human resources 2,485	2,285. The Company put more emphasis on the staff training. Hence the staff number was less than expected.

The comparison of business objectives disclosed in the Prospectus with the actual progress during the period from the listing date to 30 June 2006 is set out in the Company's interim report of 2006.

During the year, the Company has prepared the compliance manual of the Board (the "Manual") with a view to enhancing the level of corporate governance and complying with the GEM Listing Rules. The Manual incorporates the principles set out in Appendix 15 of the Code on Corporate Governance (the "Code") of the GEM Listing Rules. The Company complied with the code provisions in the Code and the Manual during the period from 23 February 2006, the date of listing of the Company's H shares, to 31 December 2006.

The following is a summary of key corporate governance practices of the Company:

BOARD

The Board comprises 14 directors, including 5 executive directors, 6 non-executive directors, 3 independent non-executive directors. Details of the members of the Board are set out in the paragraph headed "Directors, Supervisors, General Manager and Deputy General Manager". The Board considers that the Board's composition has maintained a reasonable balance between executive and non-executive directors. The non-executive directors and independent non-executive directors participate actively in the formulation of the Company's policies and seek to represent the interests of shareholders as a whole.

The Company has appointed 3 independent non-executive directors, of which at least one has appropriate professional qualification and financial management expertise. The Company received the relevant independence confirmation letter from each of the independent non-executive directors in February 2007, and the Company considers that each of the independent non-executive directors has complied with every guideline on independence set out in Rule 5.09 of the GEM Listing Rules. The term of office of each independent non-executive director does not exceed 9 years.

There is no family or material relationship between the members of the Board.

According to the GEM Listing Rules, a full Board meeting should be held at least quarterly and on such occasion as and when necessary. The Board has held six meetings in 2006 to discuss and decide the Company's business strategies, key operational issues, financial matters and other matters set out in the article of associations of the Company. The implementation and execution of these Board decisions is delegated to the management. Details of directors' records attendance at the Board meetings of the Company held during the year are set out in the following table:

Directors	**Number of attendance/Number of meetings**
Executive Directors	
Mr. Yin Jiaxu	6/6
Mr. Huang Zhangyun	6/6
Mr. Lu Xiaozhong	6/6
Mr. Shi Chaochun	6/6
Mr. James McAdam	6/6
Non-Executive Directors	
Mr. Lu Guoji	6/6
Mr. Koay Peng Yen *(Note 1)*	4/6
Mr. Daniel C. Ryan *(Note 2)*	0/6
Mr. Zhang Baolin	6/6
Ms. Cao Dongping	6/6
Mr. Wu Xiaohua	6/6
Ms. Lau Man Yee, Vanessa	6/6
Independent Non-Executive Directors	
Ms. Wang Xu	6/6
Mr. Peng Qifa	6/6
Mr. Chong Teck Sin	6/6

Note 1: Mr. Koay Peng Yen resigned as non-executive director of the Company on 25 August 2006.

Note 2: Mr. Daniel C. Ryan was appointed as non-executive director of the Company on 30 December 2006.

APPOINTMENT AND CESSATION OF DIRECTORS

Mr. Koay Peng Yen resigned as non-executive director of the Company due to personal reasons on 25 August 2006. Mr. Daniel C. Ryan was appointed as non-executive director of the Company on 30 December 2006. Details were set out in the announcements of the Company dated on 25 August 2006 and 2 January 2007.

CHAIRMAN AND GENERAL MANAGER

The Company's chairman is Mr. Yin Jiaxu, and the general manager is Mr. Shi Chaochun. The chairman is responsible for setting the strategic direction of the Company and formulating and business strategies, while the general manager is responsible for overseeing the daily operations of the Company. The chairman is also responsible for ensuring the effective operation of the Board. The chairman encourages all the directors (including the independent non-executive directors) to be fully dedicated in carrying out their duties to members of the Board and its three committees.

THREE COMMITTEES OF THE BOARD

The Company's audit committee, remuneration committee and nomination committee have laid down specific terms of reference, detailing the powers and responsibilities of these committees. All the committees shall report their decisions or proposals to the Board within their authorities, and under certain circumstance, have to request for the Board's approval before taking such actions.

(1) Audit Committee

The Company has set up an audit committee pursuant to the requirements under Rule 5.28 of the GEM Listing Rules and the "Guidelines for the establishment of Audit Committees" prepared by Hong Kong Institute of Certified Public Accountants, with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules. The responsibilities of the audit committee are principally to review and supervise the Company's financial reporting procedure and internal control system.

The audit committee currently comprises Mr. Peng Qifa, Ms. Wang Xu and Mr. Chong Teck Sin, who are all independent non-executive directors. Chairman Peng Qifa has proper professional qualification and financial experience.

Up to the date of this report, the audit committee has held five meetings in 2006.

The audit committee has met on 23 March 2006 to review the Group's annual results, financial statements, principal accounting policies and internal audit matters for the year ended 31 December 2005, listened to the auditor's views on the Company and approved the content of the report.

The audit committee has met on 26 April 2006 to review the Group's unaudited first quarterly report for the three months ended 31 March 2006, and approved the content of the report.

The audit committee has met on 26 July 2006 to review the Group's unaudited interim report for the six months ended 30 June 2006, and approved the content of the report.

The audit committee has met on 27 October 2006 to review the Group's unaudited quarterly report for the nine months ended 30 September 2006, and approved the content of the report.

The audit committee has met on 8 March 2007 to review the Group's annual results, financial statements, principal accounting policies and internal audit matters for the year ended 31 December 2006, listened to the auditor's views and approved these documents.

Details of committee members' attendance records at the meeting during the period from 1 January 2006 to the date of this report are set out in the following table:

Committee Members	**Number of attendance/ Number of meetings**
Peng Qifa *(Chairman)*	5/5
Wang Xu	5/5
Chong Teck Sin	5/5

(2) Remuneration Committee

The remuneration committee currently comprises Mr. Yin Jiaxu (the chairman), Ms. Wang Xu, Mr. Peng Qifa and Mr. Chong Teck Sin. The majority of the members of the remuneration committee are independent non-executive directors of the Company.

The responsibilities of the remuneration committee principally include making proposals to the Board in respect of the overall remuneration policy and structures of the directors and senior management.

Up to the date of this report, the remuneration committee has in 2006 held three meetings in which all members of the committee attended.

The remuneration committee held the first meeting on 23 March 2006 to discuss the Company's remuneration policy and other matters.

The remuneration committee held the second meeting on 26 July 2006 to discuss the 2006 interim report of remuneration committee.

The remuneration committee held the third meeting on 8 March 2007 to discuss the 2006 annual report of the remuneration committee and other matters.

(3) Nomination Committee

The nomination committee currently has five members, Ms. Lau Man Yee, Vanessa (the chairman), Mr. Wu Xiaohua, Ms. Wang Xu, Mr. Peng Qifa and Mr. Chong Teck Sin. The majority of the members of the nomination committee are independent non-executive directors of the Company.

The responsibilities of the nomination committee principally include the review of the structure and composition of the Board, enhancing corporate governance within the Company and assessing the independence of the Company's independent directors.

Up to the date of this report, the nomination committee has in 2006 held four meetings in which all members of the committee attended.

The nomination committee held the first meeting on 23 March 2006 to discuss the 2005 annual report of nomination committee and review the independence of independent directors of the Company.

The nomination committee held the second meeting on 26 July 2006 to discuss the 2006 interim report of nomination committee.

The nomination committee held the third meeting on 25 October 2006 to discuss matters relating to the by-election of a director.

The nomination committee held the fourth meeting on 8 March 2007 to discuss the 2006 annual report of nomination committee and review the independence of independent directors of the Company.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding director's securities transactions on terms no less exacting than the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the GEM Listing Rules. After inquiry by the Company to all the directors, all the directors have confirmed that they have complied with the code of conduct.

TERM OF OFFICE AND RE-ELECTION

The term of office of each of the directors (including the non-executive directors) is three years in accordance with the Company's articles of association. The term of all the existing directors will end upon the expiry of the first Board. The directors shall then retire, but shall be available for re-election.

INTERNAL CONTROL

The Board is responsible for maintaining a reliable and effective internal control system, so as to protect the Company's assets and shareholders' interests, and to review the efficiency of such system. The Company has conducted a review of its internal control system from time to time to ensure the effectiveness of the internal control system.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders of the Company are set out in the auditor's report of this report.

RELATIONSHIP WITH SHAREHOLDERS

The Board intends to encourage and maintain continued dialogues with shareholders through various channels. The Company's annual general meeting provides a good opportunity for directors to meet and communicate with shareholders. All directors shall make their best efforts to attend the annual general meeting so as to reply to enquiries of shareholders.

INVESTOR RELATIONS

During this reporting period, the Company has arranged investors to visit our company for many times. We sincerely thank all investors for their interests in our company. Our investor relations management department is the office of the Board (Email address: dongshihui@camsl.com).

REMUNERATION OF AUDITORS

PricewaterhouseCoopers ("PwC") was the Company's auditor for the year ended 31 December 2006. Other than audit services, PwC did not provide non-audit services to the Company or any of the Group's companies during the year.

The remuneration of the auditor for the year ended 31 December 2006 is set out in Note 7 of the consolidated financial statements. The Company did not pay for the auditor's traveling, meals and lodging expenses and other incidental expenses during the period the audit services were provided.

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with audited consolidated financial statements of the Group for the year ended 31 December 2006

PRINCIPAL BUSINESS

The Company is principally engaged in the provision of transportation of finished vehicles services, supply chain management services relating to car components and parts and transportation of non-vehicles commodities services.

RESULTS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement of this report.

DIVIDEND

The Board proposed to distribute final dividends of RMB0.08 per share (including tax) to the shareholders whose names appear on the register of members of the Company as at 30 May 2007.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Company's property, plant and equipment during the year are set out in note 17 to the consolidated financial statements.

FINANCIAL POSITION

A summary which includes the Group's results and its assets and liabilities for the past 4 financial years are set out in the section headed "Financial Summary of this annual reprot.

SUBSIDIARIES AND AFFILIATED COMPANIES

During the reporting period, the Company purchased 1% shareholding in Chongqing Gangcheng RMB50,000 from Changan Industrial. After the purchase, Chongqing Gangcheng became a wholly-owned subsidiary of the Company. Particulars of Chongqing Gangcheng are set out in note 20 to the consolidated financial statements. Its principal place of business is the PRC.

In order to provide logistics services to our customers including Changan Ford's Nanjing Plant, which is currently under construction, the Company has signed a joint venture contract with Sumitomo Corporation and Beijing Changjiu to establish a logistics joint venture in Nanjing. For details please refer to the section headed "Significant Purchase, Sale and Future Investment Plans" in Management Discussion and Analysis section of this report. This joint venture will become a subsidiary of the Company after establishment and the relevant PRC authorities are currently reviewing and approving the application for setting up the joint venture.

Wuhan Changan Minfutong Logistics Company Limited was established on 18 January 2006 with a registered capital of RMB10,000,000. The Company invested RMB3,100,000 and holds a 31% equity interest in it. Its principal business activities are loading and unloading services, cargo warehousing(including finished vehicles), fright forwarding services, logistics planning and consultation.

Chongqing Terui was established on 26 September 2006 with a registered capital of RMB10,000,000. The Company invested RMB4,500,000 and holds a 45% equity interest in it. Its principal business includes domestic commodities transportation, domestic freight forwarding services, logistics management services and technology consultations.

CAPITALIZED INTERESTS

For the year ended 31 December 2006, no interest had been capitalized.

SHARE CAPITAL

For the year ended 31 December 2006, the Company's share capital increased RMB50,000,000. Details are set out in note 26 to the consolidated financial statements.

PREEMPTIVE RIGHTS

There is no provision for preemptive rights in the Company's articles of association requiring the Company to offer new shares proportionately to the existing shareholders.

RESERVES

Details of changes in the Company's reserves for the year are set out in the consolidated statement of changes in equity and in note 27 of the consolidated financial statements.

Employees Benefit Expenses

As at 31 December 2006, the Company employed 2,285 employees (31 December 2005: 1,899 employees).

The breakdown of number of employees by functions is as follows:

	31 December 2006	31 December 2005
Administration and finance	**81**	61
Information and technology	**26**	18
Sales and marketing	**60**	47
Operation	**2,118**	1,773
Total	**2,285**	1,899

Please refer to note 8 to the consolidated financial statements for a breakdown of the employee benefit expense.

RETIREMENT PLAN

Details of the Company's retirement plan are set out in note 16 to the consolidated financial statements.

Salaries of the Company's employees are determined by reference to market rates, performance, qualification and experience of the relevant employee. Discretionary bonus may also be given based on personal performance during the year, so as to award the employee for its contribution to the Company. Other employee benefits include pension insurance, unemployment insurance, personal injury insurance and housing insurance.

STAFF QUARTERS

During the year, the Company has not provided any staff quarters to the staff (2005: nil). It has provided housing provident fund to the staff, details of which are set out in note 16 to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

The Company's directors and supervisors up to the date of this report were as follows:

Executive directors

Yin Jiaxu *(Chairman)*	(appointed on 8 December 2004)
Huang Zhangyun	(appointed on 8 December 2004)
Lu Xiaozhong	(appointed on 8 December 2004)
Shi Chaochun	(appointed on 22 February 2005)
James McAdam	(appointed on 6 June 2005)

Non-executive directors

Lu Guoji *(Vice Chairman)*	(appointed on 8 December 2004)
Daniel C. Ryan	(appointed on 30 December 2006)
Zhang Baolin	(appointed on 8 December 2004)
Cao Dongping	(appointed on 8 December 2004)
Wu Xiaohua	(appointed on 8 December 2004)
Lau Man Yee, Vanessa	(appointed on 6 June 2005)

Independent non-executive directors

Wang Xu	(appointed on 8 December 2004)
Peng Qifa	(appointed on 8 December 2004)
Chong Teck Sin	(appointed on 21 July 2005)

Supervisors

Hua Zhanbiao	(appointed on 8 December 2004)
Tang Yizhong	(appointed on 8 December 2004)
Dai Baiming	(appointed on 6 February 2006)
Ye Guangrong	(appointed on 8 December 2004)
Chen Haihong	(appointed on 8 December 2004)

During this year, Mr. Koay Peng Yen resigned as non-executive director of the Company. The 2nd Extraordinary General Meeting for the year 2006, held on 30 December 2006, has approved the appointment of Mr. Daniel C. Ryan as non-executive director of the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received the annual confirmation of each independent non-executive director pursuant to Rule 5.09 of the GEM Listing Rules and still considers the independent non-executive directors to be independent.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the director and supervisor has entered into a service contract with the Company.

There is no unexpired period of any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) in respect of which any director proposed to be re-elected.

The term of appointment of every non-executive director is 3 years.

DIRECTORS' INTERESTS IN CONTRACTS

There was no significant contract to which the Company was a party and in which a director had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of directors and the 5 highest paid individuals are set out in note 15 to the consolidated financial statement.

The remuneration provided to the directors is determined on the basis of, among other things, the relevant director's experience, responsibility and the time devoted to the Company.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2006, no interest or short positions of directors and the chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) were required to be entered in any register required to be maintained pursuant to Rule 352 of the SFO or required to be notified to the Company or the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND MANAGEMENT SHAREHOLDERS

As at 31 December 2006, the following persons (other than directors and chief executives of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares

Name of Shareholders	Capacity	Number of shares	Percentage of domestic shares (non- H foreign shares included)	Percentage of H shares	Percentage of total registered share capital
Changan Co.	Beneficial owner	39,029,088	36.45%	—	24.08%
Changan Co. *(Note 1)*	Interest of a controlled corporation	796,512	0.74%	—	0.49%
Minsheng Industrial	Beneficial owner	25,774,720	24.07%	—	15.91%
Minsheng Industrial *(Note 2)*	Interest of a controlled corporation	7,844,480	7.33%	—	4.84%
APLL	Beneficial owner	33,619,200	31.40%	—	20.74%
Ming Sung (HK)	Beneficial owner	7,844,480	7.33%	—	4.84%
Atlantis Investment Management Ltd	Investment manager	11,025,000	—	20.05%	6.80%
First State Investments (Hong Kong) Limited	Investment manager	5,673,000	—	10.31%	3.50%
First State (Hong Kong) LLC *(Note 3)*	Interest of a controlled corporation	5,673,000	—	10.31%	3.50%
First State Investments (Bermuda) Ltd *(Note 3)*	Interest of a controlled corporation	5,673,000	—	10.31%	3.50%
First State Investment Managers (Asia) Ltd *(Note 3)*	Interest of a controlled corporation	5,673,000	—	10.31%	3.50%

Name of Shareholders	Capacity	Number of shares	Percentage of domestic shares (non- H foreign shares included)	Percentage of H shares	Percentage of total registered share capital
Colonial First State Group Ltd *(Note 3)*	Interest of a controlled corporation	5,673,000	—	10.31%	3.50%
The Colonial Mutual Life Assurance Society Ltd *(Note 3)*	Interest of a controlled corporation	5,673,000	—	10.31%	3.50%
Commonwealth Insurance Holdings Limited *(Note 3)*	Interest of a controlled corporation	5,673,000	—	10.31%	3.50%
Colonial Holding Company (No.2) Pty Limited *(Note 3)*	Interest of a controlled corporation	5,673,000	—	10.31%	3.50%
Colonial Holding Company Pty Limited *(Note 3)*	Interest of a controlled corporation	5,673,000	—	10.31%	3.50%
Colonial Ltd *(Note 3)*	Interest of a controlled corporation	5,673,000	—	10.31%	3.50%
Commonwealth Bank of Australia *(Note 3)*	Interest of a controlled corporation	5,673,000	—	10.31%	3.50%
Acru China+Absolute Return Fund Limited	Person having a security interest in shares	4,000,000	—	7.27%	2.47%
Acru Asset Management International Limited *(Note 4)*	Investment manager	4,000,000	—	7.27%	2.47%
Acru Asset Management Limited *(Note 5)*	Investment manager	4,000,000	—	7.27%	2.47%
Chan Lee Wang	Investment manager	4,000,000	—	7.27%	2.47%
Lau Hing Sang	Investment manager	4,000,000	—	7.27%	2.47%
GE Asset Management Incorporated *(Note 6)*	Investment manager	2,764,000	—	5.03%	1.71%

Note 1: Changan Co. owns 98.92% of Changan Industrial, which holds 0.49% of our Company.

Note 2: Minsheng Industrial owns 98.95% of the Ming Sung (HK).

Note 3: Commonwealth Bank of Australia holds 100% interest of Colonial Ltd, Colonial Ltd holds 100% interest of Colonial Holding Company Pty Ltd, Colonial Holding Company Pty Ltd holds 100% interest of Colonial Holding Company (No.2) Pty Limited, Colonial Holding Company (No.2) Pty Limited holds 100% interest of Commonwealth Insurance Holdings Limited, Commonwealth Insurance Holdings Limited holds 100% interest of The Colonial Mutual Life Assurance Society Ltd, The Colonial Mutual Life Assurance Society Ltd holds 100% interest of Colonial First State Group Ltd, Colonial First State Group Ltd holds 100% interest of First State Investment Managers (Asia) Ltd, First State Investment Managers (Asia) Ltd holds 100% interest of First State Investments (Bermuda) Ltd, First State Investments (Bermuda) Ltd holds 100% interest of First State (Hong Kong) LLC, First State (Hong Kong) LLC holds 100% interest of First State Investments (Hong Kong)Limited. As the result, pursuant to the Part XV of the SFO, Commonwealth Bank of Australia, Colonial Ltd, Colonial Holding Company Pty Ltd, Colonial Holding Company (No.2) Pty Limited, Commonwealth Insurance Holdings Limited. The Colonial Mutual Life Assurance Society Ltd, Colonial First State Group Ltd, First State Investment Managers (Asia) Ltd, First State Investments (Bermuda) Ltd. And First State (Hong Kong) LLC are deemed to be interested in the 5,673,000 shares held by the First State Investments (Hong Kong) Limited.

Note 4: Acru China+Absolute Return Fund Limited or its directors are used to follow the direction of Acru Asset Management International Limited, Chan Lee Wang and Lau Hing Sang are the Acru Asset Management International Limited's controllers.

Note 5: Chan Lee Wang and Lau Hing Sang are all Acru Asset Management Limited's controllers.

Note 6: GE Asset Management Incorporated have partly sold its H shares on 15 February 2007. This made its shareholding in the Company fall below the 5% of the Company's listing H shares.

As at 31 December 2006, the management shareholders (interests in the shares and underlying shares of the Company held by the management shareholders such as Changan Automobile Company (Group) Limited ("Changan Co."), Minsheng Industrial (Group) Co., Ltd ("Minsheng industrial"), APL Logistics Ltd. ("APLL") and Ming Sung Industrial Co., (HK) Ltd. ("Ming Sung (HK)") are as disclosed above) hold interests in the shares and underlying shares of the Company as follows:

Name of shareholder	Capacity	Number of Shares	Percentage of domestic shares	Percentage of non H foreign shares	Percentage of H shares	Percentage of total registered share capital
Chongqing Changan Industrial Limited	Beneficial owner	796,512	0.74%	—	—	0.49%

Save as disclosed above, as at 31 December 2006, the directors were not aware of any other person (other than the directors and chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE APPRECIATION RIGHT INCENTIVE SCHEME

On 6 June 2005, in order to enhance the Company's incentive mechanism, the share appreciation right incentive scheme (the "Scheme") was approved by the shareholders of the Company during the second extraordinary general meeting of the Company. The principal terms and conditions of the Scheme are summarized in the section headed "Summary of terms of the Share Appreciation Right Incentive Scheme" in appendix VII to the Prospectus. During the year, no such plan has been implemented.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period of report, the Group's sales to its 5 largest customers in proportion to the Group's total sales are as follows:

	As at the year ended 31 December	
	2006	2005
Changan Ford Mazda	**47.56%**	32.68%
Changan Automobile	**22.21%**	38.49%
Changan Hebei	**15.49%**	13.88%
Changan Nanjing	**3.34%**	5.24%
Changan Suzuki	**1.05%**	0.69%
Total of 5 largest customers	**89.65%**	90.98%

Among the 5 largest customers, Changan Automobile, Changan Ford Mazda, Changan Hebei, Changan Nanjing and Changan Suzuki are the associates of Changan Co., which is the Company's substantial shareholder.

The percentages of the Company's purchases from the 5 largest suppliers in proportion to the Company's total purchases are as follows:

	As at the year ended 31 December	
	2006	2005
Minsheng Logistics Ltd. (Minsheng Logistics)	**10.56%**	11.48%
Minsheng International Freight Agent Ltd. (Minsheng International Freight)	**6.37%**	8.75%
Chongqing National Container Automobile Logistics Co., Ltd.	**5.99%**	8.03%
Chongqing-Fuk Freight Limited	**5.74%**	3.27%
Minsheng Shipping Co., Ltd. (Minsheng Shipping)	**4.26%**	2.86%
Total of 5 largest suppliers	**32.92%**	34.39%

Among the 5 largest suppliers, Minsheng Logistics, Minsheng International Freight and Minsheng Shipping are the associates of Minsheng Industrial, the substantial shareholder of the Company.

Save as above disclosed, none of the directors, their respective associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any actual interests in the share capital of the 5 lasrgest customers and 5 largest suppliers mentioned above.

COMPETING INTERESTS

The Company's shareholders APL Logistics Ltd., Minsheng Insustrial (Group) Co., Ltd. ("Minsheng Industrial"), Ming Sung Industrial Co., (HK) Limited and Changan Co. have all signed non-competition undertakings with the Company in favor of the Company. Please refer to the Prospectus for details for such undertakings.

CONTINUING CONNECTED TRANSACTIONS

Set out below is information in relation to continuing connected transactions of the Company during the year ended 31 December 2006, further detials of which are also included in the Circular:

BACKGROUND OF THE CONNECTED TRANSACTIONS

On 18 January 2006, the Company entered into a framework agreement with Changan Co., Changan Automobile, Changan Ford Mazda, Hebei Changan, Nanjing Changan, Chongqing Changan Transportation Company ("Changan Transportation") and Minsheng Industrial respectively with an effective period from 1 January 2006 to 31 December 2008, please refer to the Prospectus for detailed information. These transactions are continuing connected transactions.

On 2 November 2006, the Board announced that the Company has signed (1) a framework agreement with Changan Co. to replace the 4 framework agreements signed with Changan Co., Changan Ford Mazda, Nanjing Changan and Hebei Changan in 18 January 2006, please refer to the Circular for detail information; (2) a framework agreement with Changan Sanchan (now Changan Industrial) to replace the framework agreement signed with Changan Transportation in 18 January 2006. Please refer to the Circular for detail information. Such transactions constitute continuing connected transaction.

Changan Co. is one of the promoters and a substantial shareholder of the Company. As at 31 December 2006, Changan Co. is a wholly owned subsidiary of China South Industries Group Corporation ("South Group"). China South Industries Automobile Co., Ltd. ("South Automobile"), a wholly owned subsidiary of South Group, holds 45.55% shares of Changan Co.; Changan Sanchan (now Changan Industrial) is one of the promoters of the Company. Accordingly, Changan Co., Hebei Changan, Nanjing Changan, Changan Automobile, Changan Sanchan and Changan Transportation are all the Company's connected persons according to the GEM Listing Rules. Minsheng Industrial is one of the promoters and substantial shareholders of the Company. Accordingly, Minsheng Industrial is also a connected person of the Company.

REASONS AND INTERESTS OF CONNECTED TRANSACTIONS

The Company is of the view that the connected transactions between the Company and Changan Automobile, Changan Ford Mazda, Hebei Changan, Nanjing Changan, Changan Co. and their subsidiaries are in line with the Company's main business and development strategy. Due to the shareholding relationship between Changan Co. and the Company, the Company has a long term business partnership with Changan Co., Changan Automobile, Changan Ford Mazda, Hebei Changan and Nanjing Changan. Since Changan Company is one of the substantial shareholders of the Company, the Company has no reason for Changan Co., Changan Automobile, Changan Ford Mazda, Hebei Changan and Nanjing Changan to reduce the transaction volume or cease to do business with the Company. The Company believes if it can maintain its service quality, Changan Co., Changan Automobile, Changan Ford Mazda, Hebei Changan, Nanjing Changan and its subsidiaries will continue purchasing logistics service from the Company. Accordingly, the Company will continue to conduct these connected transactions. For provision of logistics services, the Company needs to purchase transportation services continuously. As the Company has built up long term partnership with Minsheng Industrial, Changan Transportation and its respectively subsidiaries, the Company is satisfied with the quality of their transportation service. Therefore the Company will continue to transact with them. Taking into consideration the long term partnership between the Company and Changan Co., Changan Automobile, Changan Ford Mazda, Hebei Changan, Nanjing CHangan, Minsheng Industrial and Changan Transportation, the Company is of the view that it is beneficial for it to continue the connected transactions with the above parties in order to promote business growth and increase our operational capacities continuing transportation as they will promote the business operation and increase.

PRICING OF CONNECTED TRANSAACTIONS

The terms of framework agreements the Company signed with Changan Co., Changan Automobile, Changan Ford Mazda, Nanjing Changan, Hebei Changan, Changan Transportation and Minsheng Industrial on 18 January 2006 are very similar to the terms of the agreements signed with Changan Automobile and Changan Sanchan (now known as Changan Industrial) on 2 November 2006 which respectively replaced the agreements signed with Changan Automobile, Changan Ford Mazda, Nanjing Changan and Hebei Changan on 18, January 2006 and the agreement signed with Changan Transportation on 18 January 2006. The prices of the transactions under framework agreements are set in accordance with the following principles:

a. pricing relating to certain types of products and services fixed by the PRC government;

b. where there is no PRC government fixed price but a government guidance price exists, the government guidance price;

c. when there is neither a PRC government fixed price nor a government guidance price, the market price; or

d. where none of the above is applicable, the price to be agreed between the parties based on arm's length negotiations.

The Company undertook that the transactions between us and connected persons shall be on terms no less favorable to us than those available from independent third parties under current market conditions. It is in the interest of the Company and shareholders as a whole.

TOTAL CONSIDERATION OF THE CONNECTED TRANSACTIONS

For the year ended 31 December 2006, the total consideration received by the Group received from the connected persons for services rendered by the Company is as follows:

	For the year ended 31 December 2006 Annual sales to connected persons RMB'000
Changan Co.:	
Supply chain management for car components and parts	868
Storing and transportation for car components and parts	7,121
Changan Automobile:	
Transportation service for finished vehicle	217,147
Supply chain management for car components and parts	25,608
Storing and transportation for car components and parts	27,216
Changan Ford Mazda:	
Transportation service for finished vehicle	287,769
Supply chain management for car components and parts	196,160
Storing and transportation for car components and parts	41,396
Changan Hebei;	
Transportation service for finished vehicle	143,235
Supply chain management for car components and parts	27,857
Storing and transportation for car components and parts	—
Changan Nanjing:	
Transportation service for finished vehicle	32,937
Supply chain management for car components and parts	3,914
Storing and transportation for car components and parts	—

For the year ended 31 December 2006, the total consideration paid by the Group to the connected persons for services provided to the Company by the connected persons is as follows:

	For the year ended 31 December 2006 Annual purchases from the connected persons RMB'000
Minsheng Industrial and its subsidiaries	209,024
Changan Transportation	5,548

The continuing connected transactions of the Company also constituted accounting related party transactions entered into by the Group during the year which are set out in the notes to the consolidated financial statements of this report.

The independent non-executive directors of the Company have reviewed the continuing connected transactions conducted by the Company, and are of the view that they were entered into:

1. in the ordinary and usual course of business of the Company;

2. either on normal commercial terms or, if there are no comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of our Company as a whole.

The Company's auditor has reviewed the continuing connected transactions and in the letter sent to us confirmed that the continuing connected transactions:

1. have received the approval of the Board;

2. are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;

3. have been entered into in accordance with the relevant agreement governing the transactions; and

4. have not exceeded the cap disclosed in previous announcement(s).

The Company has complied with the disclosure requirements in accordance with Chapter 20.

LEGAL PROCEEDINGS

As at 31st December 2005, the Company and its subsidiaries were not involved in any material litigation or arbitration and there were no material litigation or claim was pending or threatened or made against the Company and its subsidiaries.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2006.

PUBLIC FLOAT

As at the date of this annual report, the Company has met the public float requirement as stipulated under the GEM Listing Rules throughout the reporting period.

DESIGNATED DEPOSITS

As at 31 December 2006, the Company and its subsidiaries had no designated deposits in any financial institutions in the PRC or any overdue fixed deposit which could not be recovered.

DONATIONS

During the years, the total amount of donation made by the Company and its subsidiaries was RMB100,000 (2005: nil).

INTEREST OF COMPLIANCE ADVISER

As at 31 December 2006, none of Anglo Chinese Corporate Finance, Limited, the compliance adviser of the Company, its directors or its employees has any interest in the Company's securities, including share options and other rights to the Company's securities.

AUDITORS

The attached consolidated financial statements have been audited by PricewaterhouseCoopers. The Company will propose a resolution in the annual general meeting to be held, for the re-appointment of PricewaterhouseCoopers as the international auditor for the year 2007, and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the PRC auditor for the year 2007.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors are not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

By order of the Board
Yin Jiaxu
Chairman

Chongqing, the PRC
28 March 2007

REPORT OF THE SUPERVISORY COMMITTEE

Pursuant to the Company Law of the People's Republic of China, the relevant laws and regulations and the articles of association of the Company, the Supervisory Committee of the Company (the "Supervisory Committee"), under its fiduciary duty, took up an active role to work reasonably and cautiously with diligence to protect the interests of the Company and its shareholders.

During the year, Supervisory Committee had reviewed cautiously the operation and development plans of the Company and provided reasonable suggestions and opinions to the Board. It also strictly and effectively monitored and supervised the Company's management in making significant policies and decisions to ensure that they are in compliance with the laws and regulations of the PRC and the articles of association of the Company, and in the interests of its shareholders.

The Supervisory Committee considers that in 2006, the members of the Board, the general manager and other senior management of the Company were able to strictly fulfil their fiduciary duties, to act diligently and to exercise their authority faithfully in the best interests of the Company. The transactions between the Company and connected parties are carried out on fair and reasonable terms and in the interests of the shareholders as a whole. Up till now, none of the directors, general manager and senior management staff had been found to have abused their authority, damaging the interests of the Company and of its shareholders and employees. And none of them were found to be in breach of any laws and regulations or the articles of association of the Company.

The Supervisory Committee is satisfied with the achievement and efficient work of the Company in 2006, and has full confidence in the future development of the Company.

The Supervisory Committee has seriously reviewed and agreed with the report of the directors, the audited consolidated financial statements, which need to be submitted by the Board to the 2006 annual general meeting.

By order of the Supervisory Committee
Hua Zhanbiao
Chairman of the Supervisory Committee

Chongqing, China
28 March 2007

DIRECTOR, SUPERVISOR, GENERAL MANAGER AND DEPUTY GENERAL MANAGER

Mr. Yin Jiaxu (尹家緒), born in 1956, is the chairman and an executive director. Mr. Yin joined the Company in 2001 and is mainly responsible for formulating developing strategies. In addition, Mr. Yin plays a key role in establishing relationships with major customers and overseeing expansion plans of the Company. Mr. Yin also carries out such duties prescribed by the articles of association of the Company. In 13 March 2007, Mr. Yin won a prize named "Top 10 Character of China Automobile of 2006" held by Sina and China Consume Investment Net. Mr. Yin was previously factory director of Yuzhou Gear Factory, office director and deputy director-general of southwest ordnance industry bureau, vice chairman and president of Changan Co.. Mr. Yin now serves as vice party secretary and deputy general manager of CSG, and chairman of Changan Co.. He is also the president of China South Industries Automobile Co,.

Mr. Huang Zhangyun (黃章雲), born in 1953, MBA, joined the Company as an executive director in 2001. He was previously the Department Head and president assistant of Changan Co. and general manager of Changan Industrial. Mr. Huang is now the vice president of Changan Co., the chairman of Choangqing Gangcheng and the chairman of Wuhan Minfutong.

Mr. Lu Xiaozhong (盧曉鍾), born in 1948, holding a bachelor's degree, joined the Company as an executive director in 2001. Mr. Lu was the Company's general manager from October 2001 to February 2004. Mr. Lu has been the deputy director of Chongqing Foreign Trade & Economic Relations Commission, the director, deputy president, managing deputy president of Minsheng Industry, the director of Ming Sung (HK), and the general manager of Minsheng Shipping Company Limited. He was a committee member of the Chongqing Chinese People's Political Consultative Conference ("CPPCC") and the deputy chairman of Chongqing General Chamber of Commerce (industrial and commercial association) from 1997 to 2002. He has been a committee member of the Chongqing China National Democratic Construction Association (CNDCA) since 2002. In February 2007, Mr. Lu won the prize of "Model of Great Contribution for Developing Chongqing in 2006" Mr. Lu is now the director and president of Minsheng Industrial.

Mr. Shi Chaochun (施朝春), executive director and general manager of the Company. Mr. Shi was born in 1965, holding a master's degree in Industrial Engineering, joined the Company as deputy general manager in 2001. Mr. Shi has been the general manager of the Company since February 2004 and the executive director since February 2005. Mr. Shi is mainly responsible for overall strategic planning and business development. Mr. Shi worked for Changan Co. as secretary to the vice president and the deputy director of the planning and development department.

Mr. James H McAdam, born in 1954, M.A, joined the Company as an executive director in June 2005. In 1977, Mr. McAdam, graduated from Michigan State University, obtained bachelor's degree in arts and master's degree in arts from University of San Francisco in 1998. Mr. McAdam has more than 20 years of experience in various capacities in the transportation and logistics industry and has spent over 10 years in Asia holding senior management positions in Thailand, Japan and Singapore. Mr. McAdam currently holds the position of president of Asia Middle-East region of NOL/ APL/ APLL. As a senior management staff of NOL Group, Mr. McAdam has assumed, and may from time to time assume, other executive positions and, or directorships in any one or more NOL Group entities globally.

NON-EXECUTIVE DIRECTORS

Mr. Lu Guoji (盧國紀), the Company's non-executive director and vice chairman. Mr. Lu was born in 1923, joined the Company in 2001, and was appointed as vice chairman of the Company. Mr. Lu graduated from University of Central Chongqing in 1948, obtained a bachelor's degree in Civil Engineering. Since 1984, Mr. Lu has served as the managing director, deputy chairman and chairman of Minsheng Industrial and the chairman of Ming Sung (HK). The State Council has been granting him a special allowance in recognition of his contribution to the country as an expert in engineering, since 1993. From 1982 to 1997, Mr. Lu was the committee member and member of the Standing Committee of Chongqing CPPCC for the seventh, eighth, ninth and tenth session. From 1997 until now, he has been the committee member of the Standing Committee of the CPPCC of Chongqing Municipality for the first session. From 1988 to 2003, Mr. Lu was the committee member of CPPCC for the seventh, eighth and ninth session at the national level.

Mr. Daniel C. Ryan, born in 1962, holds an MBA in Marketing from the prestigious University of Notre Dame in the United States and a bachelor's degree in Finance from California State University, Sacramento. Mr. Ryan was Vice President and Managing Director for APL and APL Logistics Hong Kong-South China, from September 2004. Mr. Ryan has extensive business development, sales/marketing, logistics planning and general management experience. Mr. Ryan is now the President of Greater China Region of NOL/APL/APLL. As a senior management staff of NOL Group, Mr. Ryan has assumed, and may from time to time assume, other executive positions and/or directorships in any one or more NOL Group entities globally. Mr. Daniel C. Ryan has been appointed as the Company's non-executive director since 30 December, 2006.

Mr. Zhang Baolin (張寶林), non-executive director of the Company, born in 1962, senior political engineer, holding a master's degree. Mr. Zhang has worked in Southwestern Military Industrial Bureau as deputy secretariat, secretary of party committee of Chongqing Changfeng Machinery Factory (重慶長風機器廠), the deputy general manager and general manager of Chengdu Wan You Group Company (成都萬友總公司). Now Mr. Zhang is the general manager of Changan Automobile.

Ms. Cao Dongping (曹東平), born in 1953, joined the Company as a non-executive director in August 2001. Ms. Cao graduated from Sichuan University in 1976, majoring in Political Economics. After graduation, she worked in the planning department and the finance department of Jiangling Machinery Factory until 1994. From 1994 to 1998, Ms. Cao was the head of the finance department of Chongqing Jiangling Engine Co., Ltd.. From May 1998 till now, Ms. Cao has taken up the posts as the deputy head and the head of the finance department of Changan Co..

Mr. Wu Xiaohua (吳小華), born in 1955, joined the Company as a non-executive director in August 2001. Mr. Wu graduated from the Sichuan Cadre Institute in 1988, majoring in Financial Accounting. From 1976 to 1989, he was the deputy head of the finance department of Chuanjiang Shipping Factory of Changjiang Marine Transportation Company. From 1989 till now, Mr. Wu has taken up the posts as the deputy general manager, department dead, deputy general accountant and general accountant in the planning financial department of Minsheng Industry.

Ms. Lau Man Yee, Vanessa (劉敏儀), born in 1967, MBA, joined the Company as a non-executive director in June 2005. She is a fellow member of the Chartered Association of Certified Accountants and a graduate member of the Institute of Chartered Secretaries and Administrators. Ms. Lau joined APL's Asia Area Headquarters in Hong Kong in 1991. From 1995 to 1997, Ms. Lau worked for APL's Singapore office as the regional controller. In 1998, Ms. Lau joined NOL Group and she has been working in the NOL Group on financial accounting functions since 1999. She is now NOL's vice president, Group Financial Accounting & Reporting. As a senior management staff of NOL Group, Ms. Lau has assumed, and may from time to time assume, other executive positions and/or directorships in any one or more NOL Group entities globally.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Xu (王旭), born in 1963, joined the Company as an independent non-executive director in December 2004. Ms. Wang received her PhD from Chongqing University in 2001. She is a professor at Chongqing University. She was a member of the decision-making consultative committee of the Chongqing government in China.

Mr. Peng Qifa (彭啟發), born in 1964, joined the Company as an independent non-executive director in December 2004. In 1998, he obtained a master's degree in Economics from the faculty of Business Administration at Sichuan University. Mr. Peng has been approved to be a lecturer of Economics in the Chongqing Industrial Management Institute and was qualified in 1996 to teach in tertiary institution in China. Mr. Peng is a Certified Public Accountant in the PRC and also an independent director of Xichang Electric Company Limited.

Mr. Chong Teck Sin (張鐵沁), born in 1955, joined the Company as an independent non-executive director in July 2005. Mr. Chong was the group managing director (commercial) of Seksun Corporation Limited ("Seksun") until May 2004. Prior to his appointment at Seksun, he was the strategic development director for China of Glaxo Wellcome Asia Pacific Pte Ltd. and before that, the senior general manager of China-Singapore Suzhou Industrial Park Development Co., Ltd., the Singapore Suzhou Industrial Park developer. He was with the Singapore Economic Development Board from 1986 to 1989. Mr. Chong sits on the Board of the Accounting and Corporate Regulatory Authority (ACRA) of Singapore. He is also the independent non-executive director of British-American Tobacco (Singapore) Pte Ltd and Eastgate Technology Ltd. He obtained the bachelor of engineering at the University of Tokyo in 1981, and subsequently obtained a Master of Business Administration degree from the National University of Singapore.

SUPERVISORS

Mr. Hua Zhanbiao (華驊驫), born in 1967, a supervisor, joined the Company in 2004. From 1982 to 1994, he worked for Jiangling Machinery Factory. From 1995 till now, Mr. Hua has worked as officer, deputy supervisor, supervisor, deputy head and deputy party secretary of the audit and supervisory department of Changan Co..

Mr. Tang Yizhong (唐宜中), born in 1963, joined the Company as a supervisor in 2004. Mr. Tang graduated from the Chongqing Science and Technology University in (重慶科技術修大學) in 1986. He obtained a bachelor's degree in Accounting from the Shanghai University of Finance & Economics in 1995. From 1987 to 1993, he worked in Minsheng Shipping. From 1993 till now, Mr. Tang has worked as the deputy manager, manager, and assistant to the department head and deputy department head of the finance department of Minsheng Industrial.

Mr. Dai Baiming (戴百銘), born in 1971, joined the Company as a supervisor in February 2006. He obtained a master's degree in Business Administration in 2000 from the Shanghai Jiaotong University. From 1992 to 1996, he was engaged in financial affairs of China Construction Bank Shanghai Trust and Investment Co. From 1997 to 2001, he worked for Eli Lilly Greater China office as a Senior Accountant. From 2002 to 2003, he was the finance manager of Laird Group Shanghai Plant. From 2003 to 2005, he was the finance manager of APL Logistics (China) Ltd.. Immediately before joining the Company, he worked as a finance manager for NOL Greater China Regional.

Mr. Ye Guangrong (葉光榮), born in 1951, was elected by the labour union of the Company as a Supervisor in 2004. Mr. Ye graduated from the Distance Learning Institute of the China Communist Party Sichuan Provincial Committee School in 1998. From 1988 to October 2004, he worked in Changan Co. as deputy officer of the secretariat division and director of the secretariat reception division. Since November 2004, Mr. Ye has been the chairman of the labor union of the Company.

Ms. Chen Haihong (陳海紅), born in 1968, was elected by the labour union of the Company as a supervisor in 2004. Ms. Chen graduated from the Laborer University of Weapon Industry (兵器工業職工大學), majoring in Water Supply and Drainage. She obtained a master's degree in Business Administration at the Asia International Open University, Macau in April 2005. Ms. Chen worked for Changan Co. from 1984 to 2001. She joined the Company in 2001 and she has held various posts such as senior secretary, deputy manager and she is now the administration deputy supervisor of the Company.

GENERAL MANAGER AND DEPUTY GENERAL MANAGER

Mr. Shi Chaochun, is the general manager of the Company. See the introductions for executive directors above for details.

Mr. Li Xiwen (李習文), aged 33, joined the Company in 2005. Mr. Li is the deputy general manager and responsible for managing the regional distribution centres and information technology department of the Company as well as overseeing the implementation and development of various management systems and company policies. Mr. Li graduated from Beijing Foreign Studies University in 1996 and obtained bachelor's degree in Arts. He obtained a master's degree in Business Administration from the Michigan State University in the United States in 2002. From August 2004 to October 2005, he was the deputy general manager of GEFCO-DTW Logistics Co., Ltd..

Mr. Huang Yong (黃勇), aged 50, joined the Company in 2003. Mr. Huang graduated from the Distance Learning Institute of the Central Party School of the China Communist Party (中共中央黨校函授學院) in 2003. Mr. Huang is the deputy general manager of the Company and is mainly responsible for managing multi-mode transportation department and international freight forwarding department.

Mr. Huang Ming (黃明), aged 44, joined the Company in 2001. Mr. Huang graduated from the Distance Learning Institute of the Central Party School of the China Communist Party in 2000. Mr. Huang is the deputy general manager of the Company and mainly responsible for the business development and planning of the Company, as well as the finished vehicle logistics business. Mr. Huang worked as a manager of the general affairs department and multi-modal transportation department of Shanghai North Transportation Co., Ltd. (上海北方航運有限公司) from 2000 to 2001.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF CMA LOGISTICS CO., LTD.

(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of CMA Logistics Co., Ltd. (the "Company") and its subsidiary (together, the "Group") set out on pages 51 to 112, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006
(All amounts in Renminbi ("RMB"))

	Note	**2006** **RMB'000**	2005 RMB'000
Turnover	5	**1,104,477**	882,176
Cost of sales		**(986,228)**	(776,599)
Gross profit		**118,249**	105,577
Other income	6	**3,185**	—
Distribution costs		**(25,863)**	(20,280)
Administrative expenses		**(23,250)**	(20,786)
Operating profit		**72,321**	64,511
Finance income	9	**3,559**	1,137
Finance costs	10	**(3,715)**	(1,988)
Share of loss of associates	21	**(276)**	—
Profit before income tax		**71,889**	63,660
Income tax expense	11	**(5,940)**	(5,799)
Profit attributable to equity holders of the Company	12	**65,949**	57,861
Dividends	13	**12,965**	31,275
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic and diluted	14	**RMB0.43**	RMB0.52

The notes on pages 56 to 112 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2006

(All amounts in RMB)

		Group		Company	
		As at 31 December		As at 31 December	
		2006	2005	**2006**	2005
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	17	**123,899**	84,555	**123,899**	84,555
Prepaid lease payments	18	**63,926**	50,673	**63,926**	50,673
Intangible assets	19	**2,611**	2,730	**2,611**	2,730
Investment in a subsidiary	20	**—**	—	**5,000**	4,950
Investments in associates	21	**7,324**	3,100	**7,600**	3,100
Deferred income tax assets	22	**212**	501	**212**	501
Total non-current assets		**197,972**	141,559	**203,248**	146,509
Current assets					
Trade receivables	23	**75,482**	22,655	**75,482**	22,655
Prepayment and other receivables	24	**11,495**	12,430	**11,495**	12,430
Due from related parties	33(c)	**275,914**	250,055	**273,920**	250,055
Restricted cash	25(a)	**20,000**	—	**20,000**	—
Cash and cash equivalents	25(b)	**96,842**	40,425	**96,804**	39,414
Total current assets		**479,733**	325,565	**477,701**	324,554
Total assets		**677,705**	467,124	**680,949**	471,063
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	**162,064**	112,064	**162,064**	112,064
Other reserves	27	**96,510**	9,756	**96,510**	9,756
Retained earnings					
– Proposed final dividend	13	**12,965**	17,827	**12,965**	17,827
– Others		**66,612**	20,483	**67,221**	20,487
		338,151	160,130	**338,760**	160,134
Minority interest		**—**	50	**—**	—
Total equity		**338,151**	160,180	**338,760**	160,134

The notes on pages 56 to 112 are an integral part of these consolidated financial statements.

		Group		Company	
		As at 31 December		As at 31 December	
		2006	2005	**2006**	2005
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
LIABILITIES					
Current liabilities					
Trade and other payables	29	**239,191**	223,279	**241,826**	227,264
Due to related parties	33(c)	**67,115**	39,468	**67,115**	39,468
Dividends payable		**—**	40,727	**—**	40,727
Short-term bank loans	28	**30,000**	—	**30,000**	—
Current income tax liabilities		**3,248**	3,470	**3,248**	3,470
Total current liabilities		**339,554**	306,944	**342,189**	310,929
Total liabilities		**339,554**	306,944	**342,189**	310,929
Total equity and liabilities		**677,705**	467,124	**680,949**	471,063
Net current assets		**140,179**	18,621	**135,512**	13,625
Total assets less current liabilities		**338,151**	160,180	**338,760**	160,134

Yin Jiaxu
Director

Shi Chaochun
Director

The notes on pages 56 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

(All amounts in RMB)

		Attributable to shareholders of the Company				
		Share capital	**Other reserves**	**Retained earnings**	**Minority interest**	**Total equity**
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2005		112,064	(1,379)	36,418	—	147,103
Share issue costs	27	—	(3,370)	—	—	(3,370)
Profit for the year	27	—	—	57,861	—	57,861
Dividends	27	—	—	(41,464)	—	(41,464)
Appropriation	27	—	14,505	(14,505)	—	—
Minority interest		—	—	—	50	50
Balance at 31 December 2005		112,064	9,756	38,310	50	160,180
Proceeds from shares issued		50,000	91,879	—	—	141,879
Share issue costs	27	—	(11,980)	—	—	(11,980)
Profit for the year	27	—	—	65,949	—	65,949
Dividends	27	—	—	(17,827)	—	(17,827)
Appropriation	27	—	6,855	(6,855)	—	—
Purchase of minority interest	20	—	—	—	(50)	(50)
Balance at 31 December 2006		**162,064**	**96,510**	**79,577**	**—**	**338,151**

The notes on pages 56 to 112 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2006 RMB'000	2005 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**27,708**	66,743
Interest paid		**(520)**	(1,960)
Income tax paid		**(5,873)**	(2,830)
Net cash generated from operating activities		**21,315**	61,953
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(47,745)**	(24,728)
Increase in prepaid lease payments		**(14,325)**	(6,551)
Proceeds from disposal of property, plant and equipment		**13**	2
Payment for the acquisition of a subsidiary		**—**	(1,000)
Payment for the purchase of minority interest		**(50)**	—
Investments in associates		**(4,500)**	(3,100)
Interest received		**3,559**	1,137
Net cash used in investing activities		**(63,048)**	(34,240)
Cash flows from financing activities			
New short-term bank loans		**30,000**	25,000
Repayment of short-term bank loans		**—**	(25,000)
Repayment of long-term bank loans		**—**	(16,560)
Proceeds from issuance of shares		**141,879**	—
Capital contributions from minority shareholder		**—**	50
Share issue costs paid		**(11,980)**	(3,370)
Dividends paid		**(58,554)**	(737)
Net cash generated from/(used in) financing activities		**101,345**	(20,617)
Net increase in cash and cash equivalents		**59,612**	7,096
Cash and cash equivalents at beginning of year		**40,425**	33,329
Exchange losses on cash		**(3,195)**	—
Cash and cash equivalents at end of year		**96,842**	40,425

The notes on pages 56 to 112 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

The Company, formerly known as Chongqing Changan Minsheng Logistics Co., Ltd., was incorporated in the PRC on 27 August 2001 as a limited liability company. In 2002, the Company was converted to a sino-foreign equity joint venture. On 31 December 2004, the Company was transformed into a joint stock limited liability company and was renamed as CMA Logistics Co., Ltd.

According to the resolution of the Company's Extraordinary General Meeting held on 30 December 2006, the Company changed its English name to "Changan Minsheng APLL Logistics Co., Ltd". As at 31 December 2006, the change of name was in the process of obtaining the approval of Ministry of Commerce in PRC and has not been effective.

The address of the Company's registered office is No. 9, Changfu South Road, Liang Jing Cun, Yuan Yang Zhen, Yu Bei District, Chongqing, the PRC.

The H Shares of the Company have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") since February 2006.

The principal activities of the Company and its subsidiary (together the "Group") are the rendering of transportation of finished vehicles, supply chain management for automobile components and parts and transportation of non-vehicle commodities services.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Amendments to published standards effective in 2006

— HKAS 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after 1 January 2006. This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not have any actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment has no impact to the consolidated financial statements.

(b) Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

— HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures (effective for annual periods beginning on or after 1 January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. The Group will apply HKFRS 7 and the complementary Amendment to HKAS 1 from 1 January 2007, but it is not expected to have any impact on the classification and valuation of the Group's financial instruments;

— HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements; and

— HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC/HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have any impact on the Group's accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) Interpretation to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

— HK(IRFIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations; and

— HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

— HKAS 21 Amendment — New Investment in a Foreign Operation;

— HKAS 39 Amendment — Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

— HKAS 39 Amendment — The Fair Value Option;

— HKAS 39 and HKFRS 4 Amendment — Financial Guarantee Contracts;

— HKFRS 6, Exploration for and Evaluation of Mineral Resources;

— HKFRS 1 Amendment — First-time Adoption of International Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;

— HK(IFRIC)-Int 4, Determining whether an Arrangement contains a Lease;

— HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and

— HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries will be changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses (see Note 2.7). The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for by the equity method of accounting and is initially recognized at cost. The Group's investment in an associate includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet, investments in associated companies are stated at cost less provision for impairment losses (see Note 2.7). The results of the associated companies are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Property, plant and equipment

Property, plant and equipment except for construction in progress is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 – 45 years
Machinery	5 years
Office equipment	5 years
Motor vehicles	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Construction in progress represents buildings and plant under construction and machinery under installation and testing and which, upon completion, management intends to hold as property, plant and equipment. They are carried at cost, which includes direct costs attributable to the construction, plant and equipment and other direct costs during the construction period, less any accumulated impairment losses. No depreciation is provided for construction in progress until the construction is completed and the relevant assets have reached their expected usable condition. On completion, construction in progress is transferred to appropriate categories of property, plant and equipment at cost less accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of a subsidiary is included in intangible assets and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives (not exceeding three years).

2.7 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Prepaid lease payments

Prepaid lease payment represents the Group's interests in land use right and are amortised over the lease period (ranging from 30 to 50 years) on a straight-line basis.

2.9 Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit and loss accounts over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of land use right are deducted in arriving at the carrying amount of the land use right and are recognised in the income statement on a straight line basis over the expected lives of the related land use right.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Employee benefits

Contribution to defined contribution pension scheme, medical insurance, housing fund and unemployment fund are recognised as expenses in the income statement as incurred. Pursuant to the PRC laws and regulations, contributions to the basic pension scheme, medical insurance, housing fund and unemployment fund for the Group's local staff are to be made monthly to a government agency based on 28%, 11%, 24% and 3% respectively of the standard salary set by the provincial government, of which 20%, 9%, 12% and 2% respectively is borne by the Group and the remainder is borne by the staff. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities, net of rebates and discounts and after eliminating sales among companies comprising the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of service

Revenue from rendering of transportation of finished vehicles, supply chain management for automobile components and parts and transportation of non-vehicle commodities services is recognized upon the completion of services, which generally coincides with the date of receipt of the finished vehicle, automobile components and parts or non-vehicle commodities by the receiver.

(b) Interest income

Interest income is recognized on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.19 Borrowing costs

Borrowing costs are expensed as they are incurred.

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Directors under policies approved by the Board of Directors. The Directors identify and evaluate financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk and credit risk.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with all of the transactions settled in RMB. The Group's only asset that subject to foreign exchange rate risk is the bank deposits denominated in Hong Kong Dollars and United States Dollars. The Group has not used any forward contracts or currency borrowings to hedge its exposure. As at 31 December 2006, the Group had Hong Kong Dollars and United States Dollars denominated bank deposits amounting to approximately RMB60 million (2005: RMB1 million).

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, and the Group's only interest-bearing liability is the short-term fixed rate bank loans, details of which are disclosed in Note 28, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

As at 31 December 2006, approximately 75% (2005: approximately 90%) of the total amount of trade receivables and due from related parties of the Group was due from the four largest customers. The carrying amount of trade receivables and due from related parties included in the balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that provision of logistics related services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade receivables and due from related parties falls within the recorded allowances and the directors of the Company are of the opinion that adequate provision for uncollectible trade receivables and due from related parties has been made in the financial statements.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group's management aims to maintain flexibility in funding by keeping committed credit lines available.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

In assessing the fair value of financial instruments that are not traded in an active market, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial assets and liabilities

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for various financial assets and liabilities that were not traded in active markets.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 19).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2 Critical judgements in applying the entity's accounting policies

Revenue recognition

The Group recognises its revenue upon completion of rendering services for transportation of finished vehicles, supply chain management for automobile components and parts and transportation of non-vehicle commodities, where the amount of revenue and costs can be measured reliably and the economic benefits associated with the transaction will probably flow to the Group when such service is completed. In making its judgement in applying this recognition method, the Group made reference to various factors which include, among others, master contracts signed with certain customers, actual sales amounts of similar historical transactions, as well as confirmations received from customers.

5 TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in rendering of transportation of finished vehicles, supply chain management for automobile components and parts and transportation of non-vehicle commodities services. Revenues recognised for the year ended 31 December 2006 are as follows:

	2006	2005
	RMB'000	RMB'000
Turnover		
Related party transactions *(Note 33(b))*		
Transportation of finished vehicles	**681,088**	588,202
Supply chain management for automobile components and parts *(Note (a))*	**330,675**	235,797
Subtotal	**1,011,763**	823,999
Transactions with unrelated parties		
Transportation of finished vehicles	**1,155**	6,007
Supply chain management for automobile components and parts	**44,781**	42,262
Transportation of non-vehicle commodities	**46,778**	9,908
Subtotal	**92,714**	58,177
Total	**1,104,477**	882,176

Note:

(a) In 2002, the Group signed a contract for providing supply chain management for automobile components and parts service from 1 January 2002 to 31 December 2004 with one of its major customers. According to the contract, the Group recognized the relevant income from the services provided amounting to approximately RMB7,050,000 for the year ended 31 December 2004. In 2005, the Group signed a new contract with the customer which covered the period from 1 January 2004 to 30 June 2005. Based on the terms of the new contract, the Group recognized additional revenue for the services provided in 2004 as compensation for the relative cost increment amounting to approximately RMB10,002,000. Such additional revenue has been recorded as revenue for the year ended 31 December 2005.

5 TURNOVER AND SEGMENT INFORMATION *(continued)*

The Group has only one business segment, which is the rendering of transportation of finished vehicles, supply chain management for automobile components and parts and transportation of non-vehicle commodities services. The directors of the Company consider that its primary reporting format of its segment information is its business segment.

No geographical segment information is presented as all of the Group's turnover and profit are derived within the PRC and all assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

6 OTHER INCOME

	2006	2005
	RMB'000	RMB'000
Sales of recycled packages of vehicle spare parts	**2,342**	—
Others	**843**	—
	3,185	—

For the year ended 31 December 2006, the Group reclassified the interest income on short-term bank deposits from other income to finance income (Note 9).

7 EXPENSES BY NATURE

	2006	2005
	RMB'000	RMB'000
Transportation fee	**906,274**	731,815
Business tax	**9,352**	6,834
Employee benefit expense *(Note 8)*	**65,119**	44,687
Auditors' remuneration	**988**	949
Provision for impairment of receivables	**1,365**	56
Provision for impairment of due from related parties	**70**	731
Depreciation of property, plant and equipment	**12,264**	8,941
Amortisation of prepaid lease payments	**1,072**	1,013
Amortisation of intangible assets	**616**	491
Operating lease rentals for office premises and distribution centers	**4,032**	2,120
Loss on disposal of property, plant and equipment	**13**	28
Entertainment expense	**2,576**	2,609
Travelling expense	**2,366**	2,425
Other expenses	**29,234**	14,966
Total cost of sales, distribution costs and administrative expenses	**1,035,341**	817,665

8 EMPLOYEE BENEFIT EXPENSE

Employee benefit expense includes emoluments of the directors and supervisors.

	2006 RMB'000	2005 RMB'000
Wages and salaries	**49,860**	33,952
Pension costs-defined contribution plans	**5,049**	2,643
Staff and workers' bonus and welfare fund	**3,250**	3,268
Welfare and other expenses	**6,960**	4,824
Total employee benefit expense	**65,119**	44,687

9 FINANCE INCOME

	2006 RMB'000	2005 RMB'000
Interest income	**3,559**	1,137

10 FINANCE COSTS

	2006 RMB'000	2005 RMB'000
Interest on bank loans	**418**	1,050
Interest on other long-term payable wholly repayable within five years	**—**	59
Finance charges on discounted bills with banks	**—**	448
Exchange losses	**3,195**	—
Others	**102**	431
	3,715	1,988

11 INCOME TAX EXPENSE

	2006	2005
	RMB'000	RMB'000
Current PRC enterprise income tax ("EIT")	**5,651**	6,300
Deferred tax *(Note 22)*	**289**	(501)
	5,940	5,799

The Company, its branches, and its subsidiary are subject to different EIT rates. The applicable and actual EIT rates are shown as follows:

		2006		2005	
		Applicable EIT rate	**Actual EIT rate**	Applicable EIT rate	Actual EIT rate
Company					
– Headquarter	Note (a)	**15.0%**	**7.5%**	15.0%	7.5%
– Nanjing branch	Note (a)	**24.0%**	**12.0%**	24.0%	12.0%
– Dingzhou branch	Note (a)	**30.0%**	**15.0%**	30.0%	15.0%
– Qingdao branch	Note (a)	**30.0%**	**15.0%**	30.0%	15.0%
– Wuhan branch	Note (a)	**30.0%**	**15.0%**	30.0%	15.0%
– Shanghai branch	Note (a)	**15.0%**	**7.5%**	15.0%	7.5%
Chongqing CMAL Gangcheng Logistics Company Limited ("Chongqing Gangcheng")	Note (b)	**33.0%**	**33.0%**	33.0%	33.0%

Note:

(a) In accordance with an Approval of Enjoying Favourable EIT Policy (YYSJH[2003]No. 27) issued by the national tax bureau of Chongqing Technological Economic Development Zone on 27 May 2003, the Company is entitled to exemption from EIT in 2003 and 2004 followed by a 50% tax reduction from 2005 to 2007.

(b) As Chongqing Gangcheng, the Company's subsidiary, incurred losses during 2005 and 2006, respectively, no EIT expense was incurred.

No provision for Hong Kong profits tax was made as the Group had no assessable profit arising in or derived from Hong Kong for the year ended 31 December 2006 (2005: nil).

11 INCOME TAX EXPENSE *(continued)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable EIT rates as follows:

	2006	2005
	RMB'000	RMB'000
Profit before tax	**71,889**	63,660
Tax at the applicable EIT rates	**10,783**	9,549
EIT exemption	**(5,392)**	(4,775)
Expenses not deductible for tax purposes	**549**	1,025
Tax charge	**5,940**	5,799

The effective tax rate for the year ended 31 December 2006 was 8.26%.

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2006, the profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB66,554,000 (2005: approximately RMB57,865,000).

13 DIVIDENDS

During the Board of Directors' meeting on 22 February 2005, the directors of the Company resolved to declare dividends of RMB28,016,000, the dividend per share was approximately RMB0.25, for the period from 1 April 2004 to 31 December 2004, which was approved during the general meeting of shareholders on 25 March 2005. This dividend was reflected as an appropriation of retained earnings for the year ended 31 December 2005. The allocation basis of the dividends being distributed to the shareholders before 2004 was the percentage of equity interest owned by the respective shareholders and the dividend distribution in 2004 was based on the number of shares in issue of 112,064,000 as at 31 December 2004.

During the Board of Directors' meeting on 15 August 2005, the directors of the Company resolved to declare an interim dividend for 2005 of RMB0.12 per share, totalling RMB13,448,000, which was approved during the general meeting of shareholders on 15 September 2005. The allocation basis of the dividends being distributed to the shareholders was based on the number of shares in issue of 112,064,000 as at 30 April 2005.

During the Board of Directors' meeting on 24 March 2006, the directors of the Company resolved to declare final dividend for 2005 of RMB0.11 per share, totalling RMB17,827,000, which was approved during the Annual General Meeting of shareholders on 25 May 2006. This dividend was reflected as an appropriation of retained earnings for the year ended 31 December 2006. The allocation basis of the dividends being distributed to the shareholders was based on the number of shares in issue of 162,064,000 as at 28 February 2006.

Pursuant to the resolution of the Board of Directors dated 28 March 2007, the directors of the Company proposed to declare final dividend for 2006 of RMB0.08 per share, totalling RMB12,965,000. The proposal dividend is subject to approval at the Annual General Meeting in May 2007 and will be accounted for as an appropriation of retained earnings for the year ending 31 December 2007.

Based on the Notice [1995] 31 issued by the Ministry of Finance in PRC on 24 August 1995, the dividend appropriation of the Company after the listing of its H Shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited is determined based on the lower of retained earnings in the financial statements prepared in accordance with (i) PRC accounting standards, and (ii) HKFRS.

14 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders of the Company by the weighted average number of shares in issue for the year ended 31 December 2006. In determining the weighted average number of shares in issue for the year ended 31 December 2006, the 50,000,000 new shares issued on 23 February 2006 (Note 26) were deemed to have occurred for 10 months.

	2006	2005
	RMB'000	RMB'000
Group's profit attributable to shareholders of the Company	**65,949**	57,861
Weighted average number of ordinary shares in issue (in thousands)	**153,731**	112,064
Basic earnings per share (RMB per share)	**0.43**	0.52

Diluted earnings per share is the same as basic earnings per share as there were no potentially dilutive instruments outstanding.

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company for the year ended 31 December 2006 are as follows:

	2006	2005
	RMB'000	RMB'000
Basic salaries and allowances	**304**	129
Discretionary bonuses	**105**	80
Retirement benefit contributions	**10**	9
	419	218

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

The emoluments of the directors of the Company for the year ended 31 December 2006 are analysed as follows:

	2006	2005
	RMB'000	RMB'000
Shi Chaochun	**269**	218
Yin Jiaxu	**—**	—
Huang Zhangyun	**—**	—
Lu Xiaozhong	**—**	—
James H McAdam	**—**	—
Lu Guoji	**—**	—
Zhang Baolin	**—**	—
Koay Peng Yen (i)	**—**	—
Daniel C. Ryan	**—**	—
Cao Dongping	**—**	—
Wu Xiaohua	**—**	—
Lau Man Yee	**—**	—
Wang Xu	**50**	—
Peng Qifa	**50**	—
Chong Teck Sin	**50**	—
Quek Keng Ngak (ii)	**—**	—
Hans Hickler (ii)	**—**	—
Sung Sio Ma (ii)	**—**	—
	419	218

(i) resigned in 2006

(ii) resigned in 2005

Those directors without payment from the Company received emoluments from the major shareholders, part of which are in relation to his/her services to the Company. No apportionment has been made as the directors consider that it is impractical to apportion the amount between his/her services to the Company and his/her services to the major shareholders, and the amount is immaterial.

No director waived or agreed to waive any remuneration for the year ended 31 December 2006.

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Supervisor's emoluments

The aggregate amounts of emoluments payable to the supervisors for the year ended 31 December 2006 are as follows:

	2006	2005
	RMB'000	RMB'000
Basic salaries and allowances	**160**	145
Discretionary bonuses	**88**	60
Retirement benefit contributions	**20**	16
	268	221

The emoluments of the supervisors for the year ended 31 December 2006 are analysed as follows:

	2006	2005
	RMB'000	RMB'000
Chen Haihong	**162**	84
Ye Guangrong	**106**	137
Dai Baiming	**—**	—
Hua Zhanbiao	**—**	—
Tang Yizhong	**—**	—
Yvonne Lee (i)	**—**	—
	268	221

(i) resigned in 2005

Those supervisors without payment from the Company received emoluments from the major shareholders, part of which are in relation to his/her services to the Company. No apportionment has been made as the supervisors consider that it is impractical to apportion the amount between his/her services to the Company and his/her services to the major shareholders, and the amount is immaterial.

No supervisor waived or agreed to waive any remuneration for the year ended 31 December 2006.

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(c) Five highest paid individuals

One of the five highest paid individuals of the Company for the year ended 31 December 2006 was also a director of the Company and the emolument was reflected in the analysis presented in Note (a) above. The emoluments payable to the remaining four individuals for the year ended 31 December 2006 are as follows:

	2006	2005
	RMB'000	RMB'000
Basic salaries and allowances	**654**	373
Discretionary bonuses	**225**	180
Retirement benefit contributions	**30**	35
	909	588

The emoluments of the four highest paid individuals for the year ended 31 December 2006 are analysed as follows:

	2006	2005
	RMB'000	RMB'000
Individual A	**300**	note
Individual B	**203**	177
Individual C	**203**	137
Individual D	**203**	137
Individual E	**note**	137
	909	588

Note: The two individuals were not the four highest paid individuals for the years ended 31 December 2006 and 2005, respectively.

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(c) Five highest paid individuals *(continued)*

The emoluments of the four highest paid individuals fell within the following band:

	Number of individuals	
	2006	2005
Nil to HKD1,000,000 (equivalent to RMB1,005,000)	**4**	4

For the year ended 31 December 2006, no emoluments were paid by the Group and the Company to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16 RETIREMENT BENEFIT SCHEMES AND HOUSING BENEFITS

The retirement benefits of full time employees of the Group are covered by the government-sponsored pension plans under which the employees are entitled to a monthly pension contribution based on 20% of the employees' basic salary for the year.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed in Note 8 and Note 15 above.

Full time employees are also entitled to participate in the government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on 12% of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable for the year ended 31 December 2006.

17 PROPERTY, PLANT AND EQUIPMENT

Company and Group

	Buildings	Machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005						
Cost	54,064	1,857	6,175	11,714	1,106	74,916
Accumulated depreciation	(6,225)	(464)	(1,613)	(1,568)	—	(9,870)
Net book amount	47,839	1,393	4,562	10,146	1,106	65,046
Year ended 31 December 2005						
Opening net book amount	47,839	1,393	4,562	10,146	1,106	65,046
Additions	—	975	555	5,703	21,247	28,480
Transfers	11,972	307	187	13	(12,479)	—
Disposals	—	(43)	23	(10)	—	(30)
Depreciation	(5,602)	(557)	(1,096)	(1,686)	—	(8,941)
Closing net book amount	54,209	2,075	4,231	14,166	9,874	84,555
At 31 December 2005						
Cost	66,036	3,092	6,902	17,416	9,874	103,320
Accumulated depreciation	(11,827)	(1,017)	(2,671)	(3,250)	—	(18,765)
Net book amount	54,209	2,075	4,231	14,166	9,874	84,555
Year ended 31 December 2006						
Opening net book amount	54,209	2,075	4,231	14,166	9,874	84,555
Additions	2,898	1,311	997	4,573	41,855	51,634
Transfers	49,413	—	—	—	(49,413)	—
Disposals	—	—	(7)	(19)	—	(26)
Depreciation	(7,808)	(760)	(1,311)	(2,385)	—	(12,264)
Closing net book amount	98,712	2,626	3,910	16,335	2,316	123,899
At 31 December 2006						
Cost	118,347	4,403	7,869	21,920	2,316	154,855
Accumulated depreciation	(19,635)	(1,777)	(3,959)	(5,585)	—	(30,956)
Net book amount	98,712	2,626	3,910	16,335	2,316	123,899

17 PROPERTY, PLANT AND EQUIPMENT *(continued)*

In accordance with an agreement in relation to the assistance of business expansion signed between the Company and Changan Automobile (Group) Company Limited ("Changan Co.") on 10 January 2004, Changan Co. provided a land use right to the Company for the construction of a distribution centre and the Company paid for the construction costs of the distribution centre. In return, the Company is entitled to use the distribution centre at no additional cost for 10 years from 28 December 2003 to 28 December 2013. As the land use right of the parcel of land on which the distribution centre locates belongs to Changan Co., the legal title of the distribution centre also belongs to Changan Co. The Company recorded the construction costs of the distribution centre as buildings under property, plant and equipment, and depreciation is calculated using the straight-line method to allocate the cost over the useful life of 10 years. As at 31 December 2006, the carrying amount of the distribution centre was approximately RMB3,576,000 (2005: approximately RMB4,096,000).

As at 31 December 2006, buildings with an aggregate carrying amount of approximately RMB13,408,000 (2005: nil) was pledged as security for the Company's borrowing with amount of RMB30,000,000 (Note 28).

As at 31 December 2006, the Company was in the process of the obtaining the legal title of buildings with carrying amount of approximately RMB5,362,000 (2005: nil).

Depreciation expense charged to "cost of sales", "distribution costs" and "administrative expenses" respectively was shown as follows:

	2006	2005
	RMB'000	RMB'000
Cost of sales	**10,185**	7,190
Distribution costs	**1,189**	855
Administrative expenses	**890**	896
	12,264	8,941

18 PREPAID LEASE PAYMENTS

Company and Group

	Land use right
	RMB'000
Cost	
At 1 January 2005	45,951
Additions	6,551
At 31 December 2005	52,502
Additions	14,325
At 31 December 2006	**66,827**
Amortisation	
At 1 January 2005	816
Charge for the year	1,013
At 31 December 2005	1,829
Charge for the year	1,072
At 31 December 2006	**2,901**
Net book value	
At 31 December 2005	50,673
At 31 December 2006	**63,926**

Amortisation of approximately RMB1,072,000 for the year ended 31 December 2006 (2005: approximately RMB1,013,000) is included in 'cost of sales'.

18 PREPAID LEASE PAYMENTS *(continued)*

The Group's interests in land use right at their net book values are analysed as follows:

	Company and Group 2006 RMB'000	Company and Group 2005 RMB'000
In Chongqing, held on:		
Leases of between 10 and 50 years	**52,586**	44,985
Outside Chongqing, held on:		
Leases of between 10 and 50 years	**11,340**	5,688
	63,926	50,673

As at 31 December 2006, short-term bank loans are secured on land use right for the carrying amount of RMB8,359,000 (2005: nil) (Note 28).

As at 31 December 2006, the Company was in the process of obtaining the legal title of land use right with carrying amount of approximately RMB11,340,000 (2005: nil).

19 INTANGIBLE ASSETS

Company and Group

	Goodwill RMB'000	**Computer software** RMB'000	**Total** RMB'000
At 1 January 2005	2,222	999	3,221
Amortisation	—	(491)	(491)
At 31 December 2005	2,222	508	2,730
Additions	—	497	497
Amortisation	—	(616)	(616)
At 31 December 2006	2,222	389	2,611

19 INTANGIBLE ASSETS *(continued)*

Company and Group

	Goodwill	**Computer software**	**Total**
	RMB'000	RMB'000	RMB'000
At 31 December 2005			
Cost	4,000	1,504	5,504
Accumulated amortisation	(1,778)	(996)	(2,774)
Net book amount	2,222	508	2,730
At 31 December 2006			
Cost	4,000	2,001	6,001
Accumulated amortisation	(1,778)	(1,612)	(3,390)
Net book amount	2,222	389	2,611

Amortisation of approximately RMB616,000 for the year ended 31 December 2006 (2005: approximately RMB491,000) is included in "administrative expenses".

Impairment tests for goodwill –

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the business acquired.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the rendering of transportation of finished vehicles services business in which the CGU operates.

Key assumptions used for value-in-use calculations are as follows:

Gross margin as budgeted	10.36%
Growth rate	5.00%
Pre tax discount rate	17.12%

Note:

These assumptions have been used for the analysis of the CGU within the business. Management determined budgeted gross margin and the weighted average growth rate based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

20 INVESTMENT IN A SUBSIDIARY

	Company	
	2006	2005
	RMB'000	RMB'000
Investment at cost:		
Unlisted shares – Chongqing Gangcheng	**5,000**	4,950

The Company had direct interest in the following subsidiary:

Name of subsidiary	**Place of incorporation and kind of legal entity**	**Registered capital**	**Principal activities and place of operation**	**Investment amount**	**Interest held As at 31 December 2006**	Interest held As at 31 December 2005
		RMB'000		RMB'000		
Chongqing Gangcheng	Chongqing, PRC, Limited liability company	5,000	Logistics service in PRC	5,000	**100%**	99%

During the year, the Company acquired the remaining 1% equity interest of Chongqing Gangcheng from the minority interest at a consideration of RMB50,000. As a result, Chongqing Gangcheng became a wholly owned subsidiary of the Company.

21 INVESTMENTS IN ASSOCIATES

	Group	Company	Company and Group
	2006	2006	2005
	RMB'000	RMB'000	RMB'000
At 1 January	**3,100**	3,100	—
Additions	**4,500**	4,500	3,100
Share of loss of associates	**(276)**	—	—
At 31 December	**7,324**	7,600	3,100

The Group's interest in its principal associates, all of which are unlisted, were as follows:

Name	**Registered capital**	**Location**	**Assets**	**Liabilities**	**Revenues**	**Profit/(loss)**	**Interest held**
	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	
2006							
Wuhan Chang'an Minfutong Logistics Company Limited ("Wuhan Minfutong")	10,000	Wuhan, PRC	3,034	70	333	(136)	31%
Chongqing Terui Transportation Service Company Limited ("Chongqing Terui")	10,000	Chongqing, PRC	11,978	7,618	2,776	(140)	45%
			15,012	7,688	3,109	(276)	
2005							
Wuhan Minfutong	10,000	Wuhan, PRC	3,100	—	—	—	31%

The principal activities of Wuhan Minfutong are the rendering of finished vehicle warehousing, cargo agency and logistics planning and consultation services, and that of Chongqing Terui are the rendering of domestic transportation, cargo agency and logistics planning and consultation services.

22 DEFERRED INCOME TAX ASSETS

	Company and Group 2006 RMB'000	Company and Group 2005 RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**—**	118
– Deferred tax asset to be recovered within 12 months	**212**	383
	212	501

Movement in deferred tax assets is as follows:

Company and Group

Deferred tax assets:

	Provision for impairment of receivables RMB'000	**Tax losses not deductible in current period** RMB'000	**Accruals not deductible in current period** RMB'000	**Total** RMB'000
At 1 January 2005	—	—	—	—
Credited to the income statement *(Note 11)*	118	—	383	501
At 31 December 2005	118	—	383	501
Credited/(debited) to the income statement *(Note 11)*	49	45	(383)	(289)
At 31 December 2006	167	45	—	212

23 TRADE RECEIVABLES

	Company and Group 2006 RMB'000	Company and Group 2005 RMB'000
Accounts receivable *(Note (a))*	**25,019**	18,606
Bills receivable *(Note (b))*	**50,463**	4,049
	75,482	22,655

(a) The Group offers credit terms to its customers ranging from cash on delivery to 90 days. Ageing analysis of accounts receivable at 31 December 2006 was as follows:

	Company and Group 2006 RMB'000	Company and Group 2005 RMB'000
0 to 90 days	**14,809**	12,139
91 to 180 days	**4,199**	3,071
181 to 365 days	**2,516**	2,341
Over 1 year	**4,916**	1,111
	26,440	18,662
Less: provision for impairment of receivables	**(1,421)**	(56)
	25,019	18,606

(b) Ageing analysis of bills receivable at 31 December 2006 was as follows:

	Company and Group 2006 RMB'000	Company and Group 2005 RMB'000
0–180 days	**50,463**	4,049

As at 31 December 2006, bills receivable amounted to RMB34,500,000 (2005: nil) were pledged for bills payable (Note 29), and approximately RMB15,898,000 (2005: nil) were endorsed.

23 TRADE RECEIVABLES *(continued)*

Movement on the provision for impairment of trade receivables are as follow:

	Company and Group 2006 RMB'000	Company and Group 2005 RMB'000
At 1 January	**56**	—
Provision for impairment of trade receivables	**1,365**	56
At 31 December	**1,421**	56

The Group has recognised a loss of approximately RMB1,365,000 (2005: approximately RMB56,000) for the impairment of its accounts receivable for the year ended 31 December 2006. The loss has been included in "administrative expenses" in the income statement. As at 31 December 2006, the Group had no transactions with these customers for over half year, above 90% of these receivables were aged above 1 year.

The carrying amounts of trade receivables represent their fair values.

The fair values are based on cash flows discounted using a rate based on the borrowings rate of 6.12% (2005: 5.22%) for the year ended 31 December 2006.

As at 31 December 2006, approximately 75% (2005: approximately 90%) of the total amount of trade receivables and due from related parties was due from the four largest customers. The carrying amount of trade receivables and due from related parties represents the Group's maximum exposure to credit risk in relation to its financial assets.

24 PREPAYMENT AND OTHER RECEIVABLES

	Company and Group 2006 RMB'000	Company and Group 2005 RMB'000
Prepayment	**6,709**	7,865
Other receivables	**4,786**	4,565
	11,495	12,430

The carrying amounts of prepayment and other receivables represent their fair values. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 6.12% (2005: 5.22%) for the year ended 31 December 2006.

25 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Restricted cash

As at 31 December 2006, cash of RMB20,000,000 (2005: nil) was pledged as security for the Company's bills payable (Note 29).

(b) Cash and cash equivalents

The cash and cash equivalents in foreign currencies are follows:

	Company and Group 2006 RMB equivalent '000	Company and Group 2005 RMB equivalent '000
Hong Kong Dollars	**58,974**	—
United States Dollars	**1,370**	1,219
	60,344	1,219

All the cash and cash equivalents are deposited with banks in PRC except for the equivalent amount of approximately RMB1,217,000 (2005: nil) with banks in Hong Kong.

The conversion of the RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Also, the exchange rates are determined by the PRC government.

26 SHARE CAPITAL

	Number of Shares ('000)	Domestic shares RMB'000	Non-H shares foreign shares RMB'000	H shares RMB'000	Total RMB'000
Registered, issued and fully paid:					
At 1 January 2005 and 31 December 2005 (nominal value of RMB1.00 each)	112,064	70,600	41,464	—	112,064
Domestic shares converted into H shares *(Note (a))*	—	(5,000)	—	5,000	—
Issue of new shares upon listing *(Note (b))*	50,000	—	—	50,000	50,000
At 31 December 2006 (nominal value of RMB1.00 each)	162,064	65,600	41,464	55,000	162,064

Notes:

(a) The 5,000,000 H shares converted from Domestic shares ("Sale H Shares") were offered for sale by the Company under the Placing in compliance with the Temporary Administrative Measures for Reduction of State-owned Shares. Pursuant to the Temporary Administrative Measures for Reduction of State-owned Shares, holders of State-owned shares of a joint stock limited company in the PRC shall offer for sale such number of its State-owned shares equivalent to 10% of the funds to be raised under the initial public offering of the joint stock limited company. Accordingly, an aggregate of 5,000,000 Sale H Shares (converted from Domestic Shares) were offered for sale at the Placing Price by the Company under the Placing. These Sale H Shares rank pari passu with the new H shares in all respects offered for subscription. The net proceeds arising from the sale of the Sale H Shares by the Company were remitted to the National Social Security Fund in October 2006.

(b) The Company's H shares were listed on the GEM Board on 23 February 2006 and 55,000,000 H shares, consisting of 50,000,000 new shares and 5,000,000 shares converted from Domestic shares, with a nominal value of RMB1.00 each were sold to the public by way of placing at HK$2.70 (equivalent to RMB2.80) each.

The Company raised net proceeds of approximately RMB125,150,000 from the sales of 50,000,000 new shares, of which paid-up share capital was RMB50,000,000 and share premium was approximately RMB75,150,000.

The net proceeds from the sales of 5,000,000 H shares converted from Domestic shares, after deducting the relevant portion of share issuing cost which were born by the National Social Security Fund, approximately RMB12,071,000 was paid to the National Social Security Fund in October 2006.

27 RESERVES

Company

	Capital surplus RMB'000 *Note (a)*	Statutory surplus reserve fund RMB'000 *Note (b)*	Statutory public welfare fund RMB'000 *Note (b)*	Discretionary surplus reserve fund RMB'000 *Note (c)*	Share issue costs RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2005	—	—	—	—	(1,379)	36,418	35,039
Net profit for the year	—	—	—	—	—	57,865	57,865
Share issue costs	—	—	—	—	(3,370)	—	(3,370)
Dividends *(Note 13)*	—	—	—	—	—	(41,464)	(41,464)
Appropriation *(Note (b))*	—	9,670	4,835	—	—	(14,505)	—
At 31 December 2005	—	9,670	4,835	—	(4,749)	38,314	48,070
Net profit for the year	—	—	—	—	—	66,554	66,554
Share issue costs	—	—	—	—	(11,980)	—	(11,980)
Proceeds from shares issued *(Note (a))*	91,879	—	—	—	—	—	91,879
Transfer of share issuance costs to share premium	(16,729)	—	—	—	16,729	—	—
Dividends *(Note 13)*	—	—	—	—	—	(17,827)	(17,827)
Appropriation *(Note (b))*	—	6,855	—	—	—	(6,855)	—
Transferring statutory public welfare fund to surplus reserve fund *(Note (c))*	—	—	(4,835)	4,835	—	—	—
At 31 December 2006	**75,150**	**16,525**	**—**	**4,835**	**—**	**80,186**	**176,696**

27 RESERVES *(continued)*

Group

	Capital surplus RMB'000 *Note (a)*	Statutory surplus reserve fund RMB'000 *Note (b)*	Statutory public welfare fund RMB'000 *Note (b)*	Discretionary surplus reserve fund RMB'000 *Note (c)*	Share issue costs RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2005	—	—	—	—	(1,379)	36,418	35,039
Net profit for the year	—	—	—	—	—	57,861	57,861
Share issue costs	—	—	—	—	(3,370)	—	(3,370)
Dividends *(Note 13)*	—	—	—	—	—	(41,464)	(41,464)
Appropriation *(Note (b))*	—	9,670	4,835	—	—	(14,505)	—
At 31 December 2005	—	9,670	4,835	—	(4,749)	38,310	48,066
Net profit for the year	—	—	—	—	—	65,949	65,949
Share issue costs	—	—	—	—	(11,980)	—	(11,980)
Proceeds from shares issued *(Note (a))*	91,879	—	—	—	—	—	91,879
Transfer of share issuance costs of share premium	(16,729)	—	—	—	16,729	—	—
Dividends *(Note 13)*	—	—	—	—	—	(17,827)	(17,827)
Appropriation *(Note (b))*	—	6,855	—	—	—	(6,855)	—
Transferring statutory public welfare fund to surplus reserve fund *(Note (c))*	—	—	(4,835)	4,835	—	—	—
At 31 December 2006	**75,150**	**16,525**	**—**	**4,835**	**—**	**79,577**	**176,087**

27 RESERVES *(continued)*

Notes:

(a) *Capital surplus*

Capital surplus represented the share premium of the issuance of 50,000,000 H Shares.

(b) *Statutory reserves*

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the Company, it is required to appropriate 10% and 5% of its annual statutory net profit, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund and statutory public welfare fund respectively before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the Company's share capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is not less than 25% of share capital. The statutory public welfare fund can only be utilised on capital expenditure for the collective benefit of the Company's employees such as the construction of dormitories, canteen and other staff welfare facilities, with the title of these capital items remaining with the Company. This fund is non-distributable except for liquidation situation. For the year ended 31 December 2005, approximately RMB6,095,000 and RMB3,048,000 were appropriated to the statutory surplus reserve fund and the statutory public welfare fund from the net profit respectively.

Pursuant to a resolution of the Board of Directors dated 22 February 2005, approximately RMB3,575,000 and RMB1,787,000 were appropriated to the statutory surplus reserve fund and the statutory public welfare fund from the net profit for the period from 1 April 2004 to 31 December 2004 respectively.

For the year ended 31 December 2006, approximately RMB6,855,000 was appropriated to the statutory surplus reserve fund from the net profit.

In accordance with the Company Law of PRC amended on 27 October 2005 and effective from 1 January 2006, the Company does not require to appropriate any public welfare fund from 1 January 2006.

(c) *Discretionary surplus reserve*

Pursuant to the Articles of Association of the Company, the Company has the discretion to appropriate its annual statutory net profit to the discretionary surplus reserve fund after the appropriation of statutory surplus reserve fund and statutory public welfare fund upon the approval by shareholders. The discretionary surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital.

In accordance with the "Circular on Accounting Treatment Following the Implementation of Company Law" issued by Ministry of Finance in PRC on 15 March 2006, the Company transferred the balance of public welfare fund as at 31 December 2005 to discretionary surplus reserve fund in 2006.

28 SHORT-TERM BANK LOANS

	Company and Group	Company and Group
	2006	2005
	RMB'000	RMB'000
Secured bank loans	**30,000**	—

As at 31 December 2006, the bank loans were secured by the buildings and land use right of the Company with carrying amount of RMB13,408,000 and RMB8,359,000 respectively (Note 17 and 18).

The effective interest rate of the short-term bank loans was 6.12% (2005: nil) for the year ended 31 December 2006.

The carrying amounts of the short-term bank loans approximate their fair value.

29 TRADE AND OTHER PAYABLES

	Group		**Company**	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accounts payable *(Note (a))*	**141,313**	161,572	**141,313**	161,572
Bills payable *(Note (b))*	**46,000**	20,000	**46,000**	20,000
Other payables *(Note (c))*	**46,984**	38,699	**49,753**	42,684
Other taxes	**4,894**	2,208	**4,760**	2,208
Accruals	**—**	800	**—**	800
	239,191	223,279	**241,826**	227,264

29 TRADE AND OTHER PAYABLES *(continued)*

Note:

(a) Ageing analysis of accounts payable at 31 December 2006 was as follows:

	Company and Group 2006 RMB'000	Company and Group 2005 RMB'000
0 to 90 days	**139,605**	156,412
91 to 180 days	**756**	4,278
181 to 365 days	**604**	448
Over 1 year	**348**	434
	141,313	161,572

(b) As at 31 December 2006, all the bills payable were due within 6 months, and secured by bank deposits of RMB20,000,000 (Note 25(a)) and bills receivable of RMB34,500,000 (Note 23(b)) (2005: secured by balance due from Chongqing Changan Automobile Company Limited, a related party, of RMB25,000,000).

(c) As at 31 December 2006, approximately RMB2,930,000 (2005: nil) due to Chongqing Gangcheng, the Company's subsidiary, were included in other payables of the Company.

30 COMMITMENTS

(a) Capital commitments - property, plant and equipment

As at 31 December 2006, the Group and the Company had no capital expenditures contracted for but not recognized in the financial statements.

(b) Investment commitments - investment in a company

According to an agreement signed with two third party companies on 1 November 2006, the Company is committed to invest by cash, or buildings or land use right amounting to RMB51,000,000 to establish Nanjing Changan Minsheng Zhu Jiu Logistics Company Limited ("Nanjing Company"). The Company will hold 51% interest in Nanjing Company. As at 31 December 2006, Nanjing Company was not yet established and the investment has not been paid.

(c) Operating lease commitments

The future aggregate minimum lease payments due under non-cancellable operating leases for office premises and distribution centers are as follows:

	Company and Group	Company and Group
	2006	2005
	RMB'000	RMB'000
Not later than one year	**3,697**	2,244
Later than one year and not later than five years	**3,593**	826
	7,290	3,070

31 CONTINGENT LIABILITIES

As at 31 December 2006, the Group did not have any significant contingent liabilities.

32 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash generated from operations

	2006 RMB'000	2005 RMB'000
Profit before tax	**71,889**	63,660
Finance costs	**3,715**	1,988
Finance income	**(3,559)**	(1,137)
Provision for impairment of receivables	**1,365**	56
Provision for impairment of due from related parties	**70**	731
Loss on disposal of property, plant and equipment	**13**	28
Depreciation of property, plant and equipment	**12,264**	8,941
Amortisation of prepaid lease payments	**1,072**	1,013
Amortisation of intangible assets	**616**	491
Share of loss of associates	**276**	—
Changes in working capital:		
Trade and other receivables	**(53,257)**	7,474
Due from related parties	**(25,929)**	(44,659)
Restricted cash pledged for bills payable *(Note 25)*	**(20,000)**	—
Trade and other payables	**11,526**	21,710
Due to related parties	**27,647**	6,447
Cash generated from operations	**27,708**	66,743

33 RELATED PARTY TRANSACTIONS

(a) For the year ended 31 December 2006, related parties, other than the subsidiary, and their relationship with the Group are as follows:

Name of related party	Relationship
Changan Co.	Shareholder
APLL	Shareholder
Minsheng Industrial (Group) Company Limited (“Minsheng Industrial”)	Shareholder
APL Logistics (China) Co., Ltd. (“APLLC”)	Subsidiary of APLL
China South Industries Group Corporation (“CSI Group”)	Parent company of Changan Co.
China South Automobile Company Limited (“CS Automobile”)	Subsidiary of CSI Group
Chongqing Changan Automobile Company Limited (“Changan Automobile”)	Subsidiary of CS Automobile
Chongqing Changan Jinling Automobile Parts Liability Company Limited (“Changan Jinling”)	Subsidiary of CS Automobile
Chongqing Changan Transportation Company Limited (“Changan Transportation”)	Subsidiary of Changan Co.
Chongqing Changan Yuanda Transportation Company Limited (“Changan Yuanda”)	Subsidiary of Changan Co.
Chongqing Changan Property Management Company Limited (“Changan Property Management”)	Subsidiary of Changan Co.
Chongqing Changan Lingyun Automobile Parts Company Limited (“Changan Lingyun”)	Associate of Changan Jinling
Minsheng International Freight Company Limited (“Minsheng International Freight”)	Subsidiary of Minsheng Industrial
Minsheng Logistics Company Limited (“Minsheng Logistics”)	Subsidiary of Minsheng Industrial
Minsheng Shipping Company Limited (“Minsheng Shipping”)	Subsidiary of Minsheng Industrial
Chongqing Changan Import and Export Company Limited (“Changan Import and Export”)	Subsidairy of Changan Automobile
Hebei Changan Automobile Company Limited (“Changan Hebei”)	Subsidairy of Changan Automobile
Nanjing Changan Automobile Company Limited (“Changan Nanjing”)	Subsidairy of Changan Automobile
Chongqing Changan Suzuki Automobile Company Limited (“Changan Suzuki”)	Subsidairy of Changan Automobile
Jiangxi Jiangling Holding Company Limited (“Jiangling Holding”)	Subsidiary of Changan Automobile
Chongqing Changan Ford Mazda Automobile Company Limited (“Changan Ford Mazda”)	Jointly controlled entity of Changan Automobile
Chongqing Tsingshan Industries Company Limited (“Chongqing Tsingshan”)	Subsidiary of CS Automobile
Wuhan Minfutong	Associate
Chongqing Terui	Associate

33 RELATED PARTY TRANSACTIONS *(continued)*

(b) For the year ended 31 December 2006, the directors of the Company were of the view that the following related party transactions were carried out in the normal course of business of the Group. The pricing policy of each related party is based on the negotiation between each related party and the Company.

(i) *Turnover from rendering of transportation of finished vehicles services*

	2006 **RMB'000**	2005 RMB'000
Changan Ford Mazda	**287,769**	123,801
Changan Automobile	**211,229**	321,080
Changan Hebei	**143,235**	101,697
Changan Nanjing	**32,937**	39,447
Changan Suzuki	**5,918**	2,177
	681,088	588,202

(ii) *Turnover from rendering of supply chain management for automobile components and parts services*

	2006 **RMB'000**	2005 RMB'000
Changan Ford Mazda	**237,556**	164,517
Changan Hebei	**27,857**	20,759
Changan Automobile	**34,047**	18,459
Changan Import and Export	**10,619**	4,325
Changan Suzuki	**5,658**	3,952
Changan Nanjing	**3,914**	15,812
Changan Jinling	**7,225**	4,945
Jiangling Holding	**2,500**	1,871
Changan Co.	**468**	467
Chongqing Tsingshan	**535**	678
Changan Lingyun	**296**	12
	330,675	235,797

33 RELATED PARTY TRANSACTIONS *(continued)*

(iii) *Transportation services provided by related parties*

	2006 RMB'000	2005 RMB'000
Minsheng Logistics	**104,188**	83,985
Minsheng International Freight	**62,823**	64,055
Minsheng Shipping	**42,013**	22,230
Changan Transportation	**5,548**	3,484
Chongqing Terui	**3,244**	—
	217,816	173,754

(iv) *Payment of rentals by the Group*

	2006 RMB'000	2005 RMB'000
Changan Yuanda	**784**	784
Changan Property Management	**—**	189
	784	973

(v) *Timely settlement compensation fee paid by the Group*

	2006 RMB'000	2005 RMB'000
Changan Automobile	**—**	250

33 RELATED PARTY TRANSACTIONS *(continued)*

(vi) *Payment of management fees by the Group*

	2006	2005
	RMB'000	RMB'000
APLLC	—	692

The basis of management fee is on the negotiation between APLLC and the Company.

(vii) *Guarantee from shareholders*

Pursuant to a tax indemnity agreement signed by Changan Co., APLL, Minsheng Industrial, Ming Sung (HK) and Changan Sanchan Industrial Co., Ltd on 21 February 2005, the shareholders have undertaken to indemnify the Company in respect of, among others, any additional taxes, charges and penalties incurred by the Company resulting from and arising out of any alteration or amendment of any tax preferential treatment, in accordance with their respective actual shareholdings in the Company since the establishment of the Company up to the initial listing date of the H Shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

33 RELATED PARTY TRANSACTIONS *(continued)*

(c) As at 31 December 2006, the related party balances were shown as follows:

Due from related parties:

	Group 2006 RMB'000	Company 2006 RMB'000	Company and Group 2005 RMB'000
Balance from rendering of services			
Changan Automobile	77,860	75,860	85,605
Changan Ford Mazda	110,861	110,861	74,722
Changan Hebei	64,197	64,197	51,270
Changan Nanjing	12,953	12,953	26,913
Chongqing Tsingshan	137	137	1,667
Changan Lingyun	299	299	8
Changan Suzuki	902	902	635
Changan Import and Export	1,824	1,824	137
Changan Co.	177	177	64
Jiangling Holding	5	5	984
Changan Jinling	2,578	2,578	1,780
	271,793	269,793	243,785
Less: provision for impairment of due from related parties *(Note a)*	(801)	(795)	(731)
Subtotal	270,992	268,998	243,054
Balance of deposits for service quality guarantee *(Note b)*			
Changan Ford Mazda	711	711	3,044
Changan Automobile	3,592	3,592	3,350
Changan Hebei	600	600	600
Changan Suzuki	19	19	7
Subtotal	4,922	4,922	7,001
Total	275,914	273,920	250,055

33 RELATED PARTY TRANSACTIONS *(continued)*

Note:

(a) The Group has recognised a loss of approximately RMB70,000 (2005: approximately RMB731,000) for the impairment of its due from related parties for the year ended 31 December 2006. The loss has been included in "administrative expenses" in income statement. The Group made the provision for impairment on the balances due from related parties as the turnover rates slowed down and the collection was delayed. The directors of the Company are of the opinion that provision as at 31 December 2006 is adequate but not excessive.

(b) Deposits for service quality guarantee represents the deposits paid by the Company to its customers for the purpose of guaranteeing the quality of its logistics service provided. If the service quality does not meet the customers' requirements, the deposits will be deducted by the customers as compensation.

As at 31 December 2006, approximately 75% (2005: approximately 90%) of the total amount of trade receivables and due from related parties was due from the four largest customers. The carrying amount of trade receivables and due from related parties represents the Group's maximum exposure to credit risk in relation to its financial assets.

The Group offers credit terms to its related parties ranging from cash on delivery to 90 days. Ageing analysis of trading balance from rendering of services at 31 December 2006 was as follows:

	Group 2006	**Company 2006**	**Company and Group 2005**
	RMB'000	RMB'000	RMB'000
0 to 90 days	268,042	266,042	238,422
91 to 180 days	3,742	3,742	4,047
181 to 365 days	9	9	327
Over 1 year	—	—	989
Total	271,793	269,793	243,785

33 RELATED PARTY TRANSACTIONS *(continued)*

Movement of the provision for impairment of due from related parities are as follows:

	Group 2006 RMB'000	**Company 2006** RMB'000	**Company and Group 2005** RMB'000
At 1 January	731	731	—
Provision for impairment of due from related parties	70	64	731
At 31 December	801	795	731

Due to related parties:

	Company and Group 2006 **RMB'000**	Company and Group 2005 RMB'000
Balance from transportation services provided by related parties		
Minsheng Logistics	**33,341**	21,581
Minsheng International Freight	**27,659**	14,071
Minsheng Shipping	**6**	2,458
Changan Transportation	**2,783**	985
Chongqing Terui	**2,230**	—
Subtotal	**66,019**	39,095
Balance from office premises lease services provided by related party		
Changan Yuanda	**942**	123
Balance from timely settlement compensation fee payable to related party		
Changan Automobile	**154**	250
Total	**67,115**	39,468

33 RELATED PARTY TRANSACTIONS *(continued)*

Ageing analysis of due to related parties at 31 December 2006 was as follows:

	Company and Group 2006 RMB'000	Company and Group 2005 RMB'000
0 to 90 days	**62,421**	39,060
91 to 180 days	**4,269**	41
181 to 365 days	**425**	367
	67,115	39,468

As at 31 December 2006, all the related party balances were interest-free and unsecured.

The carrying value of due from and due to related parties approximates their fair value due to the short-term maturity.

34 SHARE-BASED PAYMENT

On 6 June 2005, the Company established a Share Appreciation Right Incentive Scheme ("SARIS"). Pursuant to a resolution of the Board of Directors dated 29 December 2005, the SARIS is effective on the date when the H Shares of the Company are listed on the GEM.

A unit of the share appreciation right will entitle the grantee thereof to request the Company to pay the grantee, upon the exercise of such right, a sum equivalent to the difference between the exercise price of such unit of right and the closing price of the H Shares as stated in the Stock Exchange's daily quotation sheets on the date of the exercise of such unit right.

The person eligible to be granted share appreciation rights include:

(i) any Directors, Supervisors (not including independent Directors and independent Supervisors);

(ii) the General Manager, deputy general manager, Financial Controller, secretary of the board, company secretary, heads of departments, branches and subsidiaries; and

(iii) other senior management personnel and important employees who have made significant contribution to our company as nominated by the General Manager and approved by the remuneration committee.

34 SHARE-BASED PAYMENT *(continued)*

The maximum number of share appreciation right that may be granted under the SARIS shall not exceed 10% of the total number of shares of the Company in issue from time to time, and the share appreciation right granted to any single grantee within any consecutive 12 months shall not exceed 1% of the total number of the shares of the Company in issue from time to time.

Share appreciation rights will have an exercise period of five years. A person granted share appreciation rights may not exercise his or her rights in the first year after the date of grant. In each of the second, third and fourth year after the date of grant, the rights that may be exercised shall not in aggregate exceed 25%, 50% and 75%, respectively, of the total number of the share appreciation rights granted to him or her in a particular year. A person can only exercise share appreciation rights before the expiration of the exercise period.

As at 31 December 2006, no share appreciation rights have been granted under the SARIS.

35 SUBSEQUENT EVENTS

As at 31 December 2006, except those disclosed in other notes of the financial statements, the Company had no material events after the balance sheet date.