重慶長安民生物流股份有限公司

Changan Minsheng APLL Logistics Co., Ltd.*

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

(Stock Code: 8217)

2007 Annual Report

* For identification purposes only

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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 Changan Minsheng APLL 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.

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Corporate Information

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

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

INDEPENDENT NON–EXECUTIVE DIRECTORS
Wang Xu
Peng Qifa
Chong Teck Sin

SUPERVISORS
Hua Zhanbiao
Tang Yizhong
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

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Prince's Building
Central, Hong Kong

COMPLIANCE ADVISER
Anglo Chinese Corporate Finance, Limited
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Hong Kong

PRINCIPAL BANKERS
China Minsheng Bank Limited, Chongqing Branch
China Merchants Bank Limited, Chongqing Branch
China Construction Bank Limited, Chongqing Branch

H SHARES REGISTRAR AND TRANSFER OFFICE
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183 Queen's Road East, Hong Kong

REGISTERED OFFICE IN THE PRC

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Yubei District
Chongqing, the PRC

HEADOFFICE AND ADDRESS OF CORRESPONDENCE IN THE PRC

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Zip Code: 401121

HEAD OFFICE IN HONG KONG

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Hong Kong

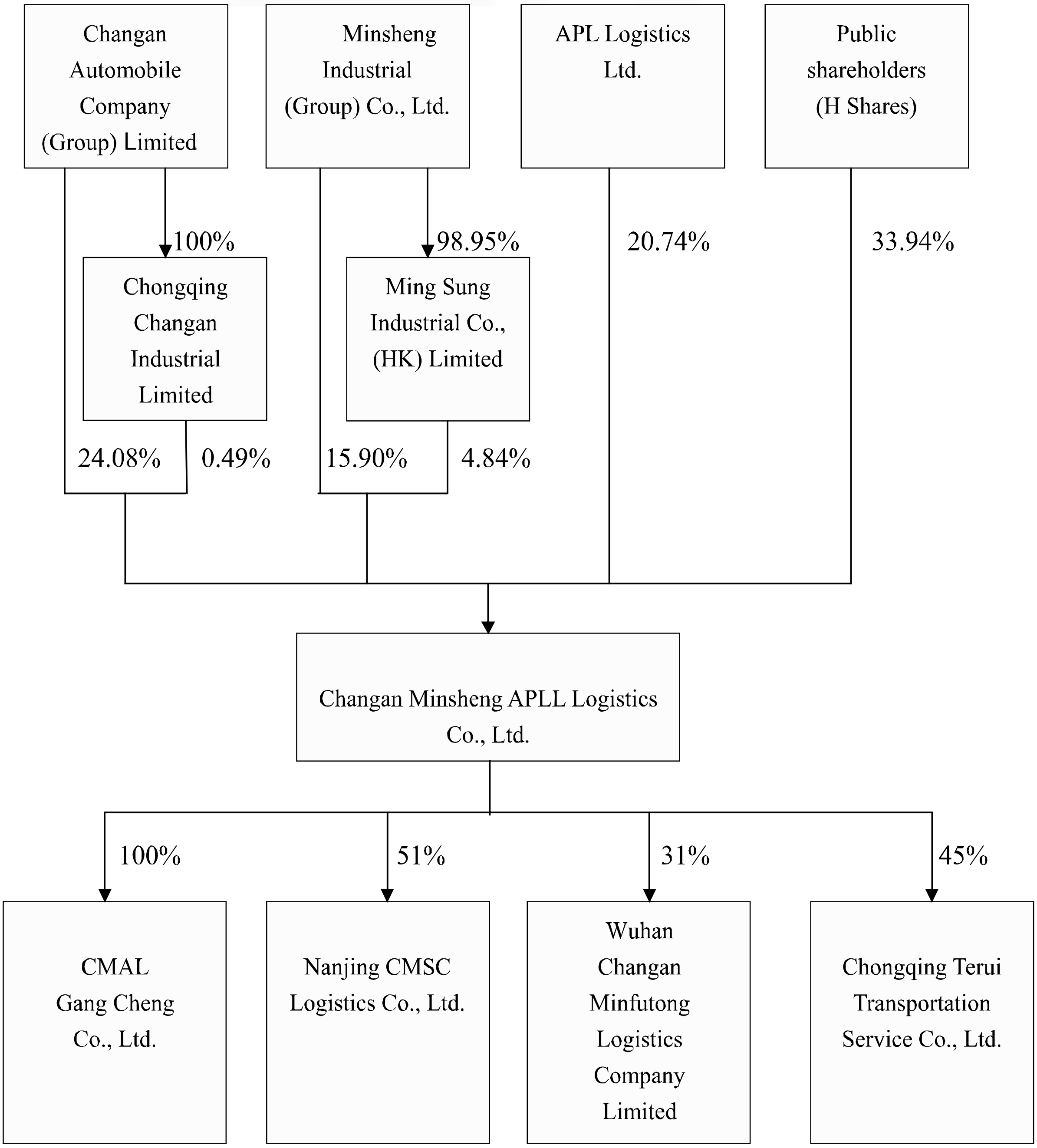
STOCK CODE

8217

WEBSITE

http://www.camsl.com

GROUP'S SHAREHOLDING STRUCTURE



RESULTS

Set out below is the summary of the consolidated results of the Company and its subsidiaries (the "Group") for the five years ended 31 December 2007 (as extracted from the Group's audited consolidated income statement, which are prepared in accordance with the Hong Kong Financial Reporting Standards):

	For the year ended 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,475,020**	1,104,477	882,176	823,504	486,130
Profit before taxation	**99,652**	71,889	63,660	42,595	21,208
Income tax	**5,981**	5,940	5,799	–	–
Profit for the year	**93,671**	65,949	57,861	42,595	21,208
Profit attributable to the following parties:					
Minority interest	**(1,090)**	–	–	–	–
Equity holders of the Company	**94,761**	65,949	57,861	42,595	21,208
	RMB	RMB	RMB	RMB	RMB
Earnings per share（*Note 1*）	**0.58**	0.43	0.52	0.40	0.32
Dividends per share	**0.08**	0.08	0.11	0.25	N/A
	(Note 2)		*(Note 3)*		*(Note 4)*

Note 1: Earnings per share is calculated by dividing the profit attributable to the equity holders of the Company for the years ended 31 December 2003, 2004, 2005, 2006 and 2007 by the weighted average number of 66,647,000, 106,439,000, 112,064,000, 153,730,667 and 162,064,000 shares in issue for the years ended 31 December 2003, 2004, 2005 2006, and 2007 respectively.

Note 2: This is the final dividend for the year ended 31 December 2007, which the board of directors of the Company proposed to distribute, pending approval at the annual general meeting.

Note3 : The dividend was only the final dividend of 2005 and didn't include the interim dividend of RMB0.12 announced by the Company in September 2005 based on the shares in issue of 112,064,000 as at April 30, 2005.

Note 4 : 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.

ASSETS AND LIABILITIES

Set out below is the summary of the Group's balance sheet for the five years ended 31 December 2007 (as extracted from the Group's audited balance sheet, which are prepared in accordance with the Hong Kong Financial Reporting Standards):

	As at 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**238,780**	197,972	141,559	113,402	88,184
Current assets	**613,850**	479,733	325,565	282,071	164,348
Total assets	**852,630**	677,705	467,124	395,473	252,532
Non-current liabilities	**1,025**	–	–	–	18,560
Current liabilities	**408,248**	339,554	306,944	248,370	135,535
Minority interest	**23,410**	–	50	–	–
Total liabilities and minority interest	**432,683**	339,554	306,994	248,370	154,095
Total Equity	**443,357**	338,151	160,180	147,103	98,437

On behalf of the board of directors ("the Board") of the Company, I am pleased to present the audited consolidated financial results of the Group for the year ended 31 December 2007 to all shareholders.

ANNUAL RESULTS

The rapid growth of China's economy gives the momentum to the sustainable development of China's logistics industry. As one of the leading professional third party logistics services providers in China, the Group is able to benefit from the strong economic growth of China by its advanced logistics services ideas, extensive logistics plans and operating experience, high quality customers base and services network that covers a significant part of China, and advanced information and technology systems. In 2007, new products were rolled out by the customers of the Group such as Changan Ford Mazda Automobile Corporation Ltd. ("Changan Ford Mazda"), Chongqing Changan Automobile Co., Ltd. ("Changan Automobile"). The sales of the new products grew rapidly. The business of the Group performed well and kept a steady growth during last year.

For the year ended 31 December 2007, the Group's revenue was RMB1,475,020,000, up approximately 33.55 % from the same period in 2006. Profits attributable to shareholders were RMB94,761,000, up approximately 43.69% from the same period in 2006. Earnings per share were RMB0.58 for the year ended 31 December 2007 (2006: RMB0.43).

ANNUAL REVIEW

Market Expansion

During the reporting period, Nanjing CMSC Logistics Co., Ltd. ("Nanjing CMSC") was incorporated by the Company, Sumitomo Corporation ("Sumitomo") and Beijing Changjiu Logistics Company ("Beijing Changjiu"). The registered capital was RMB100,000,000, and the Company, Sumitomo and Beijing Changjiu respectively hold 51%, 25% and 24% of the JV company's share capital. Nanjing CMSC was incorporated on 26 July 2007. As at 31 December 2007, the accumulated capital of Nanjing CMSC contributed by its shareholders accounted for 50% of its registered capital. Nanjing CMSC provides comprehensive and customized logistics services to Changan Ford Mazda Nanjing Plant and Changan Ford Mazda Engine Company (Changan Ford Mazda Engine).

In order to improve the Group's logistics services in Shandong, the Company has established a branch in Shandong during the reporting period.

During the reporting period, the Company contributed capital of RMB4,980,000 and RMB4,500,000 to CMAL Gang Cheng Co., Ltd. ("Chongqing Gangcheng") and Chongqing Terui Transportation Service Co., Ltd. ("Chongqing Terui") respectively with a view to enhancing the Group's transportation capacity.

Leveraging on our existing customer base, the Company extended its scope of logistics services and explored growth opportunities actively. During the reporting period, the Group fully participated in Changan Automobile's after–sale car parts logistics services, the milk–run project of the Company developed with a faster speed and the Company actively explored the logistics business for exporting Changan Ford Mazda's car parts.

For the year ended 31 December 2007, Bosch Automotive Products Co., Ltd. , Chongqing Importing Machinery Equipment Company and Northern Benz Heavy Truck Penglai Branch became the Company's customers. The Group had 989 customers. During the reporting period, we strengthened the relationship with our existing customers, as a result of which the Group developed a more solid customer base.

Awards

Operating results of the Company were recognized by the community. The Company was awarded the Top Fifty Logistics Enterprises in China in 2007 by National Development and Reform Commission, National Bureau of Statistics of China and China Federation of Logistics & Purchasing on 11 January 2008. During the year, the Company was accredited as one of the advanced enterprises in the PRC industry by Ministry of Personnel of the State Council of PRC and China Federation of Logistics & Purchasing on the first Model Workers Commendation Conference of the PRC Logistics Industry. On the National Automotive Logistics Industry 1st Annual Meeting & the Fourth Delegate Meeting of the First Council of Automotive Logistics Branch of China Federation of Logistics & Purchasing, the Company won the prizes for its contribution and innovation in the automotive logistics industry in 2007 granted by the Automotive Logistics Branch of China Federation of Logistics & Purchasing. The Company was also named one of the Top Ten Enterprises in 2007 by Chongqing Economic & Technological Development Zone on 11 January 2008.

OUTLOOK AND PROSPECTS

In order to prevent the economy from growing too fast and to control rising prices that may lead to nationwide inflation problems, the PRC government is expected to introduce a tight monetary policy in 2008. However, the Company believes that as China is hosting the 2008 Olympic Games and with the expected increase in internal demand in China, the domestic economy will sustain a stable growth. The development of the domestic logistics industry in 2008 is also expected to be satisfactory.

In 2008, the Group will seek to continue to strengthen its relationship with existing customers, take advantage of every opportunity with a view to stable development, expand our logistics services scope for the existing customers and identify more growth opportunities; continue to strengthen and enhance its handling capacity for its finished vehicles transportation services and enhance communication with famous enterprises in the industry to explore more cooperation opportunities.

The board of directors and I are very optimistic about the future development of the Group. In future, the Group will work together with various parties to establish a stronger and professional logistics services team and a more extensive logistics services network and more flexible logistics services system. We are striving to become the China first–class logistics enterprise.

I would like to take this opportunity to express my heartfelt thanks to the 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

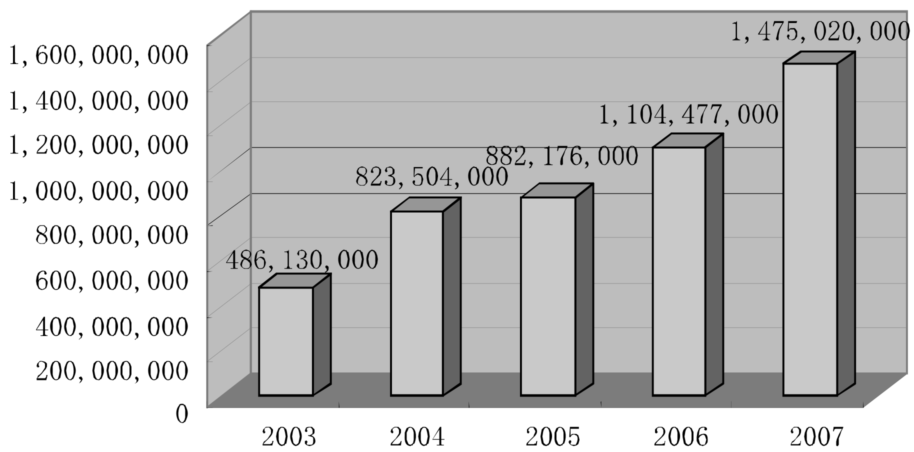
Chongqing, the PRC
21 March 2008

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 Changan Automobile, 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., Yanfeng Visteon Automotive Electronics Co.,Ltd., and Chengdu Baogang West Trade Company Limited. As at 31 December 2007, the Group had 989 customers.

During the reporting period, the PRC economy maintained a stable and fast development, and the GDP increased over 11%, as compared with the corresponding period last year. The production and sales of products in the automotive industry to which important customers of the Group belong increased approximately 22%. Accordingly, the sale of the customers of the Group presented an upward trend, thus creating a strong demand for logistics services. For the year ended 31 December 2007, revenue of the Group was approximately RMB1,475,020,000, upapproximately 33.55% from RMB1,104,477,000 of last year.

Chart One: Changes of the revenue for the five years ended 31 December 2007



Transportation of Finished Vehicles

For the year ended 31 December 2007, the income from the finished vehicles transport services was RMB953,519,000, up approximately 39.76% from RMB 682,243,000 of last year.

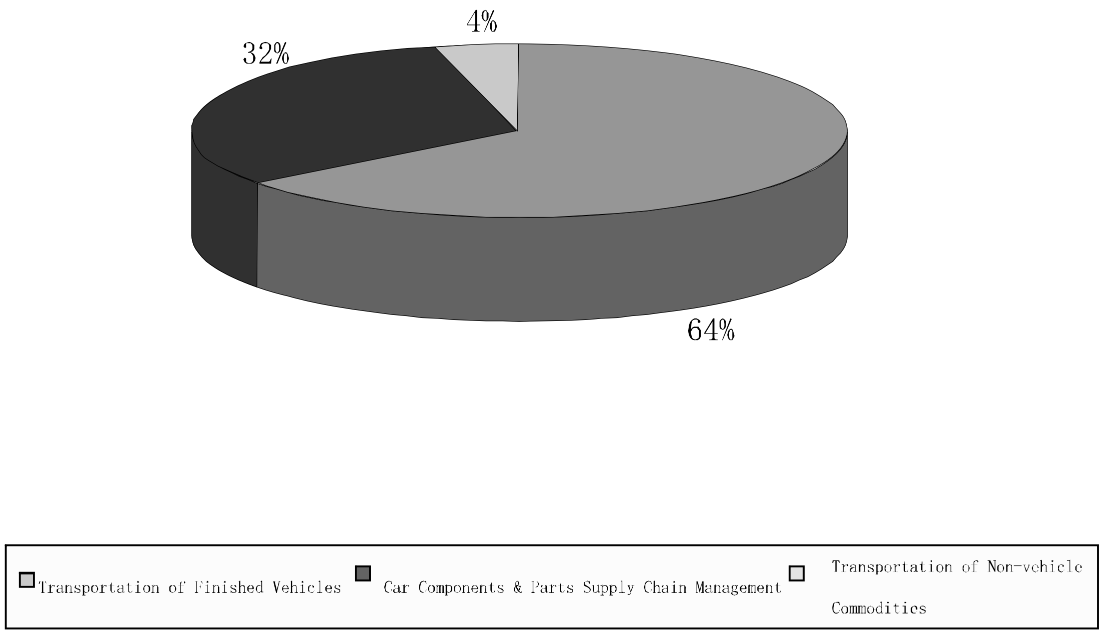
Car Components & Parts Supply Chain Management

During the reporting period, the income of the car components & parts supply chain management services was RMB466,162,000, up approximately 24.16% from RMB 375,456,000 of last year.

Transport of Non–vehicle Commodities

During the reporting period, the Group actively explored markets (including transportation of steels, large equipment, bulk cargoes and on the like), and recorded good results. The income in relation to such services was RMB55,339,000, up approximately 18.30% from RMB46,778,000 of last year.

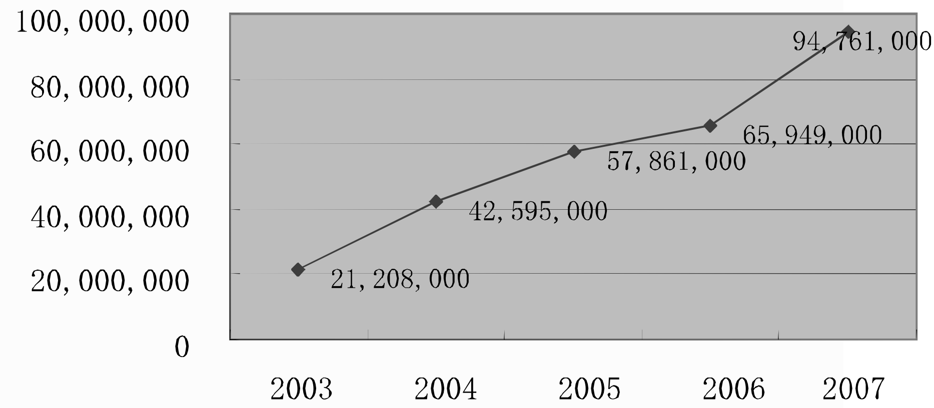
Chart Two: Revenue by business segments in 2007



Profit Attributable to Equity Holders of the Company

For the year ended 31 December 2007, the profit attributable to equity holders of the Company was RMB94,761,000, up approximately 43.69% from RMB65,949,000 of last year.

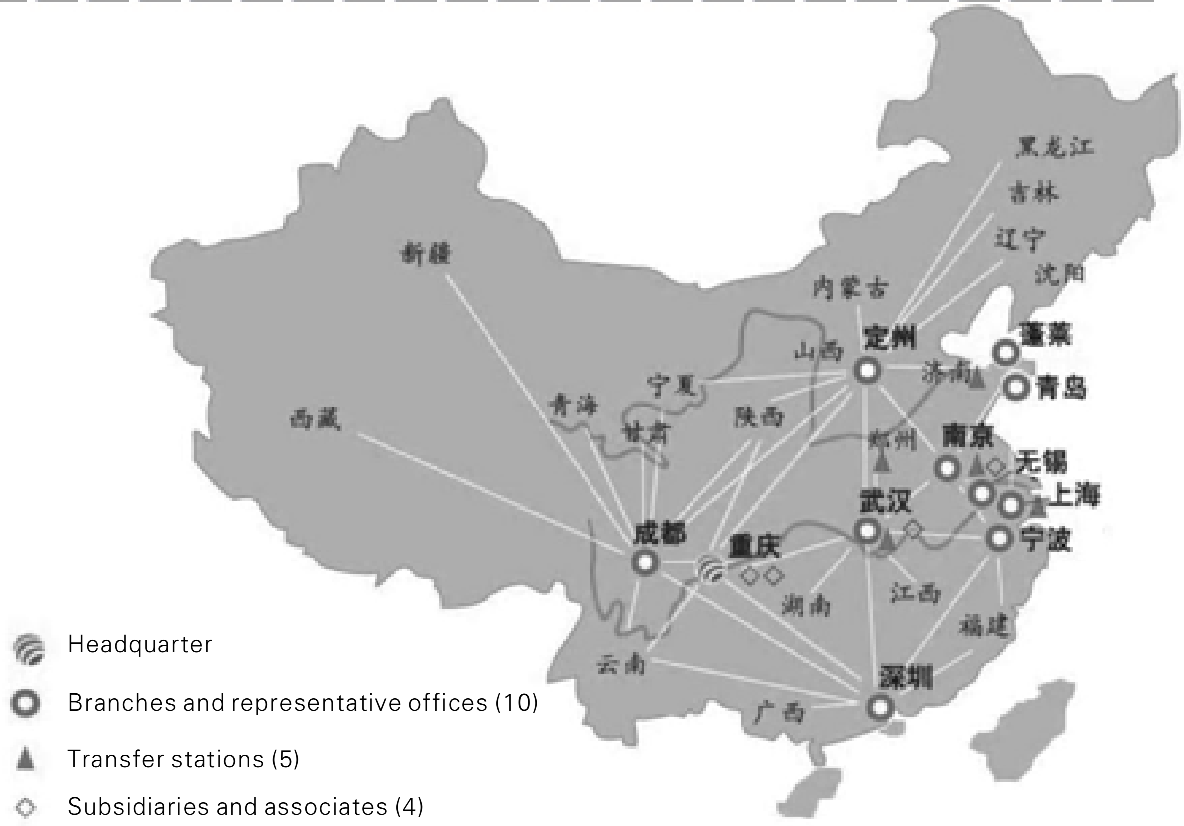
Chart Three: Growth in profit attributable to equity holders of the Company for the five years ended 31 December 2007



Logistics Services Network

In order to enhance the services network and capability, the Company strengthened the infrastructure in its branches by utilizing information technology to manage them in a more scientific way. As at 31 December 2007, the Company had a total of 14 branches, subsidiaries, associated companies and representative offices, which are mainly located in East China, Central China, North China, South China and Southwest China (Chart Four). The continuous enhancement of service network enables the Group to provide logistics services to different parts of the country.

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



FINANCIAL REVIEW

Revenue

For the year ended 31 December 2007, the Group's revenue was RMB1,475,020,000 (2006: RMB1,104,477,000), up approximately 33.55% from the previous financial year. The increase of the revenue was mainly attributable to strong growth in production and sales of the Group's customers and hence the corresponding growth in their demand for logistics services from us.

Cost of sales and gross profit margin

For the year ended 31 December 2007, the Group's cost of sales was RMB1,316,180,000 (2006: RMB986,228,000), up approximately 33.46% from the previous financial year.

For the year ended 31 December 2007, the Group's gross profit margin was approximately 10.77% (2006: 10.71%)

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Distribution Expenses

The Group's distribution expenses were RMB30,179,000 for the year ended 31 December 2007 and represented approximately 2.05% of the Group's revenue during the year (2006: 2.3%).

The distribution expenses included salaries and benefits, traveling, business and communication expenses, and marketing and promotion expenses incurred by the Group's sales and marketing department. Such expenses rose approximately 16.69% from 2006. This was due to the increase of the Group's headcount to support its business development and strengthen its market expansion activities.

Administrative Expenses

Due to the Group's business expansion, especially in Nanjing and Hebei regions, administrative expenses increased from RMB23,250,000 in 2006 to RMB32,687,000. Such expenses included salaries and benefits, traveling, business and communication expenses.

Finance Costs

The Group's finance costs for the year amounted to RMB5,381,000 (2006: RMB3,715,000) which included interests on bank loans borrowed to provide more liquid funds and the exchange loss on foreign currency deposits. As at 31 December 2007, the Group had short term bank loans of RMB30,000,000 within a term of one year. We had no long term bank loan with a term of more than one year.

Taxation

The Company was entitled to a 50% tax reduction for the year 2007. The applicable tax rate was approximately 6% (2006: 8.3%) and the provision for income tax for the year amounted to RMB5,981,000 (2006: RMB5,940,000).

Profit Attributable to Equity Holders

During the year, profits attributable to equity holders of the Company were RMB94,761,000, up approximately 43.69% from the previous financial year.

Dividends

The board of directors recommended the payment of a final dividend of RMB0.08 (including tax) (2006: RMB0.08 (including tax)) per share for the year ended 31 December 2007 to shareholders registered in the register of members of the Company on 19 June 2008. The final dividend is expected to be payable on or about 31 August 2008 upon approval of the Board's proposal by shareholders at the annual general meeting.

Liquidity and Financial Resources

The Group maintained a sound liquidity position in the year ended 31 December 2007. As at 31 December 2007, the balance of the Group's cash and bank deposit was RMB264,705,000 (31 December 2006: RMB96,842,000). As at 31 December 2007, total assets of the Group amounted to RMB852,630,000 (31 December 2006: RMB677,705,000). Capital resources were current liabilities of RMB408,248,000 (31 December 2006: RMB339,554,000), non–current liabilities of RMB1,025,000 (31 December 2006: nil), shareholders' interests (excluding minority interest) of RMB419,947,000 (31 December 2006: RMB338,151,000) and minority interest of RMB23,410,000 (31 December 2006: nil).

Capital Structure

For the year ended 31 December 2007, there was no change in the Company's share capital.

Loans and Borrowings

As at 31 December 2007, the balance of the Group's bank loans and borrowings was RMB30,000,000 (31 December 2006: RMB30,000,000).

Gearing Ratio

As at 31 December 2007, the ratio of the total liabilities to the total assets of the Group was 48.00% (31 December 2006: 50.1%). The gearing ratio (the ratio of the bank loans to the total equity) was 6.77% (31 December 2006: 8.87%).

Pledge of Assets

As at 31 December 2007, buildings and property with an evaluated value of approximately RMB3,422,600 and land use right of RMB45,129,700 belonging to the Group were used 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 the commercial banks of China 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 transactions denominated in foreign currencies, there is no significant effect on the Group's operations.

Contingent Liabilities

As at 31 December 2007, the Group did not have any significant contingent liabilities.

Capital Commitment

The Group's capital expenditure at the balance sheet date but not yet incurred is as follows:

	2007 RMB'000
Property, plant and equipment	
Contracted but not provided for	24,283
Authorised but not contracted for	56,297
Prepaid lease payments	
Contracted but not provided for	13,501
	94,081

Significant Purchase or Sale of Affiliates and Associates

During the reporting period, the Group had not made any significant purchase or sale of affiliates and associates.

Substantial Investment

Please see details in the "Report of the Directors".

Employees

As at 31 December 2007, the Company employed 2,750 employees (31 December 2006: 2,285 employees):

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

	31 December 2007	31 December 2006
Administration and finance	99	81
Information and technology	35	26
Sales and marketing	70	60
Operation	2,546	2,118
Total	2,750	2,285

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

Benefit Expenses

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.

Retirement Plan

Details of the Company's retirement plan are set out in note 2.17 and note 8 to the consolidated financial statements.

Staff Quarters

During the year, the Company has not provided any staff quarters to the staff (2006: nil). It has provided housing provident fund to the staff, details of which are set out in note 16 to the consolidated financial statements.

The Company placed and issued H shares in Hong Kong in February, 2006. The Company utilized the proceeds in accordance with the proposed uses set out in the prospectus of the Company issued by the Company on 16 February 2006 (the “Prospectus”) and according to the approval by the AGM of the Company held in 2007.

As at 31 December 2006, the Company had used all the proceeds allocated to the improvement of Phase Ⅲ and construction of Phase Ⅳ of the distribution centre Project of Changan Ford. The construction of the distribution centre has been completed and put into use. The relevant details are disclosed in the 2006 annual report of the Company.

As at 31 December 2006, the Company had used all the proceeds allocated to the outsource of transportation services to third party Companies. The relevant details are disclosed in the 2006 annual report of the Company.

As at 30 June 2007, the additional funds raised by the Company whose H shares were placed at the maximum placing price of HK$2.7 per H share were used for the purpose of expanding and constructing facilities in its existing regional distribution centers (more details are disclosed in the 2006 annual report and the Interim Report of 2007).

In view of the construction of the logistics facilities required by Changan Ford Mazda Chongqing plant to cope with its production expansion, the Company made some adjustments to reduce the originally planned proceeds invested in the construction of phase I and phase II of Changan Ford's regional distribution centre in Nanjing by HK$40,000,000 to HK$24,000,000. The HK$40,000,000 was reallocated to the construction of the logistics facilities required by Changan Ford Mazda Chongqing plant to cope with its production expansion. Such adjustments to the use of proceeds were approved by shareholders at the annual general meeting on 31 May 2007. For the year ended 31 December 2007, the Company had used all the revised proceeds ofHKD24,000,000 allocated to Changan Ford Mazda for the purpose of the construction of phase I and phase II of Changan Ford's regional distribution centre in Nanjing by directly investing and injecting the registered capital into Nanjing CMSC.

For the year ended 31 December 2007, the proceeds allocated to Changan Ford Mazda Chongqing plant for its production expanding project by the Company was HK$22,340,000. As at 31 December 2007, the accumulated fund put into Changan Ford Mazda Chongqing plant for its production expansion project by the Company was HK$22,340,000. The unused amount was HK$17,660,000 and was deposited with the commercial banks of China.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL PROGRESS

Business objectives disclosed in the Prospectus for the six months ended 31 December 2007	The actual progress for the six months ended 31 December 2007
Business development	
1. To expand business volume for the existing customers, especially car manufacturers	The vehicles production and sales volume of the Group's customers increased rapidly and the Group's revenue achieved an increasing growth.
2. To expand logistics business for non–vehicle commodities	The Group continued to expand the logistics business of non–vehicle products, and our revenue of logistics services for the non–vehicle products increased approximately 18.30%.
Customers 700	989
Human resources 2,715	2,750, the number of staff increased faster than expectation because of the Company's rapid business development.

The comparison of business objectives with the actual progress for the six months ended 30 June 2006 is set out in the Company's interim report of 2006.

The comparison of business objectives with the actual progress for the six months ended 31 December 2006 is set out in the Company's annual report of 2006.

The comparison of business objectives with the actual progress for the six months ended 30 June 2007 is set out in the Company's interim report of 2007.

We believe that the Company can enhance its corporate governance and transparency by adhering to strict corporate governance practices in interest of the shareholders of the Company. The Company has prepared the compliance manual of the Board (the "Manual") with a view to compliance with the GEM Listing Rules. During the reporting year, the Company complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 24 of the GEM Listing Rules.

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 9 non–executive and independent non–executive directors and 5 executive directors. The 9 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 3 independent non–executive directors, of whom 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 2008. The Company considers that each of the independent non–executive directors has complied with the guidelines 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.

The Board has held four regular meetings in 2007 to discuss and decide the Company's business strategies, key operational issues, financial matters and other matters set out in the articles of associations of the Company. The implementation and execution of these Board decisions are delegated to the management. Details of directors' records of attendance at the Boards regular meetings held during the year are set out in the following table:

Directors	Number of attendance/Number of meetings
Executive Directors	
Mr. Yin Jiaxu	4/4
Mr. Huang Zhangyun	4/4
Mr. Lu Xiaozhong	4/4
Mr. Shi Chaochun	4/4
Mr. James McAdam	4/4
Non–Executive Directors	
Mr. Lu Guoji	4/4
Mr. Zhang Baolin	4/4
Mr. Daniel C. Ryan	4/4
Ms. Cao Dongping	4/4
Mr. Wu Xiaohua	4/4
Ms. Lau Man Yee, Vanessa	4/4
Independent Non–Executive Directors	
Ms. Wang Xu	4/4
Mr. Peng Qifa	4/4
Mr. Chong Teck Sin	4/4

During the reporting period, the Board has held an extraordinary board meeting to examine the connected transactions regarding the purchase of engineering construction services from Chongqing Changan Construction Limited Company (“Chongqing Changan Construction”) by the Company while the same has been approved by way of resolution.

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 the 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 submit their proposals to the Board within their authorities, and under certain circumstance, have to request for the Board's approval before taking any 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.

From 1 January 2007 to the date of this report, the audit committee has held five meetings.

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 on the Company and approved the content of the report.

The audit committee has met on 27 April 2007 to review the Group's unaudited first quarterly report for the three months ended 31 March 2007, and approved the content of the report.

The audit committee has met on 26 July 2007 to review the Group's unaudited interim report for the six months ended 30 June 2007, and approved the content of the report.

The audit committee has met on 29 October 2007 to review the Group's unaudited quarterly report for the nine months ended 30 September 2007, and approved the content of the report.

The audit committee has met on 5 March 2008 to review the Group's annual results, financial statements, principal accounting policies and internal audit matters for the year ended 31 December 2007, listened to the auditor's views and approved these reports.

Details of committee members' attendance records at the meeting during the period from 1 January 2007 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.

During the report period, the remuneration committee has held two meetings.

(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.

During the report period, the nomination committee has held two meetings.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors'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 and independent non-executive directors included is three years. 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.

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 welcomed 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: dongshihui@camsl.com).

REMUNERATION OF AUDITORS

PricewaterhouseCoopers (“PWC”) was the Company's auditors for the year ended 31 December 2007. The remuneration of the auditor for the year ended 31 December 2007 is set out in Note 7 of the consolidated financial statements of this report. The Company did not pay for the auditor's travelling, meals and lodging expenses and other incidental expenses during the period the audit services were provided.

The Board is pleased to present the annual report together with audited consolidated financial statements of the Group for the year ended 31 December 2007.

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–vehicle commodities services.

RESULTS

The results of the Group for the year ended 31 December 2007 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 19 June 2008.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Company's property, plant and equipment during the reporting 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 five financial years is set out in the section headed "Financial Summary" of this annual report.

SUBSIDIARIES AND AFFILIATED COMPANIES

During the reporting period, the Company contributed an authorized share capital of RMB4,980,000 to Chongqing Gangcheng, and its registered capital increased to RMB9,980,000. The Company holds 100% of its equity interests. Chongqing Gangcheng's main business includes commodities transportation, storage, and logistics planning and consultation services in the PRC. Details are set out in note 20 to the consolidated financial statements.

During the reporting period, the Company contributed an authorized share capital of RMB4,500,000 to Chongqing Terui, and its registered capital increased to RMB20,000,000. The Company holds 45% of its equity interests. Chongqing Terui's main business includes domestic commodities transportation, fright forwarder agency services, and logistics management services and technological consultation services. Details are set out in note 21 to the consolidated financial statement.

Nanjing CMSC was incorporated on 26 July 2007, and the Company holds 51% of its equity interests. Details are set out in note 20 to the consolidated financial statement of this report, the circular released on 14 November 2006 of the Company and the "Report of the Directors" of this report.

CAPITALIZED INTERESTS

For the year ended 31 December 2007, no interest had been capitalized.

SHARE CAPITAL

For the year ended 31 December 2007, no share capital had been changed. 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 reporting year are set out in the consolidated statement of changes in equity and in note 27 of 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 H McAdam	(appointed on 6 June 2005)

Non–executive directors

Lu Guoji (Vice Chairman)	(appointed on 8 December 2004)
Zhang Baolin	(appointed on 8 December 2004)
Daniel C. Ryan	(appointed on 30 December 2006)
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)
Ye Guangrong	(appointed on 8 December 2004)
Chen Haihong	(appointed on 8 December 2004)

RESIGNATION OF SUPERVISOR

Mr. Dai Baiming resigned as supervisor of the Company due to personal reasons on 4 April 2007. Details are set out in the announcement issued by the Company on 4 April 2007.

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.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the directors and supervisors 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.

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 of this report.

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.

DIRECTORS',CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, none of the Directors, chief executive and the Supervisors have any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the Supervisors is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, the Directors, chief executive and the Supervisors were not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2006 were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

SUBSTANTIAL SHAREHOLDERS AND PARTIES HOLDING INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons, other than a Director, Supervisor, or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

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 Automobile Company (Group) Limited ("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 (Group) Co.,Ltd. ("Minsheng Industrial")	Beneficial owner	25,774,720	24.07%	–	15.90%
Minsheng Industrial *(Note 2)*	Interest of a controlled corporation	7,844,480	7.33%	–	4.84%
APL Logistics Ltd. ("APLL")	Beneficial owner	33,619,200	31.40%	–	20.74%
Ming Sung Industrial Co., (HK) Limited ("Ming Sung (HK)")	Beneficial owner	7,844,480	7.33%	–	4.84%
Atlantis Investment Management Ltd	Investment manager	15,500,000	–	28.18%	9.56%
788 China Fund Ltd.	Investment manager	4,000,000	–	7.27%	2.47%
Ajia Partners Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial Owner	3,315,000	–	6.03%	2.05%

Note 1: Changan Industrial Company Limited ("Changan Industrial"), Changan Co.'s subsidiary, holds 0.49% of the Company.

Note 2: Ming Sung (HK) is the subsidiary of Minsheng Industrial.

As at the Latest Practicable Date, the management shareholders (interests in the shares and underlying shares of the Company held by the management shareholders such as Changan Co., Minsheng Industrial, APL Logistics and Ming Sung (HK) are as disclosed above) hold interests in the shares and underlying shares of the Company as follows:

Name of Shareholders	Capacity	Number of shares	domestic shares (non- H foreign shares included)	Percentage of H shares	Percentage of total registered share capital
Changan Industrial	Beneficial owner	796,512	0.74%	–	0.49%

Save as disclosed in this report, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, there is no other person (other than a Director, Supervisor, or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and/or any subsidiaries of the Company; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

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, 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	
	2007	2006
Changan Ford Mazda	**52.06%**	47.56%
Changan Automobile	**20.61%**	22.21%
Changan Hebei	**12.06%**	15.49%
Changan Nanjing	**2.81%**	3.34%
Chengdu Baogang Western Trade Co., Ltd.	**1.82%**	2.94%
Total of 5 largest customers	**89.36%**	91.54%

Changan Ford Mazda, Changan Automobile, Changan Hebei and Changan Nanjing are the associates (as defined under the GEM Listing Rules) of Changan Co., which is the Company's substantial shareholder. Each of Changan Ford Mazda, Changan Automobile, Changan Hebei and Changan Nanjing is a connected person of the Company.

During the reporting period, the percentages of the Group's purchases from the 5 largest suppliers in proportion to the Group's total purchases are as follows:

	As at the year ended 31 December	
	2007	2006
Minsheng Logistics Ltd. (Minsheng Logistics)	**9.00%**	10.56%
Chongqing National Container Automobile Logistics Co., Ltd	**7.06%**	5.99%
Minsheng Shipping Co., Ltd. (Minsheng Shipping)	**6.34%**	4.26%
Chongqing–Fuk Freight Limited	**6.22%**	5.74%
Minsheng International Freight Agent Ltd. (Minsheng International Freight)	**4.85%**	6.37%
Total of 5 largest suppliers	**33.47%**	32.92%

Among the 5 largest suppliers, Minsheng Logistics, Minsheng International Freight and Minsheng Shipping are the associates (as defined under the GEM Listing Rules) of Minsheng Industrial, the substantial shareholder of the Company. Each of Minsheng Logistics, Minsheng International Freight and Minsehng Shipping is a connected person 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 largest customers and 5 largest suppliers mentioned above.

COMPETING INTERESTS

The Company's shareholders APLL, Minsheng Industrial, Ming Sung (HK) 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.

In February 2008, the Company had received the confirmation regarding the above–mentioned non–competition from each of APLL, Minsheng Industrial, Ming Sung (HK) and Changan Co.

CONTINUING CONNECTED TRANSACTIONS

Set out below is information in relation to continuing connected transactions of the Company during the year, details are as follows:

BACKGROUND OF THE CONNECTED TRANSACTIONS

On 18 January 2006, the Company entered into a framework agreement with Changan Co. on the provision of logistics services and a framework agreement with Minsheng Industrial on the purchase of transportation services, both of which have an effective period from 1 January 2006 to 31 December 2008. Please refer to the Prospectus for detailed information. These transactions constitute continuing connected transactions under the GEM Listing Rules.

On 2 November 2006, the Company signed a framework agreement with Changan Automobile to replace the 4 framework agreements signed with Changan Auto, Changan Ford Mazda, Nanjing Changan and Hebei Changan on 18 January 2006 (details are set out in the Circular released on 14 November 2006); on 2 November 2006, the Company entered into a framework agreement with Changan Industrial on the purchase of transportation services to replace the framework agreement with Changan Transport on 18 January 2006 (details are set out in the Circular dated 14 November 2006). The transactions between the Company and Changan Automobile and its affiliates (including but not limited to Chagnan Ford Mazda, Hebei Changan, Nanjing Changan, Changan Suzuki) all constitute continuing connected transactions of the Company under the GEM Listing Rules.

On 24 August 2007, the Company entered into a framework agreement with Beijing Changjiu on the purchase of transportation services with an effective period from 26 July 2007 to 31 December 2008. Please refer to the Circular of the Company dated 11 September 2007. These transactions constitute continuing connected transactions of the Company under the GEM Listing Rules.

On 2 October 2007, the Company entered into a framework agreement with Chongqing Changan Construction Company on the purchase of engineering construction services with an effective period from 20 September 2007 to 31 December 2008. Please refer to the Circular of the Company dated 23 October 2007 for detailed information. These transactions constitute continuing connected transactions under the GEM Listing Rules.

Changan Co. is one of the promoters and a substantial shareholder of the Company. Changan Co. is a wholly owned subsidiary of China South Industries Group Corporation ("South Group"). China South Industries Automobile Co., Ltd. ("South Automobile") is a wholly owned subsidiary of South Group, holding 45.55% of the share capital of Changan Automobile. Changan Industrial is one of the promoters of the Company. As one of the promoter and substantial shareholder of the Company, Changan Co. holds 100% of Changan Construction Company's share capital indirectly. Accordingly, Changan Co., Changan Automobile and its affiliates, Changan Industrial and Changan Construction are all connected persons of the Company according to the GEM Listing Rules. Minsheng Industrial is one of the promoters and substantial shareholders of the Company. Accordingly, Minsheng Industrial and its subsidiaries are also the connected persons of the Company. Nanjing CMSC was incorporated on 26 July 2007, and the Company, Sumitomo and Beijing Changjiu hold respectively 51%, 25% and 24% of its share capital. Accordingly, Nanjing CMSC is a non–wholly owned subsidiary of the Company and Beijing Changjiu and Sumitomo are our connected persons as they are the substantial shareholders of Nanjing CMSC according to the GEM Listing Rules.

Please refer to the announcement dated 2 November 2007 and the circular dated 14 November 2006 of the Company regarding the framework agreement signed by the Company and Changan Co. on the provision of logistics services. Pursuant to the agreement, Changan Co. (together with its subsidiaries and Chongqing Changan Jinling Motor Parts Limited ("Changan Jinling") prior to its Restructuring) would purchase supply chain management services for automobile raw materials, components and parts from the Company, subject to an annual cap for each of the two years ended 31 December 2007 and 31 December 2008 The conduct of the on–going connected transactions contemplated under the Framework Agreement with, inter alia, Changan Co. and its subsidiaries had been approved by the Company's general meeting on 30 December 2006.

Prior to Changan Jinling's Restructuring, Changan Co. owned a 97.1% equity interest in Changan Jinling. After its restructuring, 97.1% share of Changan Jinling then held by Changan Co. was acquired by South Automobile. Changan Jinling became an associate of Changan Co. within the meaning of the GEM Listing Rules.

The Company has been conducting the on–going connected transactions with Changan Jinling which being a subsidiary of Changan Co. (prior to the Restructuring) pursuant to the terms governed by the Framework Agreement. Notwithstanding the Restructuring, Changan Jinling undertakes to the Company that Changan Jinling will continue to follow the terms of the Framework Agreement (including the pricing mechanism) to purchase logistics services from the Company.

During the reporting year and the year 2008, the transaction amount between the Company and Changan Jinling will be accounted for in the transaction amount between the Company and Changan Co. (together with subsidiaries).

Details are set out in the announcement of the Company released on 12 November 2007.

REASONS FOR AND BENEFIT OF THE TRANSACTIONS

The Company is of the view that the continuing connected transactions between the Company and Changan Co. ,Changan Automobile and their respective affiliates 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 and their respective affiliates. Since Changan Co. is one of the substantial shareholders of the Company, the Company has no reason for Changan Co. and Changan Automobile 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 and their respective affiliates will continue purchasing logistics service from the Company. Accordingly, the Company will continue to conduct these continuing 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 Industrial, Beijing Changjiu and their 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 and their respective subsidiaries, Minsheng Industrial and Changan Industrial, and Beijing Changjiu, the Company is of the view that it is beneficial for us to continue the continuing connected transactions with the above parties in order to promote business growth and increase our operational capacities.

Changan Construction is wholly owned by Changan Co. (directly and indirectly). The engineering construction services purchased from Changan Construction by the Group is beneficial to the Company as it saves the project construction cost of the Group, and thus the Group should continue to purchase engineering construction services from Changan Construction.

PRICING OF CONNECTED TRANSACTIONS

The terms of framework agreements the Company signed with Changan Co. and Minsheng Industrial on 18 January 2006 are similar to the terms of the agreements signed with Changan Automobile and Changan Industrial on 2 November 2006. The Company has signed the framework agreements with Beijing Changjiu on 24 August 2007 and with Changan Construction on 2 October, 2007. 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. Such terms are in the interest of the Company and shareholders as a whole.

TOTAL CONSIDERATION OF THE CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2007, the total consideration paid to the Group by the relevant connected persons for our logistics services is as follows:

	For the year ended 31 December 2007 Annual transaction volume RMB'000
Changan Co. (including Changan Jinling and Changan Co.'s subsidiaries):	
Supply chain management for car components and parts	8,907
Changan Automobile and its subsidiaries:	
Transportation for finished vehicle	943,656
Supply chain management for car components and parts	405,270

For the year ended 31 December 2007, the total consideration paid by the Group to the relevant connected persons for the purchase of transportation services is as follows:

	Transaction amount for the year ended 31 December 2007 RMB'000
Minsheng Industrial and its subsidiaries	265,705
Changan Industrial and its subsidiaries	–

	Transaction volume for the period from 26 July 2007 to 31 December 2007 RMB'000
Beijing Changjiu and its affiliates	67,533

For the period from 20 September 2007 to 31 December 2007, the total consideration paid by the Group to Changan Construction for the purchase of engineering construction services is as follows:

	Transaction Amount for the period from 20 September 2007 to 31 December 2007 RMB'000
Chongqing Changan Construction	8,184

The continuing connected transactions of the Company also constitute 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. During the reporting period, the Group has strictly followed the relevant regulations in the 20th chapter of the GEM Listing Rules.

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

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

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 and the Company as a whole.

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

1. have been approved by the Board;

2. are in accordance with the pricing policies of the Company;

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

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

LEGAL PROCEEDINGS

As at 31 December 2007, the Company and its subsidiaries were not involved in any material litigation or arbitration and 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 2007.

PUBLIC FLOAT

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

DESIGNATED

As at 31 December 2007, 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 RMB130,000 (2006: RMB100,000).

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 2008, and PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. , Ltd. as the PRC auditor for the year 2008.

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
21 March 2008

REPORT OF THE SUPERVISORY COMMITTEE

To the shareholders,

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, takes 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 2007, 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 and the Company as a whole. Up to the date of this report, none of the directors, general manager and senior management staff were 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 2007, 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 will be submitted by the Board to the 2007 annual general meeting.

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

Chongqing, China
21 March 2008

EXECUTIVE DIRECTORS

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. Mr. Yin was previously factory director of Yuzhou Gear Factory, office director and deputy director–general of southwest ordnance industry bureau, chairman and president of Changan Co. Mr. Yin now serves as deputy general manager and deputy secretary, Party Leadership Group of South Group, and 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 vice president of Changan Industrial.

Mr. Lu Xiaozhong (盧曉鐘), 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, the chairperson of CPPCC and the deputy director of Chongqing Standing Committee, member of the standing committee of National Committee of the CPPCC.

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 worked for Changan Co. as secretary to the vice president and the deputy director of the planning and development department. Mr. Shi has been the executive director of the Company since February 2005. Mr. Shi is mainly responsible for the Company's daily operation. In 2007, Mr. Shi won the prizes of "Outstanding Contribution Entrepreneur of Automotive Logistics Industry", "Top Ten Logistics Person of the Year for 2007", "Excellent Entrepreneur for the City", and "Best of Top 10 Entrepreneurs for 2007" for Chongqing Economic & Development Zone.

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 Middle Asian District President 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 vice chairman and non–executive director. Mr. Lu was born in 1923, joined the Company in 2001, and was appointed as vice chairman of the Company in December 2004. 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. Mr. Lu was 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. Zhang Baolin (張寶林), non-executive director of the Company, born in 1962, senior economist, holding a master's degree. Mr. Zhang has worked in Southwestern Military Industrial Bureau as deputy secretariat and 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 director and general manager of Changan Automobile.

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.

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. Ms. Cao was the head of the finance department of Chongqing Jiangling Engine Co., Ltd. and the deputy head and the head of the finance department of Changan Co.

Mr. Wu Xiaohua (吴小華), 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 (彭啓發), 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”), which was listed on Singapore Stock Exchanges, 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. Since April 2004, 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. In addition, Mr. Chong is also the independent non–executive director of the companies following–mentioned which were listed on Singapore Stock Exchanges: Beyonics Technology Ltd., Wanxiang International Pte Ltd., Sihuan Pharmaceutical Holdings Group Ltd., Midsouth Holdings Ltd. and JES International Holdings 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 (華驏驫), 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 (重慶科技進修大學) 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. 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), born in 1973, 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), born in 1956, 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) ,born in 1962, 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,Hongkong

TO THE SHAREHOLDERS OF CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

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

We have audited the consolidated financial statements of Changan Minsheng APLL Logistics Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 108, which comprise the consolidated and company balance sheets as at 31 December 2007, 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.

PRICEWATERHOUSECOOPERS

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 2007 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, 21 March 2008

BALANCE SHEET

(All amounts in Renminbi ("RMB"))

		Group		Company	
		As at 31 December		As at 31 December	
		2007	2006	**2007**	2006
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	17	**151,759**	123,899	**131,516**	123,899
Prepaid lease payments	18	**67,458**	63,926	**54,125**	63,926
Intangible assets	19	**2,629**	2,611	**2,629**	2,611
Investments in subsidiaries	20	**–**	–	**35,480**	5,000
Investments in associates	21	**14,351**	7,324	**12,100**	7,600
Deferred income tax assets	22	**2,583**	212	**1,566**	212
Total non-current assets		**238,780**	197,972	**237,416**	203,248
Current assets					
Trade receivables	23	**76,934**	75,482	**76,934**	75,482
Prepayment and other receivables	24	**28,753**	11,495	**27,527**	11,495
Due from related parties	34	**227,458**	275,914	**211,072**	273,920
Restricted cash	25	**16,000**	20,000	**16,000**	20,000
Cash and cash equivalents	25	**264,705**	96,842	**238,450**	96,804
Total current assets		**613,850**	479,733	**569,983**	477,701
Total assets		**852,630**	677,705	**807,399**	680,949

The notes on pages 51 to 108 are an integral part of these consolidated financial statements.

(All amounts in RMB)

	Note	Group As at 31 December 2007 RMB'000	Group As at 31 December 2006 RMB'000	Company As at 31 December 2007 RMB'000	Company As at 31 December 2006 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	162,064	162,064	162,064	162,064
Other reserves	27	106,487	96,510	106,487	96,510
Retained earnings					
– Proposed final dividend	13	12,965	12,965	12,965	12,965
– Others		138,431	66,612	140,469	67,221
		419,947	338,151	421,985	338,760
Minority interest in equity		23,410	–	–	–
Total equity		443,357	338,151	421,985	338,760
LIABILITIES					
Non–current liabilities					
Deferred income	28	1,025	–	1,025	–
Total non–current liabilities		1,025	–	1,025	–
Current liabilities					
Trade and other payables	29	284,552	239,191	263,200	238,896
Due to related parties	34	89,607	67,115	87,100	70,045
Short–term bank loans	30	30,000	30,000	30,000	30,000
Current income tax liabilities		4,089	3,248	4,089	3,248
Total current liabilities		408,248	339,554	384,389	342,189
Total liabilities		409,273	339,554	385,414	342,189
Total equity and liabilities		852,630	677,705	807,399	680,949
Net current assets		208,952	140,179	188,944	135,512
Total assets less current liabilities		444,382	338,151	423,010	338,760

Director　　　　　　　　Director

The notes on pages 51 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB)

	Note	2007 RMB'000	2006 RMB'000
Revenue	5	1,475,020	1,104,477
Cost of sales	7	(1,316,180)	(986,228)
Gross profit		158,840	118,249
Other income	6	4,024	3,185
Distribution costs	7	(30,179)	(25,863)
Administrative expenses	7	(32,687)	(23,250)
Operating profit		99,998	72,321
Finance income	9	2,508	3,559
Finance costs	10	(5,381)	(3,715)
Finance costs – net		(2,873)	(156)
Share of profit/(loss) of associates	21	2,527	(276)
Profit before income tax		99,652	71,889
Income tax expense	11	(5,981)	(5,940)
Profit for the year	12	93,671	65,949
Attributable to:			
Equity holders of the Company		94,761	65,949
Minority interest		(1,090)	–
		93,671	65,949
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic and diluted	14	RMB0.58	RMB0.43
Dividends	13	12,965	12,965

The notes on pages 51 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB)

	Note	Attributable to shareholders of the Company Share capital RMB'000	Other reserve RMB'000	Retained earning RMB'000	Minority interest RMB'000	Total equity RMB'000
Balance at 1 January 2006		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
Profit for the year	27	–	–	94,761	(1,090)	93,671
Dividends	27	–	–	(12,965)	–	(12,965)
Appropriation	27	–	9,977	(9,977)	–	–
Capital injection by minority shareholders		–	–	–	24,500	24,500
Balance at 31 December 2007		**162,064**	**106,487**	**151,396**	**23,410**	**443,357**

The notes on pages 51 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in RMB)

	Note	2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	223,157	27,708
Interest paid		(2,065)	(520)
Income tax paid		(6,239)	(5,873)
Net cash generated from operating activities		214,853	21,315
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(47,303)	(47,745)
Increase in prepaid lease payments		(5,917)	(14,325)
Proceeds from disposal of property, plant and equipment		–	13
Payment for the purchase of minority interest		–	(50)
Investments in associates		(4,500)	(4,500)
Interest received		2,508	3,559
Net cash used in investing activities		(55,212)	(63,048)
Cash flows from financing activities			
New short–term bank loans		30,000	30,000
Repayment of short–term bank loans		(30,000)	–
Proceeds from issuance of shares		–	141,879
Capital contributions from minority shareholders		24,500	–
Share issue costs paid		–	(11,980)
Dividends paid		(12,965)	(58,554)
Net cash generated from financing activities		11,535	101,345
Net increase in cash and cash equivalents		171,176	59,612
Cash and cash equivalents at beginning of year		96,842	40,425
Exchange losses on cash		(3,313)	(3,195)
Cash and cash equivalents at end of year		264,705	96,842

The notes on pages 51 to 108 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 People's Republic of China (the "PRC" or "China") 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.".

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 subsidiaries (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 21 March 2008.

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) Standards, amendment and interpretations effective in 2007

HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC) – Int 8, 'Scope of HKFRS 2', 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 in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) – Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HK(IFRIC) – Int 7, 'Applying the restatement approach under HKAS 29, Financial reporting in hyper–inflationary economies'; and
- HK(IFRIC) – Int 9, 'Re–assessment of embedded derivatives'.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.
- HKFRS 8, 'Operating segments ' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision–maker. As goodwill is allocated to Groups of cash–generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.
- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions'. (effective from 1 March 2007). HK(IFRIC) – Int 11 provides guidance on whether share–based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity–settled or cash–settled share–based payment transactions in the stand–alone accounts of the parent and Group companies. The Group will apply HK(IFRIC) – Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statements.
- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) – Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Interpretations 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 and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) – Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) – Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.
- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IRFIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple–element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) – Int 13 is not relevant to the Group's operations because none of the Group's companies operate any customer loyalty programmes.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries 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 recognised directly in the income statement (Note 2.6).

Inter–company transactions, balances and unrealised 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 have been 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 provision for impairment losses (Note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(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.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.6).

The Group's share of its associates' post–acquisition profits or losses is recognised in the income statement, and its share of post–acquisition movements in reserves is recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised 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 the investments in associated companies are stated at cost less provision for impairment losses (Note 2.8). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

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 of segments operating in other economic environments.

2 Summary of significant accounting policies (continued)

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, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statements during the financial period in which they are incurred.

Depreciation is calculated using the straight–line method to write off the cost less accumulated impairment loss of each asset to its residual value over its estimated useful life, as follows:

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

Construction–in–progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction–in–progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

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 (Note 2.8).

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

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/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains 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 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 over their estimated useful lives (not exceeding three years).

2.7 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 Summary of significant accounting policies (continued)

2.8 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 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). Non–financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable, available–for–sale and held–to–maturity. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

The Group has no other financial assets except cash and cash equivalents (Note 2.11), and loans and receivables. Loans and 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. Loans and receivables are classified as “trade receivables”, “prepayment and other receivables”, and “due from related parties” in the balance sheet (Note 2.10).

Regular purchases and sales of financial assets are recognised on the trade–date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2.10.

2 Summary of significant accounting policies (continued)

2.10 Trade and other receivables

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 or delinquency in payments (more than 30 days overdue) 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.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short–term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 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.

2.13 Trade payables

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

2.14 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 Summary of significant accounting policies (continued)

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in China where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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, 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.

2.16 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 income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non–current liabilities as deferred government grants and are credited to the income statement on a straight–line basis over the expected lives of the related assets.

2 Summary of significant accounting policies (continued)

2.17 Employee benefits

Contribution to defined contribution pension scheme, medical insurance, housing fund and unemployment fund are recognised as expenses in the profit and loss accounts 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.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value–added tax, returns, rebates and discounts and after eliminating sales within 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 recognised 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) Sales of recycled packages of vehicle spare parts

Revenue from the sale of recycled packages of vehicle spare parts is recognised when significant risks and rewards of ownership of the goods are transferred to the customer, and the customer has accepted the goods and collectibility of the related receivables is reasonably assured.

2 Summary of significant accounting policies (continued)

2.18 Revenue recognition (continued)

(c) Interest income

Interest income is recognised 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.

(d) 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 (as the lessee for operating 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.

2.21 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, fair value interest rate risk, and cash flow interest rate 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.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. The finance department identifies and evaluates financial risks in close co–operation with the Group's operating units. The Board provides guidance for overall risk management, as well as specific areas, such as foreign exchange risk, interest–rate risk and credit risk.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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 is subject to foreign exchange rate risk is the bank deposits denominated in Hong Kong Dollars and United Sates Dollars. As at 31 December 2007, the Group had Hong Kong Dollars and United States Dollars denominated bank deposits amounting to approximately RMB20 million (2006: RMB60 million).

Management has set up a policy to manage the Group's foreign exchange risk against its functional currency, including term deposits to earn higher interest income to offset the loss due to appreciation of Renminbi.

As at 31 December 2007, if Renminbi had strengthened/weakened by 10% against Hong Kong Dollars with all other variables held constant, post–tax profit for the year would have been approximately RMB1,403,000 (2006: RMB5,013,000) lower/higher, mainly as a result of foreign exchange losses/gains on the translation of Hong Kong Dollars denominated bank deposits.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest–bearing assets other than cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's only interest–bearing liability is the short–term fixed rate bank loans, details of which are disclosed in Note 30. Since such liability is current in nature, the Group's exposure to the fair value interest rate risk is low.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

As at 31 December 2007 and 2006, all the Group's bank deposits are deposited in major financial institutions located in the PRC, which management believes are of high credit quality without significant credit risk.

As at 31 December 2007, approximately 67% (2006: approximately 75%) 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group has put in place policies to ensure that provision of logistics related services are made to customers with an appropriate credit history. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit limit and terms are reviewed on periodic basis, and the financial department is responsible for such monitoring procedures. In determining whether provision for impairment is required, the Group takes into consideration the future cash flows, aging status and the likelihood of collection.

In this regard, the directors of the Company are satisfied that adequate provision for impairment on trade and other receivables has been made in the financial statements after assessing the collectability of individual debts. Further quantitative disclosures in respect of the impairment of trade and other receivables are set out in Note 23 and 34.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions, as well as equity financing through shareholders.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows. As all the balances are due within 12 months, the amount equal their carrying balances, as the impact of discounting is not significant.

	Group		Company	
	31 December 2007 RMB '000	31 December 2006 RMB '000	31 December 2007 RMB '000	31 December 2006 RMB '000
Bank borrowings	30,000	30,000	30,000	30,000
Trade and other payables	284,552	239,191	263,200	238,896
Due to related parties	89,607	67,115	87,100	70,045

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as "bank loans" as shown in the consolidated balance sheet divided by the "total equity" as shown in the consolidated balance sheet.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a gearing ratio below 20%. The gearing ratios at 31 December 2007 and 2006 were as follows:

Group

	2007 RMB'000	2006 RMB'000
Bank loans	30,000	30,000
Total equity	443,357	338,151
Gearing ratio	7%	9%

3 Financial risk management (continued)

3.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, and trade and other receivables; and financial liabilities including trade and other payables, short–term borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate 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) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. 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).

(b) Income taxes and deferred tax

The Group is subject to various taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the periods in which such estimate is changed.

As at 31 December 2007, the Group has deferred tax assets of approximately RMB2,583,000. To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised for temporary differences arising from impairment provision on receivables and tax losses.

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 Revenue 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 2007 are as follows:

	2007 RMB'000	2006 RMB'000
Revenue		
Related party transactions (Note 34)		
Transportation of finished vehicles	943,656	681,088
Supply chain management for automobile components and parts	414,951	330,675
Subtotal	1,358,607	1,011,763
Transactions with unrelated parties		
Transportation of finished vehicles	9,863	1,155
Supply chain management for automobile components and parts	51,211	44,781
Transportation of non–vehicle commodities	55,339	46,778
Subtotal	116,413	92,714
Total	1,475,020	1,104,477

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 revenue 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

	2007 RMB' 000	2006 RMB' 000
Sales of recycled packages of vehicle spare parts	2,968	2,342
Others	1,056	843
	4,024	3,185

7 Expense by nature

	2007 RMB' 000	2006 RMB' 000
Transportation fee	1,210,814	906,274
Business tax	10,921	9,352
Employee benefit expense (Note 8)	87,045	65,119
Auditors' remuneration	958	988
Provision for impairment of receivables	3,869	1,365
(Reversal)/provision of impairment of due from related parties	(801)	70
Depreciation of property, plant and equipment	15,542	12,264
Amortisation of prepaid lease payments	2,385	1,072
Amortisation of intangible assets	182	616
Operating lease rentals for office premises and distribution centers	4,909	4,032
Loss on disposal of property, plant and equipment	17	13
Entertainment expense	3,089	2,576
Travelling expense	2,662	2,366
Other expenses	37,454	29,234
Total cost of sales, distribution costs and administrative expenses	1,379,046	1,035,341

8 Employee benefit expense

Employee benefit expense includes emoluments of the directors and supervisors.

	2007 RMB'000	2006 RMB'000
Wages and salaries	69,334	49,860
Pension costs – defined contribution plans	7,179	5,049
Staff and workers' bonus and welfare fund	3,766	3,250
Welfare and other expenses	6,766	6,960
Total employee benefit expense	87,045	65,119

9 Finance income

	2007 RMB'000	2006 RMB'000
Interest income	2,508	3,559

10 Finance costs

	2007 RMB'000	2006 RMB'000
Interest expense on bank loans due within one year	2,065	418
Exchange losses	3,313	3,195
Others	3	102
	5,381	3,715

11 Income tax expense

	2007 RMB'000	2006 RMB'000
Current PRC enterprise income tax ("EIT")	8,352	5,651
Deferred tax (Note 22)	(2,371)	289
	5,981	5,940

11 Income tax expenses (continued)

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

		2007		2006	
	Note	Applicable tax rate	Actual tax rate	Applicable tax rate	Actual tax rate
Company					
– Headquarter	(a)	15.0%	7.5%	15.0%	7.5%
– Nanjing branch	(a)	24.0%	12.0%	24.0%	12.0%
– Dingzhou branch	(a)	30.0%	15.0%	30.0%	15.0%
– Qingdao branch	(a)	30.0%	15.0%	30.0%	15.0%
– Wuhan branch	(a)	30.0%	15.0%	30.0%	15.0%
– Shanghai branch	(a)	15.0%	7.5%	15.0%	7.5%
Chongqing CMAL Gangcheng Logistics Company Limited (“Chongqing Gangcheng”)	(b)	24.0%	24.0%	24.0%	24.0%
Nanjing Changan Minsheng Zhu Jiu Logistics Company Limited (“Nanjing Zhujiu”)	(b)	30.0%	30.0%	Not applicable	Not applicable

(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 incurred losses during 2007 and 2006, and Nanjing Zhujiu was incorporated in July 2007 and incurred losses during 2007, no current EIT expense was incurred for these two companies.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new “CIT Law”). The new CIT Law was effective from 1 January 2008. Pursuant to detailed measures of the new CIT Law in respect of West China Development Champion, the applicable EIT rate of the Company will be 15% from 2008 to 2010, and the applicable EIT rate of both Chongqing Gangcheng and Nanjing Zhujiu will be 25% from 1 January 2008 onwards.

11 Income tax expenses (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2007 RMB'000	2006 RMB'000
Profit before tax and share of profit/(loss) of associates	97,125	72,165
Tax calculated at actual tax rates applicable to each group entities	6,343	5,665
Expenses not deductible for tax purposes	26	275
Others	(388)	–
Tax charge	5,981	5,940

The effective tax rate for the year ended 31 December 2007 was 6.0% (2006: 8.3%)

12 Profit attributable to equity holders of the Company

For the year ended 31 December 2007, profit attributable to shareholders of the Company dealt with in the financial statements of the Company amounted to approximately RMB96,190,000 (2006: RMB66,554,000).

13 Dividends

During the Board of Directors' meeting on 24 March 2006, the directors of the Company proposed to declare final dividend 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 accounted for 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.

During the Board of Directors' meeting on 28 March 2007, the directors of the Company proposed to declare final dividend of RMB0.08 per share, totalling RMB12,965,000, which was approved during the annual general meeting of shareholders on 31 May 2007. This dividend was accounted for as an appropriation of retained earnings for the year ended 31 December 2007. 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 31 December 2006.

Pursuant to the resolution of the Board of Directors dated 21 March 2008, the directors of the Company proposed to declare final dividend of RMB0.08 per share, totalling RMB12,965,000. The proposed dividend is subject to approval at the annual general meeting of shareholders in June 2008 and will be accounted for as an appropriation of retained earnings for the year ending 31 December 2008.

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 years ended 31 December 2007 and 2006, respectively.

	2007 RMB'000	2006 RMB'000
Group's profit attributable to shareholders of the Company	94,761	65,949
Weighted average number of ordinary shares in issue (in thousands)	162,064	153,731
Basic earnings per share (RMB per share)	0.58	0.43

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 years ended 31 December 2007 and 2006 are as follows:

	2007 RMB'000	2006 RMB'000
Basic salaries and allowances	316	304
Discretionary bonuses	125	105
Retirement benefit contributions	12	10
	453	419

15 Directors' and senior management's emoluments (continued)

(a) Directors' emoluments (continued)

The emoluments of the directors of the Company for the years ended 31 December 2007 and 2006 are analysed as follows:

	2007 RMB'000	2006 RMB'000
Shi Chaochun	303	269
Yin Jiaxu	–	–
Huang Zhangyun	–	–
Lu Xiaozhong	–	–
James H McAdam	–	–
Lu Guoji	–	–
Zhang Baolin	–	–
Koay Peng Yen (a)	–	–
Daniel C. Ryan	–	–
Cao Dongping	–	–
Wu Xiaohua	–	–
Lau Man Yee	–	–
Wang Xu	50	50
Peng Qifa	50	50
Chong Teck Sin	50	50
	453	419

(a) resigned in 2006

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 years ended 31 December 2007 and 2006.

15 Directors' and senior management's emoluments (continued)

(b) Supervisors' emoluments

The aggregate amounts of emoluments payable to the supervisors for the years ended 31 December 2007 and 2006 are as follows:

	2007 RMB'000	2006 RMB'000
Basic salaries and allowances	173	160
Discretionary bonuses	109	88
Retirement benefit contributions	24	20
	306	268

The emoluments of the supervisors for the years ended 31 December 2007 and 2006 are analysed as follows:

	2007 RMB'000	2006 RMB'000
Chen Haihong	123	162
Ye Guangrong	183	106
Dai Baiming (a)	–	–
Hua Zhanbiao	–	–
Tang Yizhong	–	–
	306	268

(a) resigned in 2007

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 years ended 31 December 2007 and 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 years ended 31 December 2007 and 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 years ended 31 December 2007 and 2006 are as follows:

	2007 RMB’000	2006 RMB’000
Basic salaries and allowances	485	449
Discretionary bonuses	325	281
Retirement benefit contributions	48	40
	858	770

The emoluments of the four highest paid individuals for the years ended 31 December 2007 and 2006 are analysed as follows:

	2007 RMB’000	2006 RMB’000
Individual A	225	203
Individual B	225	203
Individual C	225	203
Individual D	183	161
	858	770

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

	Number of individuals	
	2007	2006
Nil to HKD1,000,000 (equivalent to RMB935,700)	4	4

For the years ended 31 December 2007 and 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 years ended 31 December 2007 and 2006.

17 Property, plant and equipment

Group

	Buildings RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2006						
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
Year ended 31 December 2007						
Opening net book amount	98,712	2,626	3,910	16,335	2,316	123,899
Additions	–	2,857	2,538	7,170	30,854	43,419
Transfers	29,010	–	–	–	(29,010)	–
Disposals	–	–	(2)	(15)	–	(17)
Depreciation	(9,993)	(1,103)	(1,577)	(2,869)	–	(15,542)
Closing net book amount	117,729	4,380	4,869	20,621	4,160	151,759
At 31 December 2007						
Cost	147,357	7,260	10,396	29,041	4,160	198,214
Accumulated depreciation	(29,628)	(2,880)	(5,527)	(8,420)	–	(46,455)
Net book amount	117,729	4,380	4,869	20,621	4,160	151,759

17 Property, plant and equipment (continued)

Company

	Buildings RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2006						
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
Year ended 31 December 2007						
Opening net book amount	98,712	2,626	3,910	16,335	2,316	123,899
Additions	–	2,043	1,489	4,508	28,158	36,198
Transfers	26,314	–	–	–	(26,314)	–
Transfer to subsidiaries	(13,322)	–	–	–	–	(13,322)
Disposals	–	–	(2)	(15)	–	(17)
Depreciation	(9,993)	(1,006)	(1,514)	(2,729)	–	(15,242)
Closing net book amount	101,711	3,663	3,883	18,099	4,160	131,516
At 31 December 2007						
Cost	131,339	6,446	9,356	26,413	4,160	177,714
Accumulated depreciation	(29,628)	(2,783)	(5,473)	(8,314)	–	(46,198)
Net book amount	101,711	3,663	3,883	18,099	4,160	131,516

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 2007, the carrying amount of the distribution centre was approximately RMB3,057,000 (2006: approximately RMB3,576,000).

17 Property, plant and equipment (continued)

As at 31 December 2007, buildings with an aggregate carrying amount of approximately RMB31,999,000 (2006: RMB13,408,000) was pledged as security for the Company's bank loans of RMB30,000,000 (Note 30).

As at 31 December 2007, buildings with an aggregate carrying amount of approximately RMB21,613,000 (2006: nil) was pledged as security for the undrawn banking facilities amounting to RMB50,000,000 (Note 30).

As at 31 December 2007, the Company was in the process of the obtaining the legal title of buildings with carrying amount of approximately RMB18,917,000 (2006: RMB5,362,000).

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

	2007 RMB'000	2006 RMB'000
Cost of sales	12,676	10,185
Distribution costs	1,035	1,189
Administrative expenses	1,831	890
	15,542	12,264

18 Prepaid lease payments

	Group	Company
	Land use right	Land use right
	RMB'000	RMB'000
Cost		
At 1 January 2006	52,502	52,502
Additions	14,325	14,325
At 31 December 2006	66,827	66,827
Additions	5,917	5,245
Transfer to a subsidiary (Note 20)	–	(12,884)
At 31 December 2007	72,744	59,188
Amortisation		
At 1 January 2006	1,829	1,829
Additions	1,072	1,072
At 31 December 2006	2,901	2,901
Additions	2,385	2,334
Transfer to a subsidiary (Note 20)	–	(172)
At 31 December 2007	5,286	5,063
Net book value		
At 31 December 2006	63,926	63,926
At 31 December 2007	67,458	54,125

Amortisation of prepaid lease payments 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:

	2007 RMB'000	2006 RMB'000
In Chongqing, held on:		
Leases of between 10 and 50 years	52,456	52,586
Outside Chongqing, held on:		
Leases of between 10 and 50 years	15,002	11,340
	67,458	63,926

As at 31 December 2007, land use right with an aggregate carrying amount of RMB22,590,000 (2006: RMB8,359,000) was pledged as security for the Company's bank loans of RMB30,000,000 (Note 30).

As at 31 December 2007, land use right with an aggregate carrying amount of approximately RMB8,638,000 (2006: nil) was pledged as security for the undrawn banking facilities amounting to RMB50,000,000 (Note 30).

19 Intangible assets

Company and Group

	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2006	2,222	508	2,730
Addition	–	497	497
Amortisation	–	(616)	(616)
At 31 December 2006	2,222	389	2,611
Additions	–	200	200
Amortisation	–	(182)	(182)
At 31 December 2007	2,222	407	2,629

Company and Group

	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
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
At 31 December 2007			
Cost	4,000	2,201	6,201
Accumulated amortisation	(1,778)	(1,794)	(3,572)
Net book amount	2,222	407	2,629

Amortisation of approximately RMB182,000 in 2007 (2006: approximately RMB616,000) 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.

19 Intangible assets (continued)

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. Cash flows beyond the five–year period are extrapolated using the estimated growth rates stated below. 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:	10.33%
Growth rate:	5%
Pre tax discount rate	17.48%

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 Investments in subsidiaries

	Company	
	2007	2006
	RMB'000	RMB'000
Investment at cost:		
Unlisted shares — Chongqing Gangcheng	9,980	5,000
Unlisted shares — Nanjing Zhujiu	25,500	–
	35,480	5,000

20 Investments in subsidiaries (continued)

The Company had direct interest in the following subsidiaries:

Name of subsidiary	Place of incorporation and kind of legal entity	Registered capital RMB'000	Principal activities and place of operation	Investment amount RMB' 000	Interest held at 31 December 2007	2006
Chongqing Gangcheng	Chongqing, PRC, Limited liability company	9,980	Providing logistics services in PRC	9,980	100%	100%
Nanjing Zhujiu	Nanjing, PRC, Limited liability company	100,000	Providing logistics services in PRC	25,500	51%	Not applicable

During the year ended 31 December 2006, 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.

During the year ended 31 December 2007, the Company and two independent parties (together, the "Investors"), established Nanjing Zhujiu in which the Company has a 51% interests. As at 31 December 2007, Nanjing Zhujiu had received capital injection from its Investors of RMB50,000,000 in aggregate, in which, contribution by the Company comprised cash of RMB11,119,000 and land use right with net book value of RMB12,712,000 as at 31 December 2007 (Note 18).

21 Investments in associates

	Group		Company	
	2007 RMB' 000	2006 RMB' 000	2007 RMB' 000	2006 RMB' 000
At 1 January	7,324	3,100	7,600	3,100
Additions	4,500	4,500	4,500	4,500
Share of profit/(loss) of associates	2,527	(276)	–	–
At 31 December	14,351	7,324	12,100	7,600

21 Investments in associates (continued)

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

Name	Registered capital	Location	Assets	Liabilities	Revenue	Profit/(loss)	Interest held
	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	
2007							
Wuhan Changan Minfutong Logistics Company Limited ("Wuhan Minfutong")	10,000	Wuhan, PRC	7,664	3,125	3,893	1,575	31%
Chongqing Terui Transportation Service Company Limited ("Chongqing Terui")	20,000	Chongqing, PRC	14,057	4,245	19,374	952	45%
			21,721	7,370	23,267	2,527	
2006							
Wuhan Minfutong	10,000	Wuhan, PRC	3,034	70	333	(136)	31%
Chongqing Terui	10,000	Chongqing, PRC	11,978	7,618	2,776	(140)	45%
			15,012	7,688	3,109	(276)	

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

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets				
– Deferred tax asset to be recovered after more than 12 months	1,017	–	–	–
– Deferred tax asset to be recovered within 12 months	1,566	212	1,566	212
	2,583	212	1,566	212

22 Deferred income tax (continued)

Movement in deferred tax assets is as follows:

Group

	Provision for impairment of receivables	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	118	–	383	501
Credited/(debited) to the income statement (Note 11)	49	45	(383)	(289)
At 31 December 2006	167	45	–	212
Credited to the income statement (Note 11)	603	972	796	2,371
At 31 December 2007	770	1,017	796	2,583

Company

	Provision for impairment of receivables	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	118	–	383	501
Credited/(debited) to the income statement (Note 11)	49	45	(383)	(289)
At 31 December 2006	167	45	–	212
Credited/(debited) to the income statement (Note 11)	603	(45)	796	1,354
At 31 December 2007	770	–	796	1,566

23 Trade receivables

	Company and Group 2007 RMB'000	Company and Group 2006 RMB'000
Accounts receivable (Note (a))	23,568	25,019
Bills receivable (Note (b))	53,366	50,463
	76,934	75,482

(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 2007 and 2006 were as follows:

	Company and Group 2007 RMB'000	Company and Group 2006 RMB'000
0 to 90 days	12,485	14,809
91 to 180 days	6,814	4,199
181 to 365 days	5,022	2,516
Over 1 year	4,376	4,916
	28,697	26,440
Less: provision for impairment of receivables	(5,129)	(1,421)
	23,568	25,019

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2007 and 2006, trade receivables of approximately RMB6,814,000 and RMB4,199,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Company and Group 2007 RMB'000	Company and Group 2006 RMB'000
91 to 180 days	6,814	4,199

23 Trade receivables (continued)

As at 31 December 2007 and 2006, trade receivables of RMB9,398,000 and RMB7,432,000 were impaired. The amount of the provision was RMB5,129,000 and RMB1,421,000 as at 31 December 2007 and 2006. The individually impaired receivables mainly relate to certain customers, which are in difficult financial situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Company and Group 2007 RMB'000	Company and Group 2006 RMB'000
181 to 365 days	5,022	2,516
Over 1 year	4,376	4,916
	9,398	7,432

(b) Ageing analysis of bills receivable at 31 December 2007 and 2006 were as follows:

	Company and Group 2007 RMB'000	Company and Group 2006 RMB'000
0 to 180 days	53,366	50,463

As at 31 December 2007, bills receivable amounted to RMB20,000,000 (2006: RMB34,500,000) were pledged for bills payable (Note 29).

23 Trade receivables (continued)

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

	Company and Group 2007 RMB'000	Company and Group 2006 RMB'000
At 1 January	1,421	56
Provision for impairment of trade receivables	3,869	1,365
Write–off of impaired trade receivables	(161)	–
At 31 December	5,129	1,421

The Group has recognised the provision for impairment of trade receivables in administrative expenses in the consolidated income statement.

The carrying amounts of trade receivables represent their fair values.

As at 31 December 2007, approximately 67% (2006: approximately 75%) 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

	Group 2007 RMB'000	Company 2007 RMB'000	Company and Group 2006 RMB'000
Prepayment	23,427	22,314	6,709
Other receivables	5,326	5,213	4,786
	28,753	27,527	11,495

The carrying amounts of prepayment and other receivables represent their fair values.

25 Cash and cash equivalents and restricted cash

(a) Restricted cash

As at 31 December 2007, cash of RMB16,000,000 (2006: RMB20,000,000) was pledged as security for the Group and the Company's bills payable (Note 29).

(b) Cash and cash equivalents

The cash and cash equivalents in foreign currencies are as follows:

	Company and Group 2007 RMB'000	Company and Group 2006 RMB'000
Hong Kong Dollars ("HKD")	16,616	58,974
United States Dollars ("USD")	3,522	1,370
	20,138	60,344

All the cash and cash equivalents are deposited with banks in PRC except for the equivalent amount of approximately RMB34,000 (2006: RMB1,217,000) 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 foreign shares RMB'000	H shares RMB'000	Total RMB'000
Registered, issued and fully paid:					
At 1 January 2006					
(nominal value of RMB1.00 each)	112,064	70,600	41,464	–	112,064
Domestic shares converted into H shares (a)	–	(5,000)	–	5,000	–
Issue of new shares upon listing (b)	50,000	–	–	50,000	50,000
At 31 December 2006 and 2007					
(nominal value of RMB1.00 each)	162,064	65,600	41,464	55,000	162,064

(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 HKD2.70 (equivalent to RMB2.80) each.

The Company raised net proceeds of approximately RMB125,150,000 from the issue 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 sale 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	Statutory surplus reserve fund	Statutory public welfare fund	Discretionary surplus reserve fund	Share issue costs	Retained earnings	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
	Note (a)	Note (b)	Note (b)	Note (c)			
At 1 January 2006	–	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 (Note (c))	–	–	(4,835)	4,835	–	–	–
At 31 December 2006	75,150	16,525	–	4,835	–	80,186	176,696
Net profit for the year	–	–	–	–	–	96,190	96,190
Dividends (Note 13)	–	–	–	–	–	(12,965)	(12,965)
Appropriation (Note (b))	–	9,977	–	–	–	(9,977)	–
At 31 December 2007	75,150	26,502	–	4,835	–	153,434	259,921

Group

	Capital surplus	Statutory surplus reserve fund	Statutory public welfare fund	Discretionary surplus reserve fund	Share issue costs	Retained earnings	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
	Note (a)	Note (b)	Note (b)	Note (c)			
At 1 January 2006	–	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 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 (Note (c))	–	–	(4,835)	4,835	–	–	–
At 31 December 2006	75,150	16,525	–	4,835	–	79,577	176,087
Net profit for the year	–	–	–	–	–	94,761	94,761
Dividends (Note 13)	–	–	–	–	–	(12,965)	(12,965)
Appropriation (Note (b))	–	9,977	–	–	–	(9,977)	–
At 31 December 2007	75,150	26,502	–	4,835	–	151,396	257,883

27 Reserves (continued)

(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 2007, approximately RMB9,977,000 (2006: 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 Deferred income

The movement of deferred income is as follows:

	Company and Group 2007 Rmb'000
At 1 January	–
Additions	1,272
Credited to the income statement	(247)
At 31 December	1,025

In accordance with Cai Shui Zi [2000] No. 49 "The Notice concerning the Reduction in Corporate Income Tax for Purchase of Domestic Manufactured Equipment by Enterprises with Foreign Investment and Foreign Enterprises" issued by the Ministry of Finance and State Tax Bureau, part of the purchase costs of the domestic manufactured equipment could be utilised to reduce the Company's enterprise income tax.

In accordance with the approvals issued by the tax bureau of Chongqing Technological Economic Development Zone, with respect to the application for income tax reduction applied by the Group relating to the purchase of domestic manufactured equipment in 2006, the Group is entitled to a tax reduction of RMB1,272,000, which were all utilised to offset the Group's income tax liability for 2007. The reduction of the Group's income tax liability were recorded as deferred income and are recognised as deduction to cost of sales on a straight–line basis over the estimated useful lives of the related assets.

29 Trade and other payables

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts payable	169,894	141,313	154,408	141,313
Bills payable (b)	30,600	46,000	30,600	46,000
Other payables	77,342	46,984	71,844	46,823
Other taxes	6,716	4,894	6,348	4,760
	284,552	239,191	263,200	238,896

(a) Ageing analysis of accounts payable was as follows:

	Group	Company	Company and Group
	2007	2007	2006
	RMB'000	RMB'000	RMB'000
0 to 90 days	164,568	149,082	139,605
91 to 180 days	3,911	3,911	756
181 to 365 days	731	731	604
Over 1 year	684	684	348
	169,894	154,408	141,313

(b) As at 31 December 2007, all the bills payable were due within 6 months, and secured by bank deposits of RMB16,000,000 (2006: RMB20,000,000) (Note 25(a)) and bills receivable of RMB20,000,000 (2006: RMB34,500,000) (Note 23(b)).

30 Short–term bank loans

	Company and Group 2007 RMB'000	Company and Group 2006 RMB'000
Secured bank loans	30,000	30,000

As at 31 December 2007, the bank loans were secured by the buildings and land use right of the Company with carrying amount of RMB31,999,000 (2006: RMB13,408,000) and RMB22,590,000 (2006: RMB8,359,000) respectively (Note 17 and 18).

The effective interest rate of the short–term bank loans was 6.48% (2006: 6.12%) for the year ended 31 December 2007.

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

As at 31 December 2007, the Group had undrawn borrowing facilities of RMB50,000,00 (2006: Nil). Such facility is an annual facility and subject to renewal at the end of 2008. The borrowing facilities were secured by buildings and land use right of the Company with carrying amount of RMB21,613,000 and RMB8,638,000 respectively (Note 17 and 18).

31 Commitments

(a) Capital commitments

The Group's capital expenditure at the balance sheet date but not yet incurred is as follows:

	2007 RMB'000	2006 RMB'000
Property, plant and equipment		
Contracted but not provided for	24,283	–
Authorised but not contracted for	56,297	–
Prepaid lease payments		
Contracted but not provided for	13,501	–
	94,081	–

31 Commitments (continued)

(b) Operating lease commitments

The future aggregate minimum lease payments under non–cancellable operating leases of the Group are as follows:

	2007 RMB'000	2006 RMB'000
Not later than one year	2,869	3,697
Later than one year and not later than five years	1,571	3,593
	4,440	7,290

32 Contingent liabilities

As at 31 December 2007, the Group did not have any significant contingent liabilities.

33 Notes to consolidated cash flow statement

	2007 RMB'000	2006 RMB'000
Profit before tax	99,652	71,889
Finance costs	5,381	3,715
Finance income	(2,508)	(3,559)
Provision for impairment of receivables and due from related parties	3,068	1,435
Loss on disposal of property, plant and equipment	17	13
Depreciation of property, plant and equipment	15,542	12,264
Amortisation of prepaid lease payments	2,385	1,072
Amortisation of intangible assets	182	616
Share of (profit)/loss of associates	(2,527)	276
Amortisation of deferred income	(247)	–
Changes in working capital:		
Trade and other receivables	(22,579)	(53,257)
Due from related parties	49,257	(25,929)
Restricted cash pledged for bills payable	4,000	(20,000)
Trade and other payables	49,041	11,526
Due to related parties	22,493	27,647
Cash generated from operations	223,157	27,708

34 Related party transactions

(a) For the year ended 31 December 2007, related parties, other than the subsidiaries, 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 Property Management Company Limited ("Changan Property Management")	Subsidiary of Changan Co.
Chongqing Changan Construction Company Limited ("Changan Construction")	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 International Sales and Services Company Limited ("Changan International Sales", formerly named as Chongqing Changan Import and Export Company Limited)	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")	Jointly controlled entity of Changan Automobile
Changan Ford Mazda Engine Company Limited ("Changan Ford Engine")	Jointly controlled entity of Changan Automobile
Chonqing Ante Import and Export Trading Company Limited ("Chongqing Ante")	Subsidiary of Changan Ford
Chongqing Tsingshan Industries Company Limited ("Chongqing Tsingshan")	Subsidiary of CS Automobile
Wuhan Minfutong	Associate
Chongqing Terui	Associate
Beijing Changjiu Logistics Company Limited ("Beijing Changjiu")	Minority shareholder of a subsidiary
Sumitomo Corporation ("Sumitomo")	Minority shareholder of a subsidiary

34 Related party transactions (continued)

(b) For the year ended 31 December 2007, 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) Revenue from rendering of transportation of finished vehicles services

	2007 RMB'000	2006 RMB'000
Changan Ford	491,590	287,769
Changan Automobile	270,573	211,229
Changan Hebei	143,675	143,235
Changan Nanjing	33,788	32,937
Changan Suzuki	4,030	5,918
	943,656	681,088

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

	2007 RMB'000	2006 RMB'000
Changan Ford	276,365	217,983
Changan Ford Engine	16,750	19,573
Chongqing Ante	3,360	–
Changan Hebei	34,157	27,857
Changan Automobile	33,496	34,047
Changan International Sales	10,956	10,619
Changan Suzuki	7,407	5,658
Changan Nanjing	7,635	3,914
Changan Jinling	8,161	7,225
Jiangling Holding	15,144	2,500
Changan Co.	723	468
Chongqing Tsingshan	773	535
Changan Lingyun	24	296
	414,951	330,675

34 Related party transactions (continued)

(iii) Transportation services provided by related parties

	2007 RMB'000	2006 RMB'000
Minsheng Logistics	118,423	104,188
Minsheng International Freight	63,829	62,823
Minsheng Shipping	83,453	42,013
Chongqing Changan Transportation Company Limited ("Changan Transportation")	–	5,548
Chongqing Terui	32,927	3,245
Wuhan Minfutong	8,448	–
Beijing Changjiu	40,975	–
	348,055	217,817

In 2007, due to the change of shareholders' structure, Changan Co. sold all its equity interests of Changan Transportation. The directors of the Company are of the opinion that Changan Transportation was not a related party of the Group, and the transactions with Changan Transportation was not disclosed as related party transactions after Changan Co. sold its equity.

(iv) Construction services provided by related parties

	2007 RMB'000	2006 RMB'000
Changan Construction	8,184	–

(v) Payment of rentals by the Group

	2007 RMB'000	2006 RMB'000
Chongqing Changan Yuanda Transportation Company Limited ("Changan Yuanda")	–	784

In 2007, due to the change of shareholders' structure, Changan Co. sold all its equity interests of Changan Yuanda. The directors of the Company are of the opinion that Changan Yuanda was not a related party of the Group, and the transactions with Changan Yuanda was not disclosed as related party transactions after Changan Co. sold its equity.

34 Related party transactions (continued)

(c) As at 31 December 2007, the related party balances were shown as follows:

Due from related parties

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Balance from rendering of services				
Changan Automobile	64,572	77,860	31,356	75,860
Changan Ford	60,003	103,839	56,092	103,839
Changan Ford Engine	2,128	7,022	448	7,022
Changan Hebei	49,297	64,197	49,297	64,197
Changan Nanjing	30,159	12,953	30,159	12,953
Chongqing Tsingshan	126	137	126	137
Changan Lingyun	49	299	49	299
Changan Suzuki	1,893	902	1,893	902
Changan International Sales	1,346	1,824	1,346	1,824
Changan Co.	563	177	563	177
Jiangling Holding	4,759	5	4,759	5
Changan Jinling	2,911	2,578	2,911	2,578
Nanjing Zhujiu	–	–	7,637	–
	217,806	271,793	186,636	269,793
Less: provision for impairment of due from related parties (Note (a))	–	(801)	–	(795)
Subtotal	217,806	270,992	186,636	268,998
Balance of deposits for service quality guarantee (Note (b))				
Changan Ford	2,970	711	985	711
Changan Automobile	4,902	3,592	4,902	3,592
Changan Hebei	798	600	828	600
Changan Nanjing	828	–	798	–
Changan Suzuki	154	19	154	19
Subtotal	9,652	4,922	7,667	4,922
Balance from subsidiaries				
Chongqing Gangcheng	–	–	9,155	–
Nanjing Zhujiu	–	–	7,614	–
Subtotal	–	–	16,769	–
Total	227,458	275,914	211,072	273,920

34 Related party transactions (continued)

Note

(a) For the year ended 31 December 2007, the Group has reversed the provision for the impairment of balances due from related parties, and credited to the consolidated income statement in administrative expenses of approximately RMB801,000.

(b) Deposits for service quality guarantee represents the deposits paid by the Group 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 2007, approximately 67% (2006: approximately 75%) 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 2007 and 2006 were as follows:

	Group		Company	
	2007	2006	2007	2006
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
0 to 90 days	167,311	268,042	136,141	266,042
91 to 180 days	47,656	3,742	47,656	3,742
181 to 365 days	2,826	9	2,826	9
Over 1 year	13	–	13	–
Total	217,806	271,793	186,636	269,793

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

	Group		Company	
	2007	2006	2007	2006
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
At 1 January	801	731	795	731
(Reversal)/provision of impairment of balances due from related parties	(801)	70	(795)	64
At 31 December	–	801	–	795

34 Related party transactions (continued)

Due to related parties

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Balance from transportation services provided by related parties				
Minsheng Logistics	14,588	33,341	13,202	33,341
Minsheng International Freight	31,528	27,659	31,219	27,659
Minsheng Shipping	25,253	6	24,907	6
Changan Transportation	–	2,783	–	2,783
Wuhan Minfutong	4,018	–	4,018	–
Chongqing Terui	9	2,230	9	2,230
Beijing Changjiu	13,350	–	12,652	–
Subtotal	88,746	66,019	86,007	66,019
Balance from office premises lease services provided by related party				
Changan Yuanda	–	942	–	942
Balance from timely settlement compensation fee payable to related party				
Changan Automobile	596	154	596	154
Balance from construction services provided by related party				
Changan Construction	265	–	265	–
Balance due to subsidiaries				
Chongqing Gangcheng	–	–	131	2,930
Nanjing Zhujiu	–	–	101	–
Subtotal	–	–	232	2,930
Total	89,607	67,115	87,100	70,045

34 Related party transactions (continued)

Ageing analysis of due to related parties at 31 December 2007 and 2006 were as follows:

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	84,981	62,421	82,474	65,351
91 to 180 days	3,809	4,269	3,809	4,269
181 to 365 days	229	425	229	425
Over 1 year	588	–	588	–
	89,607	67,115	87,100	70,045

As at 31 December 2007 and 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.

35 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.

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 2007, no share appreciation rights have been granted under the SARIS.

36 Subsequent event

As at 31 December 2007, except those disclosed in other notes of the financial statements, the Company had no material events after the balance sheet date.