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)

2008 Annual Report

* For identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

This report includes particulars given in compliance with the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 announcement. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

Executive Directors
Yin Jiaxu (Chairman)
Zhang Baolin
Lu Xiaozhong
Shi Chaochun
James H McAdam

Non–Executive Directors
Lu Guoji (Vice Chairman)
Huang Zhangyun
Daniel C. Ryan
Li Ming
Wu Xiaohua
Lau Man Yee, Vanessa

Independent Non–Executive Directors
Wang Xu
Peng Qifa
Chong Teck Sin

Supervisors
Hua Zhanbiao
Tang Yizhong
Wu Jun
Ye Guangrong
Chen Haihong

General Manager
Shi Chaochun

Deputy General Managers
Li Xiwen, Huang Yong and 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
Zhang Baolin

Authorised Representative
Huang Zhangyun
Shi Chaochun

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

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

Principal Bankers
China Minsheng Bank Limited, Chongqing Branch
China Merchants Bank Limited, Chongqing Branch
China Construction Bank Limited, Chongqing Branch

H–shares Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Rooms 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

Registered Office in the PRC
Liangjing Village, Yuanyang Town
Yubei District
Chongqing, the PRC

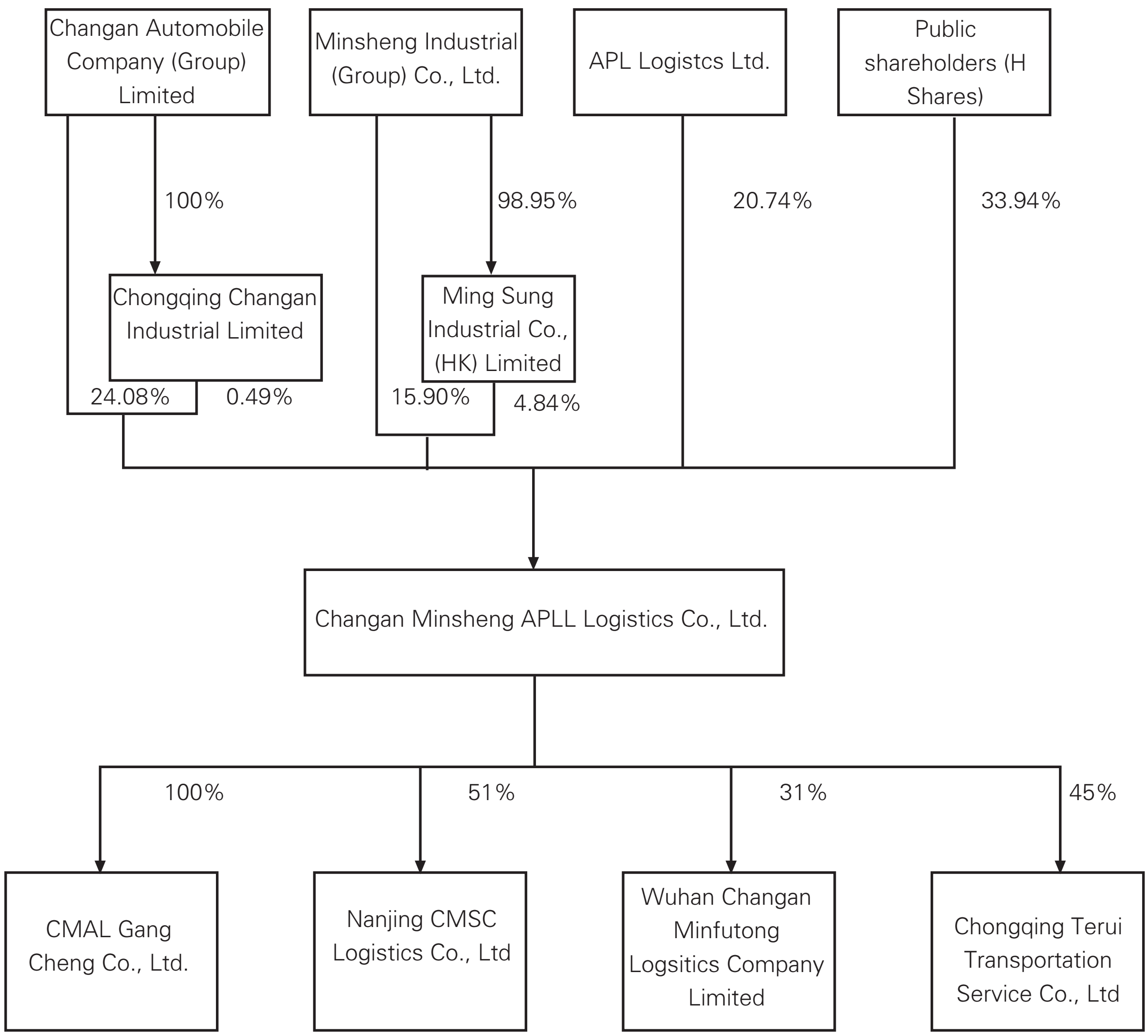
Office and Address of Correspondence
No. 561 Hongjin Road, Yubei District, Chongqing, the PRC
Zip Code: 401121

Head Office in Hong Kong
16/F, 144–151 Singga Commercial Centre
Connaught Road West
Hong Kong

Stock Code
8217

Website
http://www.camsl.com

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 2008 (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				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,565,237	1,475,020	1,104,477	882,176	823,504
Profit before taxation	123,149	99,652	71,889	63,660	42,595
Income tax	19,410	5,981	5,940	5,799	–
Profit for the year	103,739	93,671	65,949	57,861	42,595
Profit attuibutable to the following parties:					
Minority interest	3,444	(1,090)	–	–	–
Equity holders of the Company	100,295	94,761	65,949	57,861	42,595
	RMB	RMB	RMB	RMB	RMB
Earnings per share *(Note 1)*	0.62	0.58	0.43	0.52	0.40
Dividends per share	0.09 (including tax) *(Note 2)*	0.08 (including tax)	0.08 (including tax)	0.11 (including tax)	0.25 (including tax)

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 2004, 2005, 2006, 2007 and 2008 by the weighted average number of respectively, 106,439,000, 112,064,000, 153,730,667, 162,064,000 and 162,064,000 shares in issue for the respective years ended 31 December 2004, 2005, 2006, 2007 and 2008 respectively.

Note 2: This is the final dividend for the year ended 31 December 2008 which the board of directors proposed to distribute, pending approval at the annual general meeting of the Company.

ASSETS AND LIABILITIES

Set out below is the summary of the Group's balance sheet for the five years ended 31 December 2008 (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				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non–current assets	329,370	238,780	197,972	141,559	113,402
Current assets	565,056	613,850	479,733	325,565	282,071
Total assets	889,426	852,630	677,705	467,124	395,473
Non–current liabilities	10,315	1,025	–	–	–
Current liabilities	344,980	408,248	339,554	306,944	248,370
Minority interest	26,854	23,410	–	50	–
Total liabilities and minority interest	382,149	432,683	339,554	306,994	248,370
Total Equity	534,131	443,357	338,151	160,180	147,103

On behalf of the board of directors ("the Board") of the Company, I am pleased to present the annual report of the Group for the year ended 31 December 2008 to all shareholders of the Company.

ANNUAL RESULTS

2008 was a challenging year for the PRC economy. Amongst others, the snowstorm at the beginning of the year, the earthquake in Wenchuan, Sichuan in May and the global financial turmoil had seriously affected the domestic economy. With the deepening US subprime mortgage crisis and its adverse influence on global financial systems, the global economic growth slowed in the second half of 2008. In addition to weakening domestic demand, China saw a slowdown in exports in 2008 with the gross national products falling 2.4% to 9.0% compared to 2007.

With the challenges in the PRC's macro economic environment, consumer confidence and hence the demand for automobile products are declining. This has also affected the growth momentum of China's automobile industry which had shown strong growth in the past few years. In 2008, the automobile production volume and sales volume in the PRC were 9,345,100 vehicles and 9,380,500 vehicles respectively, or an increase of 5.21% and 6.70% respectively compared to 2007. However, the growth rate of the production volume and sales volume were, respectively, 16.81 and 15.14 percentage points lower than those of 2007.

The Group's customers are mainly in the automobile industry. Compared to 2007, the total automobile production volume and sales volume of some of the Group's customers in 2008 were about the same but some experienced slower production and sales activities. As one of the third party logistics services providers in China, in 2008, the Group was able to maintain moderate growth in 2008 through its creative logistics services ideas, extensive logistics plans and experience, well–established service network throughout the PRC and advanced information and technology systems, continue to actively explore new markets and extend the existing scope of its logistics services.

For the year ended 31 December 2008, the Group's revenue was RMB1,565,237,000, up approximately 6.12% from the same period in 2007. Profits attributable to shareholders of the Company were RMB100,295,000, up approximately 5.84% from the same period in 2007. Earnings per share was RMB0.62 for the year ended 31 December 2008 (2007:RMB0.58).

ANNUAL REVIEW

Market Expansion

During the reporting period, the Company strengthened its relationship with its existing customers and established a more solid customer base. Leveraging on its existing customer base, the Group extended its scope of logistics services and further explored growth opportunities actively. During the reporting period, the Group fully participated in the car components and parts packaging services of Chongqing Changan Automobile Company Limited ("Changan Automobile"), implemented new projects that enhanced the efficiency of its logistics services, actively explored logistics business in relation to the export of car parts manufactured by Changan Ford Mazda Automobile Co., Ltd. ("Changan Ford Mazda") and strengthened the Company's heavy truck logistics services.

Awards

Operating results of the Company were recognised by the community. Being elected by the Modern Logistics News and the organising committee of China International Logistics Technology and Services Exhibition, the Company was awarded the Outstanding Automotive Logistics Enterprise of the 2007–2008 – China Annual Logistics Outstanding Contributions on 24 May 2008. The Company was also elected as The 2008 China Freight Forwarding Logistics Enterprise Credit AAA Unit by China International Freight Forwarders Association on 12 July 2008. On 12 September 2008, the Company was elected as one of the First Batch of Important Logistics Enterprises in Chongqing.

In 2009 the Company won the prize of "Top Ten Enterprises in 2008" awarded by Chongqing Foreign Trade and Economic Relations Commission. The Company was awarded the Advanced Unit of Opening–up Economy in 2008 in Chongqing by the Chongqing Municipal Government on 6 February 2009.

OUTLOOK AND PROSPECTS

In order to cope with the financial crisis and to stimulate the PRC economy, a series of economic stimulus measures has been introduced and gradually carried out since the end of 2008 by the Chinese government. With a view to further encouraging the development of automobile industry, the PRC government had introduced policies and measures on reviving the PRC automobile industry in January 2009. With the implementation of the economic stimulus plans, the Company believed that China's increasing domestic demand will boost the domestic automobile production and sales activities. The Board also believes that sales tax benefits for the low–emission vehicles and the stimulus plans introduced by the government to boost the demand for automobiles in the rural areas will benefit the Group's sales.

In 2009, the Group will seek to continue to strengthen its relationships with its existing customers and expand the scope of services for them, explore new opportunities for business development, enhance its marketing initiatives and strengthen communication with other well–established industry players to explore cooperation opportunities.

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

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

Chairman
Yin Jiaxu

Chongqing, the PRC
20 March 2009

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.

During the reporting period, the PRC economy maintained a moderate growth, and the GDP grew 9%, as compared with the corresponding period of 2007. In 2008, sales in the automotive industry, to which important customers of the Group belong, increased 6.7% which has factored in the impact of the global financial crisis on the PRC economy. The sales volume of some of the Group's customers which are mainly finished vehicles manufacturers was about the same compared to last year, but some others recorded lower sales volume. Through a more extensive scope of logistics services and better after–sales services provided by the Group, for the year ended 31 December 2008, the revenue of the Group was approximately RMB1,565,237,000, up approximately 6.12% from RMB1,475,020,000 of last year.

Transportation of Finished Vehicles

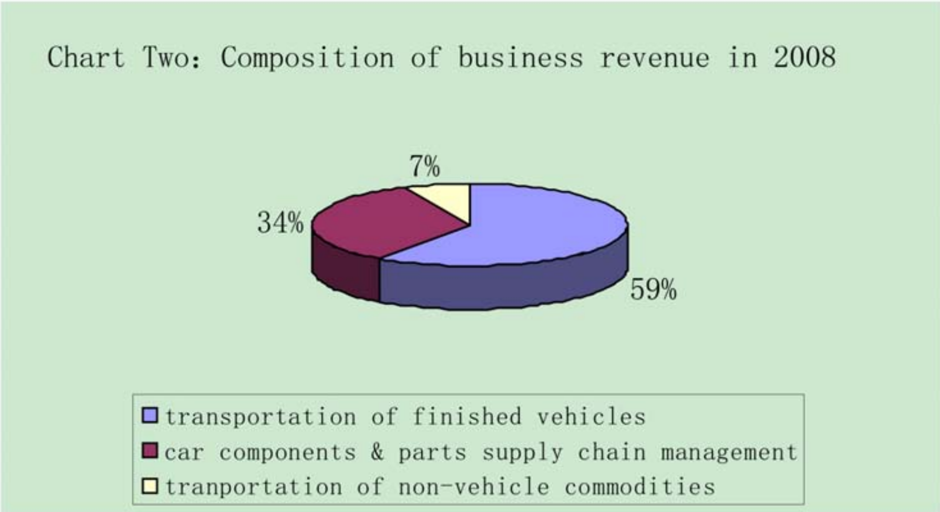
For the year ended 31 December 2008, the revenue from the finished vehicles transportation services was RMB936,682,000, down approximately 1.77% from RMB953,519,000 of last year.

Car Components & Parts Supply Chain Management

During the reporting period, the revenue from the car components & parts supply chain management services was RMB526,013,000, up approximately 12.84% from RMB466,162,000 of last year.

Transportation of Non–vehicle Commodities

During the reporting period, the Group actively explored the non–vehicle commodities markets (including transportation of steels, large sized equipment and bulk cargoes, etc.), and recorded satisfactory results. The revenue of the Group from such services was RMB102,542,000, up approximately 85.30% from RMB55,339,000 of last year.



Profit Attributable to Equity Holders of the Company

For the year ended 31 December 2008, the profit attributable to equity holders of the Company was RMB100,295,000, up approximately 5.84% from RMB94,761,000 of last year.

Logistics Services Network

In order to broaden its services network and enhance its services capability, the Company strengthened the infrastructure of its group companies and branches by better utilising the information technology system and managing them in a more scientific way. As at 31 December 2008, the Company had a total of 16 branches, subsidiaries, associated companies and representative offices, which are mainly located in East China, Central China, North China, South China and Southwest China (Chart Three). The continuous enhancement of service network enables the Group to provide logistics services to different parts of the country.

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2008 was RMB1,565,237,000 (2007: RMB1,475,020,000), up approximately 6.12% from the previous financial year. The revenue increase was mainly attributable to the increase of the revenue in connection with the transportation of non–vehicle commodities due to the active exploration and development of the new logistics businesses by the Group. Besides, the revenue for car components and parts supply chain management services also increased satisfactorily.

Cost of sales and gross profit margin

For the year ended 31 December 2008, the Group's cost of sales was RMB1,352,971,000 (2007: RMB1,316,180,000), up approximately 2.80% from the previous financial year. During the reporting year, the Group tightened control on cost of sales which caused the annual growth rate of the cost of sales to increase less proportionately than the increase in the revenue. Accordingly, there was also an improvement in gross profit margin in 2008. For the year ended 31 December 2008, the Group's gross profit margin was approximately 13.56% (2007: 10.77%).

Distribution Expenses

The Group's distribution expenses of RMB47,443,000 for the year ended 31 December 2008 represented approximately 3.03% of the Group's revenue during the year (2007: 2.05%).

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 increased by approximately 57.21% from last year due to the increase in market expansion activities as well as the increase in social security cost of the staff of the Company.

Administrative Expenses

The Group's administrative expenses increased from RMB32,687,000 in 2007 to RMB44,880,000 in 2008. Nanjing CMSC Logistics Co., Ltd. ("Nanjing CMSC"), a subsidiary of the Company, was incorporated in July 2007. Accordingly, Nanjing CMSC had only incurred administrative expenses for less than six months in 2007. But in 2008 Nanjing CMSC's administrative expenses were consolidated into the financial statements of the Group for the full year of 2008, which led to the significant increase in the Group's administrative expenses in 2008. Besides, the increase in depreciation and social security cost of the staff also caused the increase in the Group's administrative expenses in 2008.

Finance Costs

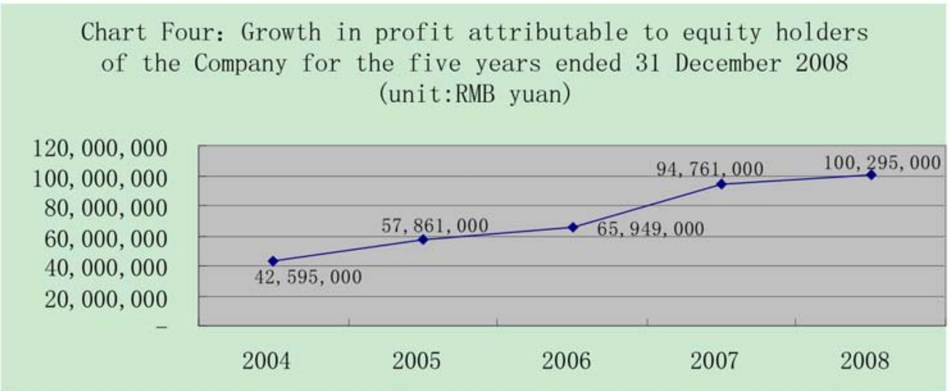
The Group's finance costs for the year amounted to RMB3,563,000 (2007: RMB5,381,000) which included interests on bank loans borrowed to provide more liquid funds and the exchange loss on foreign currency deposits. As at 31 December 2008, the Group had no bank borrowings.

Taxation

The effective tax rate of the Group increased from 6% in 2007 to approximately 15.76% in 2008, which led to an increase in the income tax expenses for the year from RMB5,981,000 to RMB19,410,000.

Profit Attributable to Equity Holders

During the year, the profit attributable to equity holders of the Company was RMB100,295,000, up approximately 5.84% from the previous financial year.



Dividends

The Board recommended the payment of a final dividend of RMB0.09 (including tax) (2007: RMB0.08 (including tax)) per share for the year ended 31 December 2008 to shareholders registered in the register of members of the Company on 18 June 2009. The final dividend is expected to be payable on or before 30 September 2009 upon approval of the Board's proposal by shareholders at the annual general meeting.

Liquidity and Financial Resources

The Group maintained a sound position for the year ended 31 December 2008. As at 31 December 2008, the balance of the Group's cash and bank deposit was RMB133,239,000 (31 December 2007: RMB264,705,000). As at 31 December 2008, total assets of the Group amounted to RMB889,426,000 (31 December 2007: RMB852,630,000). Capital resources were current liabilities of RMB344,980,000 (31 December 2007: RMB408,248,000), non–current liabilities of RMB10,315,000 (31 December 2007: RMB1,025,000), shareholders' interests (excluding minority interest) of RMB507,277,000 (31 December 2007: RMB419,947,000) and minority interests of RMB26,854,000 (31 December 2007: RMB23,410,000).

Capital Structure

For the year ended 31 December 2008, there was no change in the Company's share capital.

Loans and Borrowings

As at 31 December 2008, the balance of the Group's bank loans and borrowings was zero (31 December 2007: RMB30,000,000).

Gearing Ratio

As at 31 December 2008, the gearing ratio (total liabilities as a percentage of total assets) of the Group was approximately 39.95% (31 December 2007: 48%). The ratio of total liabilities to net assets of the Group was approximately 0.67:1 (31 December 2007: 0.92:1).

Pledge of Assets

As at 31 December 2008, the Group had not pledged any assets as security since there were no bank borrowings.

Exchange Rate Risks

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 2008, the Group did not have any significant contingent liabilities.

Capital Commitment

As at 31 December 2008, the Group capital expenditure at the balance sheet date but not yet incurred was as follows:

	2008	2007
	RMB'000	RMB'000
Propertyplant and equipment		
Contracted but not provided for	29,332	24,283
Approved but not signed the contract	–	56,297
Prepaid lease payments		
Approved but not provided for	–	13,501
	29,332	94,081

Significant Purchase of 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

During the year, the Group did not make any substantial investment.

Employees

As at 31 December 2008, the Company employed 2,974 employees (31 December 2007: 2,750 employees).

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

	31 December 2008	31 December 2007
Administration and finance	94	99
Information and technology	35	35
Sales and marketing	69	70
Operation	2,776	2,546
Total	2,974	2,750

Please refer to note 24 to the consolidated financial statements for a breakdown of the employee benefit expense.

Benefit Expenses

Salaries of Company's employees are determined by reference to market rates, performances, qualification and experience of the relevant employees. Discretionary bonus may also be given based on performance of individual staff during the year in order to award the employees for their contributions 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 24 to the consolidated financial statements.

STAFF QUARTERS

During the year, the Company has not provided any staff quarters to the staff (2007: nil). It has provided housing provident fund to the staff, details of which are set out in note 20 to the consolidated financial statements.

Use of Proceeds from Share Offer

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 annual general meeting of the Company held in 2007.

As at 31 December 2006, the Company had used up all the proceeds allocated to the upgrading of phase Ⅲ and construction of phase Ⅳ of the distribution centre for Changan Ford. The construction of the distribution centre has been completed and put into use. The relevant details had been disclosed in the 2006 annual report and 2007 annual report of the Company.

As at 31 December 2006, the Company had used up all the proceeds allocated to the outsourcing of transportation services to third party companies. The relevant details had been disclosed in the 2006 annual report and the 2007 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 had been fully utilised for the purpose of expanding the Company's existing regional distribution centers and constructing additional facilities (more details are disclosed in the 2007 annual report).

In view of the construction of the logistics facilities in Chongqing of the Group to cope with the production expansion of Changan Ford Mazda in Chongqing, the Company reduced the size of proceeds originally planned to be 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 in Chongqing mentioned above. Such adjustment to the use of proceeds was approved by the shareholders of the Company at the annual general meeting held on 31 May 2007. For the year ended 31 December 2007, the Company had utilised all the revised proceeds of HKD24,000,000 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 way of direct investment and capital injection into Nanjing CMSC.

As at 30 June 2008, the Company had utilised all the proceeds of HK$40,000,000 allocated to the construction of logistics facilities for the purpose of the production expansion project of Changan Ford Mazda in Chongqing mentioned above (more details had been disclosed in the 2007 Annual report and the 2008 interim report).

As at 31 December 2008, the Company had utilized all the proceeds from the placing and issuing of its H shares in February 2006 in accordance with the proposed uses of proceeds set out in the Prospectus and according to the approval by the annual general meeting of the Company held in 2007.

Comparison of Business Objectives with Actual Progress

The business objectives of the Company in four different phrases are set out in the Prospectus of the Company and the comparison of business objectives with actual progress had been set out in the relevant annual report or interim report.

Use of Proceeds from Share Offer and Comparison of Business Objectives with Actual Progress

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.

The comparison of business objectives with the actual progress for the six months ended 31 December 2007 is set out in the Company's annual report of 2007.

The Company believes that the Company can enhance its corporate governance and transparency by adhering to strict corporate governance practices in the 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 15 of the GEM Listing Rules.

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

Board

The new session of Board was elected on the annual general meeting of the Company held on 20 June 2008. Please refer to the circular of the Company published on 5 May 2008 and the announcement of the Company published on 20 June 2008 for more details.

The Board comprises 14 directors, including 5 executive directors, 6 non–executive directors and 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" in this annual report. 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 2009, and 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 2008 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. Details of directors' attendance records at the Board's 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. Zhang Baolin	4/4
Mr. Lu Xiaozhong	4/4
Mr. Shi Chaochun	4/4
Mr. James H McAdam	4/4
Non–executive directors	
Mr. Lu Guoji	4/4
Mr. Huang Zhangyun	4/4
Mr. Daniel C. Ryan	4/4
Mr. Li Ming	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

Cessation of Directors

The new session of Board was elected on the annual general meeting of the Company held on 20 June 2008. Since Ms. Cao Dongping (a former non–executive director) retired by rotation and did not offer herself for re–election, Ms. Cao Dongping ceased to be a director of the Company from 20 June 2008. Please refer to the announcement of the Company dated 24 June 2008 for more details.

On 20 March 2009 the Company received the letters of resignation from Mr. Zhang Baoling, Mr. Huang Zhangyun, Mr. Daniel C. Ryan and Mr. Hua Zhanbiao. Due to their job changes, Mr. Zhang Baoling, Mr. Huang Zhangyun, Mr. Daniel C. Ryan and Mr. Hua Zhanbiao resigned as directors, supervisor and/or other positions in the Company. Their resignation shall be effective on the day the new directors and supervisor succeeded them as after being elected in the annual general meeting of the Company to be held on 19 June 2009.

On 20 March 2009, the substantial shareholder of the Company, Changan Automobile Company (Group) Limited ("Changan Co.") nominated Ms. Cui Xiaomei to elect as an executive director of the Company, nominated Mr. Zhang Lungang to elect as a non–executive director of the Company and nominated Ms. Tang Dongmei to elect as a supervisor of the Company. On 20 March 2009, APL Logistics Ltd. ("APLL"), a major shareholder of the Company, nominated Mr. Joseph Lee to elect as an non–executive director of the Company.

More details about the candidates of the directors and supervisors shall be announced as soon as possible.

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 circumstances, 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" published 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 establishment of the audit committee of the second session of Board was approved following the first meeting of the second Board on 20 June 2008.

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 the requisite professional qualification and financial experience.

Up to the date of this report, the audit committee has held five meetings in 2008.

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 on the Company and approved the content of the report.

The audit committee met on 28 April 2008 to review the Group's unaudited first quarterly report for the three months ended 31 March 2008, and approved the content of the report.

The audit committee met on 28 July 2008 to review the Group's unaudited interim report for the six months ended 30 June 2008, and approved the content of the report.

The audit committee met on 4 November 2008 to review the Group's unaudited quarterly report for the nine months ended 30 September 2008, and approved the content of the report.

The audit committee met on 6 March 2009 to review the Group's annual results, financial statements, principal accounting policies and internal audit matters for the year ended 31 December 2008, 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 2008 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 establishment of the remuneration committee of the second session of Board was approved following the first meeting of the second Board on 20 June 2008.

The remuneration committee currently comprises Mr. Yin Jiaxu (the chairman), Mr. James H McAdam, 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 principal responsibilities of the remuneration committee include making proposals to the Board in respect of the overall remuneration policy and compositions of the directors and senior management.

As at the reporting date since 1January 2008, the remuneration committee held three meetings.

Details of committee members' attendance records at the meeting during the period from 1 January 2008 to the date of this report are set out in the following table:

Committee Members	Number of attendance/ Number of meetings
Yin Jiaxu (Chairman)	3/3
James H McAdam	3/3
Wang Xu	3/3
Peng Qifa	3/3
Chong Teck Sin	3/3

(3) Nomination Committee

The establishment of the nomination committee of the second session of Board was approved following the first meeting of the second Board on 20 June 2008.

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 principal responsibilities of the nomination committee include reviewing the structure and composition of the Board, enhancing corporate governance within the Company and assessing the independence of the Company's independent non–executive directors. According to the laws and regulations including the Company Law of the PRC and GEM Listing Rules, the nomination committee discussed and reviewed the qualifications of the candidates of directors and supervisors of the Company and provided opinions to the Board.

As at the reporting date since 1January 2008, the nomination committee held three meetings.

Details of committee members' attendance records at the meeting during the period from 1 January 2008 to the date of this report are set out in the following table:

Committee Members	Number of attendance/ Number of meetings
Lan Man Yee, Vanessa (Chairman)	3/3
Wu Xiaohua	3/3
Wang Xu	3/3
Peng Qifa	3/3
Chong Teck Sin	3/3

Code for Securities Transactions by Directors

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

Term of Office and Re–election

The term of office of each of the directors (including non–executive directors and independent non–executive directors) is three years. The term of all the existing directors will end upon the expiry of the second 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 invited investors to visit it for many times. The Board would like to sincerely thank all investors for their interests in the Company. The investor relations management department of the Company 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 2008. The remuneration of the auditor for the year ended 31 December 2008 was set out in Note 23 of the consolidated financial statements of this report. The Company did not pay for the auditor's traveling, meals and lodging expenses and other incidental expenses during the period the audit services were provided. During the reporting period, PwC has not provided any non–audit services to the Company.

The Board is pleased to present the annual report together with audited consolidated financial statements of the Group for the year ended 31 December 2008.

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 2008 are set out in the consolidated income statement of this report.

DIVIDEND

The Board proposed to distribute final dividends of RMB0.09 per share (including tax) to the shareholders whose names appear on the register of members of the Company as at 18 June 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Company's property, plant and equipment during the year are set out in note 6 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 are set out in the section headed "Financial Summary" of this annual report.

SUBSIDIARIES

The registered capital of CMAL Gang Cheng Co., Ltd. ("Chongqing Gangcheng") is RMB9,980,000 and 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 9 to the consolidated financial statements of this report.

Nanjing CMSC was incorporated on 26 July 2007 to provide logistics services to the customers such as Changan Ford Mazda Nanjing Plant and Changan Ford Mazda Engines, and the Company holds 51% of its equity interests. Details are set out in note 9 to the consolidated financial statement of this report.

CAPITALIZED INTERESTS

For the year ended 31 December 2008, no interest had been capitalized.

SHARE CAPITAL

For the year ended 31 December 2008, the share capital had not been changed. Details are set out in note 15 to the consolidated financial statements.

PREEMPTIVE RIGHTS

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

RESERVES

Details of changes in the Company's reserves for the year are set out in the consolidated statement of changes in equity and in note 16 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 20 June 2008)
Zhang Baolin	(appointed on 20 June 2008)
Lu Xiaozhong	(appointed on 20 June 2008)
Shi Chaochun	(appointed on 20 June 2008)
James H McAdam	(appointed on 20 June 2008)

Non–executive directors

Lu Guoji (Vice Chairman)	(appointed on 20 June 2008)
Huang Zhangyun	(appointed on 20 June 2008)
Daniel C. Ryan	(appointed on 20 June 2008)
Li Ming	(appointed on 20 June 2008)
Wu Xiaohua	(appointed on 20 June 2008)
Lau Man Yee，Vanessa	(appointed on 20 June 2008)

Independent non–executive directors

Wang Xu	(appointed on 20 June 2008)
Peng Qifa	(appointed on 20 June 2008)
Chong Teck Sin	(appointed on 20 June 2008)

Supervisors

Hua Zhanbiao	(appointed on 20 June 2008)
Tang Yizhong	appointed on 20 June 2008)
Wu Jun	(appointed on 20 June 2008)
Ye Guangrong	(appointed on 20 June 2008)
Chen Haihong	(appointed on 20 June 2008)

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 of the Company 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 31 to the consolidated financial statement of this report.

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

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

As at the Latest Practicable Date, none of the directors, chief executive and the supervisors of the Company 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 Securities and Futures Ordinance (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 of the Company were not beneficially interested in the share capital of any member of the Group nor did they have 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 2007, 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 provision 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 shares capital carrying rights to vote in all circumstances, at general meetings of the Company; or are required, pursuant to Sections 336 of the SFO, to be entered in the register referred to therein:

Long position in shares

Name of Shareholders	Capacity	Number of H shares	Percentage of domestic shares （non–foreign shares included）	Percentage of H shares	Percentage of total registered share capital
Changan Co.	Beneficial owner	39,029,088	36.45%	–	24.08%
Changan Co. *(Note 1)*	Interest of a con–trolled corporation	796,512	0.74%	–	0.49%
APLL	Beneficial owner	33,619,200	31.40%	–	20.74%
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial")	Beneficial owner	25,774,720	24.07%	–	15.90%
Minsheng Industrial *(Note 2)*	Interest of a con–trolled corporation	7,844,480	7.33%	–	4.84%
Ming Sung Industrial Co., (HK) Limited ("Ming Sung (HK)") *(Note 2)*	Beneficial owner	7,844,480	7.33%	–	4.84%
Atlantis Investment Management Ltd	Investment manager	14,193,000	–	25.81%	8.76%
788 China Fund Ltd.	Investment manager	4,000,000	–	7.27%	2.47%
Braeside Investments,LLC *(Note 3)*	Investment Manager	3,423,000	–	6.22%	2.11%
Braeside Management,LP *(Note 3)*	Investment Manager	3,423,000	–	6.22%	2.11%
McIntyre Steven *(Note 3)*	Interest of a controlled corporation	3,423,000	–	6.22%	2.11%
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 Co.'s subsidiary, holds 0.49% of the Company.
Note 2: Ming Sung (HK) is the subsidiary of Minsheng Industrial.
Note 3: McIntyre Steven is the controller of Braeside Investments, LLC and Braeside Investments, LLC is the controller of Braeside Management, LP.

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 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	Percentage of 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 the director, supervisors, or chief executive of the Company) who had interests or short positions in the provisions of Divisions 2 and 3 of Part XV of the SFO; or had a direct or indirect interest 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 at 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:

	For the year ended 31 December	
	2008	2007
Changan Ford Mazda	44.41%	52.06%
Changan Automobile	9.71%	20.61%
Hebei Changan Commercial Vehicles Sales Co., Ltd.	6.51%	–
Hebei Changan	5.86%	12.06%
Chongqing Changan Automobile International Co.,Ltd.	4.25%	0.74%
Total of 5 largest customers	80.74%	85.47%

All the 5 major customers mentioned above are the connected persons (as defined in the GEM Listing Rules) 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:

	For the year ended 31 December	
	2008	2007
Minsheng Logistics Ltd. (Minsheng Logistics)	6.99%	9.00%
Chongqing Hailong Transporatation Co., Ltd.	5.02%	3.90%
Chongqing–Fuk Freight Limited	3.48%	6.22%
Minsheng Shipping Co., Ltd. (Minsheng Shipping)	3.41%	6.34%
Chongqing National Container Automobile Logistics Co., Ltd.	2.74%	7.06%
Total of 5 largest suppliers	21.64%	32.52%

Among the 5 largest suppliers, Minsheng Logistics and Minsheng Shipping are the connected persons (as defined in the GEM Listing Rules) 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 favour of the Company. Please refer to the Prospectus for such undertakings.

In February 2009, the Company received the confirmation regarding the above–mentioned non–competition undertakings from each of APLL, Minsheng Industrial, Ming Sung (HK) and Changan Co.

CONNECTED TRANSACTIONS

Set out below is information in relation to continuing connected transactions of the Company during the year:

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 contemplated under these framework agreements constitute continuing connected transactions of the Company 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 Automobile, Changan Ford Mazda, Nanjing Changan and Hebei Changan on 18 January 2006 (details of which 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 signed with Changan Transportation on 18 January 2006 (details are set out in the Circular released on 14 November 2006). The transactions between the Company and Changan Automobile and its affiliates (including but not limited to Changan Ford Mazda, Hebei Changan, Nanjing Changan and 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 Logistics Company ("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 for further details. The transactions contemplated under this framework agreement 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 Limited Company ("Chongqing Changan Construction") 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 further details. The transactions contemplated under this framework agreement constitute continuing connected transactions of the Company 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"), a wholly owned subsidiary of South Group, holds 45.55% shares of ChanganAutomobile; Changan Industrial is one of the promoters of the Company. As one of the promoters and substantial shareholder of the Company, Changan Co. directly and indirectly holds 100% of Changan Construction Company's share capital. Accordingly, Changan Co., Changan Automobile, Changan Industrial, Chongqing Changan Construction and their respective associates are all the Company's connected persons according to the GEM Listing Rules. Minsheng Industrial is one of the promoters and substantial shareholders of the Company. Accordingly, Minsheng Industrial is also a connected person of the Company. Nanjing CMSC was incorporated on 26 July 2007, and the Company holds 51% of its share capital and Beijing Changjiu holds 24% of its share capital. Accordingly, Nanjing CMSC is a non–wholly owned subsidiary of the Company and Beijing Changjiu is also a connected person of the Company as it is the substantial shareholder of Nanjing CMSC according to the GEM

Listing Rules.

Please refer to the announcement of the Company 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 framework 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 its 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 year 2007 and the year 2008, the transactions amount between the Company and Changan Jinling will be accounted for in the transactions 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.

On 22 October 2008, the Company entered into a framework agreement with Changan Co., Changan Automobile, Minsheng Industrial, APL Logistics, Beijing Changjiu and Chongqing Changan Construction, all of which have an effective period from 1 January 2009 to 31 December 2011. Please refer to the circular released on 13 November 2008 and the announcement released on 24 October 2008 for further details.

Reasons and Interests of Connected 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 to purchase logistics service from the Company. Accordingly, the Company will continue to conduct these continuing connected transactions. For the 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 respective 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 affiliates, Minsheng Industrial, Changan Industrial and Beijing Changjiu, the Company is of the view that it is beneficial for it to continue the continuing connected transactions with the above parties in order to promote business growth and increase its operational capacities.

Chongqing Changan Construction is wholly owned by Changan Co. (directly and indirectly). The engineering construction services purchased from Chongqing Changan Construction by the Group is beneficial to the Company as they can help to save 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 signed the framework agreement with Beijing Changjiu on 24 August 2007 and with Chongqing 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 transactions between the Company and connected persons shall be on terms no less favorable to the Company 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 2008, the total consideration paid to the Group by the relevant connected persons for the logistics services is as follows:

	For the year ended 31 December 2008 Annual transaction volume RMB'000
Changan Co. (including Changan Jinling and Changan Co.'s subsidiaries):	
– Supply chain management for car components and parts	5,529
Changan Automobile and its subsidiaries:	
– Transportation for finished vehicle	924,846
– Supply chain management for car components and parts	451,432

For the year ended 31 December 2008, the total consideration paid by the Group to the relevant connected persons for the purchase of transportation services is as follows:

	For the year ended 31 December 2008 Annual transaction volume RMB'000
– Minsheng Industrial and its subsidiaries	149,444
– Changan Industrial and its subsidiaries	–

	For the year ended 31 December 2008 Annual transaction volume RMB'000
– Beijing Changjiu and its subsidiaries	64,216

For the year ended 31 December 2008, the total consideration paid by the Group to Changan Construction for the purchase of engineering construction services is as follows:

	For the year ended 31 December 2008 Annual transaction volume RMB'000
– Chongqing Changan Construction	23,155

The continuing connected transactions of the Group also constitute 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 complied with the requirements set out in Chapter 20 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 agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company and the Company as a whole.

The Company's auditor has reviewed the continuing connected transactions and in the letter sent to the Company confirmed that the continuing connected transactions:
1. have received the approval from the Board and the general meeting;
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 cap disclosed in previous announcement(s).

LEGAL PROCEEDINGS

As at 31 December 2008, 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 2008.

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 DEPOSITS

As at 31 December 2008, 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 RMB230,000 (2007: RMB130,000).

AUDITORS

The attached consolidated financial statements of the Group 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 2009, and PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd. as the PRC auditor for the year 2009.

INTEREST OF COMPLIANCE ADVISER

As at 31 December 2008, none of Anglo Chinese Corporate Finance, Limited, the compliance adviser of the Company, its directors, employees and associates has any interest in the Company's securities, including share options and other rights to the Company's securities.

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
20 March 2009

Report of the Supervisors Committee

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

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

The Supervisory Committee considers that in 2008, the members of the Board, the general manager and other senior management of the Company were able to strictly fulfil their fiduciary duties, to act diligently and to exercise their authority faithfully in the best interests of the Company. The transactions between the Company and connected parties are carried out on fair and reasonable terms and in the interests of the shareholders as a whole. Up till now, none of the directors, general manager and senior management staff had been found to have abused their authority, damaging the interests of the Company and of its shareholders and employees. And none of them was 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 2008, and has full confidence in the future development of the Company.

The Supervisory Committee has seriously reviewed and agreed with the report of the directors, the audited consolidated financial statements, which need to be submitted by the Board to the 2008 annual general meeting.

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

Chongqing, the PRC

20 March 2009

Executive Director

Mr. Yin Jiaxu (尹家緒), is the chairman and an executive director. Mr. Yin was born in 1956, with a master's degree of engineering and is a research leveled senior engineer. 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 China South Industries Group Corporation, and executive director and president of China South Industries Automobile Co., Ltd.

Mr. Zhang Baolin (張寶林), is an executive director. Mr. Zhang was born in 1962, senior political engineer, 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. Lu Xiaozhong (盧曉鍾), is an executive director. Mr. Lu was born in 1948, holding a bachelor's degree, joined the Company 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 was a committee member of the Chongqing China National Democratic Construction Association (CNDCA). 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), is an executive director and general manager. 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, is an executive director. Mr. McAdam was 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 Director

Mr. Lu Guoji (盧國紀), is the vice chairman and a 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. He has been the committee member of the Standing Committee of the CPPCC of Chongqing Municipality for the first session. From 1988 to 2003, Mr. Lu was the committee member of CPPCC for the seventh, eighth and ninth session at the national level.

Mr. Huang Zhangyun (黃章云), is a non–executive director. Mr. Huang was born in 1953, MBA, joined the Company in 2001. He was previously the director, president assistant and vice president of Changan Co.

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

Mr. Li Ming (李鳴), is a non–executive director. Mr. Li was born in 1957, holds a bachelor's degree and joined Changan Co. in August 1978. He is the head of the finance department of Changan Co.. Mr. Li was the deputy director and the director of Changan Co., the vice general manager and the director of finance department of Changan Automobile Sales Company, the finance controller of Changan Ford Mazda Automobile Co, Ltd. and the deputy head of finance department of Changan Co.

Mr. Wu Xiaohua (吳小華), is a non–executive director. Mr. Wu was born in 1955 and joined the Company 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 head, deputy general accountant and general accountant in the planning financial department of Minsheng Industry.

Ms. Lau Man Yee, Vanessa (劉敏儀), is a non–executive director. Ms. Lau was 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 Director

Ms. Wang Xu (王旭), is an independent non–executive director. Ms. Wang was 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 and a member of the decision–making consultative committee of the Chongqing government in China.

Mr. Peng Qifa (彭启發), is an independent non–executive director. Mr. Peng was 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 professor 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.

Mr. Chong Teck Sin (張鐵沁), is an independent non–executive director. Mr. Chong was 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. and JES International Holdings Ltd. Since October 2008, Mr. Chong is also the director of Singapore's largest folk charitable organization National Kidney Foundation Singapore. 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.

Supervisor

Mr. Hua Zhanbiao (華驫驫), is a supervisor. Mr. Hua was 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), is a supervisor. Mr. Tang was 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. Wu Jun (吳雋), is a supervisor. Mr. Wu was born in 1974, has been Regional Financial Officer, Greater China Region of NOL/APL/APLL since Oct 2007. Mr. Wu joined NOL in February 2006. He started his career with NOL as Director, Finance and Investment and was in charge of financial reporting and investment analysis. Mr. Wu got the Chinese CPA certificate in 1998. He has taken leadership positions in financial management in several multinational companies including Arthur Andersen, Delphi, LVMH. Throughout these years, he has gained rich experience in financial management, investment, audit and internal control areas. Mr. Wu obtained the Bachelor of Economics degree from Shanghai International Studies University in 1995.

Mr. Ye Guangrong (葉光榮), is a supervisor. Mr. Ye was 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 November 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), is a supervisor. Ms. Chen was 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), was borned 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), was 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), was 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, Hong Kong

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 43 to 110, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

PRICEWATERHOUSECOOPERS

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 2008 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, 20 March 2009

	Note	Group As at 31 December 2008 RMB'000	Group As at 31 December 2007 RMB'000	Company As at 31 December 2008 RMB'000	Company As at 31 December 2007 RMB'000
ASSETS					
Non–current assets					
Property, plant and equipment	6	185,316	151,759	150,965	131,516
Prepaid lease payments	7	120,901	67,458	107,841	54,125
Intangible assets	8	3,100	2,629	2,879	2,629
Investments in subsidiaries	9	–	–	35,480	35,480
Investments in associates	10	14,827	14,351	12,100	12,100
Deferred income tax assets	11	5,226	2,583	5,188	1,566
Total non–current assets		329,370	238,780	314,453	237,416
Current assets					
Trade receivables	12	110,531	76,934	101,720	76,934
Prepayment and other receivables	13	26,390	28,753	32,896	27,527
Due from related parties	35	279,896	227,458	225,757	211,072
Restricted cash	14	10,000	16,000	10,000	16,000
Cash and cash equivalents	14	133,239	264,705	121,123	238,450
Total current assets		560,056	613,850	491,496	569,983
Total assets		889,426	852,630	805,949	807,399

The notes on pages 48 to 110 are an integral part of these consolidated financial statements.

BALANCE SHEET (continued)

(All amounts in RMB)

	Note	Group As at 31 December 2008 RMB'000	Group As at 31 December 2007 RMB'000	Company As at 31 December 2008 RMB'000	Company As at 31 December 2007 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	15	162,064	162,064	162,064	162,064
Other reserves	16	115,632	106,487	115,632	106,487
Retained earnings					
– Proposed final dividend	30	14,586	12,965	14,586	12,965
– Others		214,995	138,431	206,886	140,469
		507,277	419,947	499,168	421,985
Minority interest in equity		26,854	23,410	–	–
Total equity		534,131	443,357	499,168	421,985
LIABILITIES					
Non–current liabilities					
Deferred income	17	10,315	1,025	10,044	1,025
Total non–current liabilities		10,315	1,025	10,044	1,025
Current liabilities					
Trade and other payables	18	258,671	284,552	212,984	263,200
Due to related parties	35	75,525	89,607	74,948	87,100
Short–term bank loans	19	–	30,000	–	30,000
Current income tax liabilities		10,784	4,089	8,805	4,089
Total current liabilities		344,980	408,248	296,737	384,389
Total liabilities		355,295	409,273	306,781	385,414
Total equity and liabilities		889,426	852,630	805,949	807,399
Net current assets		215,076	205,602	194,759	185,594
Total assets less current liabilities		544,446	444,382	509,212	423,010

Director

Director

The notes on pages 48 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB)

	Note	2008 RMB'000	2007 RMB'000
Revenue	21	1,565,237	1,475,020
Cost of sales	23	(1,352,971)	(1,316,180)
Gross profit		212,266	158,840
Other income	22	4,330	4,024
Distribution costs	23	(47,443)	(30,179)
Administrative expenses	23	(44,880)	(32,687)
Operating profit		124,273	99,998
Finance income	25	1,963	2,508
Finance costs	26	(3,563)	(5,381)
Finance costs – net		(1,600)	(2,873)
Share of profit of associates	10	476	2,527
Profit before income tax		123,149	99,652
Income tax expense	27	(19,410)	(5,981)
Profit for the year	28	103,739	93,671
Attributable to:			
Equity holders of the Company		100,295	94,761
Minority interest		3,444	(1,090)
		103,739	93,671
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic and diluted	29	RMB0.62	RMB0.58
Dividends	30	14,586	12,965

The notes on pages 48 to 110 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(All amounts in RMB)

		Attributable to shareholders of the Company			Minority interest	Total equity
		Share capital	Other reserves	Retained earnings		
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007		162,064	96,510	79,577	–	338,151
Profit for the year	16	–	–	94,761	(1,090)	93,671
Dividends	16	–	–	(12,965)	–	(12,965)
Appropriation	16	–	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
Profit for the year	16	–	–	100,295	3,444	103,739
Dividends	16	–	–	(12,965)	–	(12,965)
Appropriation	16	–	9,145	(9,145)	–	–
Balance at 31 December 2008		162,064	115,632	229,581	26,854	534,131

The notes on pages 48 to 110 are an integral part of these consolidated financial statements.

	Note	2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	35,649	223,157
Interest paid		(3,045)	(2,065)
Income tax paid		(13,613)	(6,239)
Net cash generated from operating activities		18,991	214,853
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(53,705)	(47,303)
Increase in prepaid lease payments		(56,073)	(5,917)
Proceeds from disposal of property, plant and equipment	34	655	–
Investments in associates		–	(4,500)
Interest received		1,963	2,508
Net cash used in investing activities		(107,160)	(55,212)
Cash flows from financing activities			
New short–term bank loans		100,000	30,000
Repayment of short–term bank loans		(130,000)	(30,000)
Capital contributions from minority shareholders		–	24,500
Dividends paid		(12,965)	(12,965)
Net cash (used in)/generated from financing activities		(42,965)	11,535
Net (decrease)/increase in cash and cash equivalents		(131,134)	171,176
Cash and cash equivalents at beginning of year		264,705	96,842
Exchange losses on cash		(332)	(3,313)
Cash and cash equivalents at end of year		133,239	264,705

The notes on pages 48 to 110 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 20 March 2009.

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"). They 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) Amendment and interpretations effective in 2008

- The HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held–for–trading and available–for–sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held–for–trading and available–for–sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions', 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. This interpretation does not have an impact on the Group's financial statements.

(b) Interpretations effective in 2008 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations:

- HK(IFRIC) – Int 12, 'Service Concession arrangements'

- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

(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 and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non–owner changes in equity') in the statement of changes in equity, requiring 'non–owner changes in equity' to be presented separately from owner changes in equity. All non–owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

- HKAS 23 (Revised), '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 (Revised) retrospectively from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non–controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re–measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non–controlling interests from 1 January 2010.

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the HKAS 32 (Amendment) and HKAS 1 (Amendment) from 1 January 2009, but it is not expected to have an impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009). The amended standard allows first–time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1 January 2010 in its separate financial statements. This amendment is not relevant to the Group.

- HKFRS 2 (Amendment), 'Share–based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share–based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 January 2009, but it is not expected to have an impact on the Group's financial statements.

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re–measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non–controlling interest in the acquiree either at fair value or at the non–controlling interest's proportionate share of the acquiree's net assets. All acquisition–related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting', 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 Group will apply HKFRS 8 from 1 January 2009, but as 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, it is not expected to have an impact on the Group's financial statements.

- HKICPA's improvements to HKFRS published in October 2008

※ HKAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the HKAS 1 (Amendment) from 1 January 2009. 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)

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

- HKICPA's improvements to HKFRS published in October 2008 (continued)

※ HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The Group will apply the HKAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.

※ HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the HKAS 28 (Amendment) to impairment test related to investment in associates and any related impairment losses from 1 January 2009.

※ HKAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value–in–use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

※ HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the HKAS 38 (Amendment) from 1 January 2009.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

- HKICPA's improvements to HKFRS published in October 2008 (continued)

※ HKFRS 5 (Amendment), 'Non–current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First–time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

※ There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

- HKAS 39 (amendment) 'Financial Instruments: Recognition and Measurement' – 'Eligible hedged items' (effective from 1 July 2009).

- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1 July 2008).

- HK(IFRIC) – Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

- HK(IFRIC) – Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations (continued)

- HK(IFRIC) – Int 17 , 'Distributions of non–cash assets to owners' (effective from 1 July 2009).

- HK(IFRIC) – Int 18, 'Transfers of Assets from Customers' (effective for transfers on or after 1 July 2009).

- HKICPA's improvements to HKFRS published in October 2008

※ HKAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows') (effective from 1 January 2009).

※ HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).

※ HKAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).

※ HKAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).

※ HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).

※ HKAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).

※ HKAS 31 (Amendment) , 'Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1 January 2009).

※ HKAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009).

※ HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

※ HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1 January 2009).

※ HKAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).

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 consolidated income statement (Note 2.6).

Inter–company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the 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 identified on acquisition, net of any accumulated impairment loss. See Note 2.8 for the impairment of non–financial assets including goodwill.

The Group's share of its associates' post–acquisition profits or losses is recognised in the consolidated 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 investments 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 consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to bank deposits and due from/to related parties are presented in the consolidated income statement within "finance costs".

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 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 – 30 years
– Machinery	3 – 5 years
– Office equipment	5 years
– Motor vehicles	4–5 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 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 identified according to operating segment.

(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 maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

2 Summary of significant accounting policies (continued)

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.

2.8 Impairment of investments in subsidiaries, associates and non–financial assets

Assets that have an indefinite useful life, for example goodwill, 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

(a) Classification

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. The Group's loans and receivables comprise "trade receivables", "other receivables", and "due from related parties" in the balance sheet (Note 2.10).

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(b) Recognition and measurement

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.

2.10 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 bankrupt or undergo financial reorganisation, and have default or delinquency in payments (more than 30 days overdue) are considered indicators that the 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 consolidated income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the consolidated 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 Summary of significant accounting policies (continued)

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.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised 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 nor 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 Summary of significant accounting policies (continued)

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.

2.17 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.

2 Summary of significant accounting policies (continued)

2.18 Revenue recognition (continued)

(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 collectability of the related receivables is reasonably assured.

(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 consolidated 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.

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.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with all of the transactions settled in RMB, except certain international freight forward services and corresponding purchases are settled in United States Dollars ("USD"). The Group's assets and liabilities that are subject to foreign exchange rate risk include the bank deposits and due from/to related parties denominated in Hong Kong Dollars ("HKD") and USD. As at 31 December 2008, the Group had HKD and USD denominated bank deposits amounting to approximately RMB3 million (2007: RMB20 million), and USD denominated due to related parties of approximately RMB3 million (2007: nil).

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, and matching the settlement dates of receivables and payables relating to above mentioned international freight forward services.

As at 31 December 2008, if Renminbi had strengthened/weakened by 10% against USD with all other variables held constant, post–tax profit for the year would have been approximately RMB30,000 (2007: approximately RMB1,403,000) lower/higher, mainly as a result of foreign exchange losses/gains on the translation of USD denominated bank deposits and due to related parties.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 interest–rate risk arises from short–term bank loans. Loans borrowed at variable rates expose the Group to cash flow interest–rate risk. Loans borrowed at fixed rates expose the Group to fair value interest–rate risk. During 2008 and 2007, the Group's short–term bank loans were all borrowed at fixed rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used. The scenarios are run only for liabilities that represent the major interest–bearing positions.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

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

As at 31 December 2008, the Group had bank deposits of approximately RMB123,805,000 (2007: approximately RMB210,638,000) in certain major banks which are state–owned entities incorporated in the PRC and bank deposits of approximately RMB19,284,000 (2007: approximately RMB69,922,000) in certain non–bank financial institutions. Management believes all these financial institutions have high credit quality without significant credit risk.

As at 31 December 2008, approximately 63% (2007: approximately 69%) of the total amount of trade receivables and due from related parties of the Group was due from the five largest customers. The carrying amount of trade receivables and due from related parties included in the balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has put in place policies to ensure that provision of logistics related services are made to customers with an appropriate credit history. 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 regards, 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 12 and 35.

(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 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 2008	31 December 2007	31 December 2008	31 December 2007
	RMB '000	RMB '000	RMB '000	RMB '000
Bank borrowings	–	30,000	–	30,000
Trade and other payables	258,671	284,552	212,984	263,200
Due to related parties	75,525	89,607	74,948	87,100

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 2008, the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio below 20%. The gearing ratios at 31 December 2008 and 2007 were as follows:

Group

	2008	2007
	RMB'000	RMB'000
Bank loans	–	30,000
Total equity	534,131	443,357
Gearing ratio	0%	7%

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 addressed below.

(a) Depreciation and amortisation

The Group's management determines the estimated residual value, useful lives and related depreciation/amortisation charges for the property, plant and equipment and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortisation charge where useful lives are different to previously estimated, or it will write–off or write–down technically obsolete or non–strategic assets that have been abandoned or sold.

In 2008, the Group revised the estimated useful lives of property, plant and equipment, which was effective from 1 January 2008 as follows.

	New estimated useful lives (years)	Previous estimated useful lives (years)
– Buildings	10–30	10–45
– Machinery	3–5	5
– Office equipment	5	5
– Motor vehicles	4–5	8

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(a) Depreciation and amortisation (continued)

In accordance with HKAS 8, such change in accounting estimates has been accounted for by the Group prospectively, which reduced the Group's profit attributable to equity holders for the year ended 31 December 2008 by approximately RMB6,267,000. Based on the assumption that there will be no disposal of those property, plant and equipment, the impact of the change in accounting estimates on the Group's profit attributable to equity holders in the next three years is as follows:

Year ending 31 December	Increase/(Decrease) the Group's profit
	RMB'000
2009	(642)
2010	706
2011	1,541

Management considered that the impact of such change in accounting estimate on the Group's result subsequent to year 2011 would not be significant.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash–generating units have been determined based on value–in–use calculations. These calculations require the use of estimates (Note 8).

(c) Income taxes

The Group is subject to various taxes in 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. 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

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 2008, the Group has deferred tax assets of approximately RMB5,226,000 (2007: 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 Critical accounting estimates and judgements (continued)

4.2 Critical judgements in applying the entity's accounting policies

Revenue recognition

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

5 Segment information

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 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 2007						
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
Year ended 31 December 2008						
Opening net book amount	117,729	4,380	4,869	20,621	4,160	151,759
Additions	–	1,185	2,897	8,050	51,988	64,120
Transfers	56,148	–	–	–	(56,148)	–
Disposals	–	(321)	(37)	(1,322)	–	(1,680)
Depreciation	(13,728)	(1,116)	(2,695)	(11,344)	–	(28,883)
Closing net book amount	160,149	4,128	5,034	16,005	–	185,316
At 31 December 2008						
Cost	203,505	7,877	12,699	33,676	–	257,757
Accumulated depreciation	(43,356)	(3,749)	(7,665)	(17,671)	–	(72,441)
Net book amount	160,149	4,128	5,034	16,005	–	185,316

6 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 2007						
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
Year ended 31 December 2008						
Opening net book amount	101,711	3,663	3,883	18,099	4,160	131,516
Additions	–	1,183	2,187	6,216	38,481	48,067
Transfers	42,641	–	–	–	(42,641)	–
Disposals	–	(321)	(27)	(1,293)	–	(1,641)
Depreciation	(13,138)	(1,092)	(2,243)	(10,504)	–	(26,977)
Closing net book amount	131,214	3,433	3,800	12,518	–	150,965
At 31 December 2008						
Cost	173,980	7,061	10,965	29,250	–	221,256
Accumulated depreciation	(42,766)	(3,628)	(7,165)	(16,732)	–	(70,291)
Net book amount	131,214	3,433	3,800	12,518	–	150,965

6 Property, plant and equipment (continued)

In accordance with an agreement in relation to the assistance of business expansion signed between the Company and Changan Automobile (Group) Company Limited ("Changan Co.") on 10 January 2004, Changan Co. provided a land use right to the Company for the construction of a distribution centre and the Company paid for the construction costs of the distribution centre. In return, the Company is entitled to use the distribution centre at no additional cost for 10 years from 28 December 2003 to 28 December 2013. As the land use right of the parcel of land on which the distribution centre locates belongs to Changan Co., the legal title of the distribution centre also belongs to Changan Co. The Company recorded the construction costs of the distribution centre as buildings under property, plant and equipment, and depreciation is calculated using the straight–line method to allocate the cost over the useful life of 10 years. As at 31 December 2008, the carrying amount of the distribution centre was approximately RMB2,539,000 (2007: approximately RMB3,057,000).

As at 31 December 2008, the Company was in the process of obtaining the legal title of buildings with carrying amount of approximately RMB42,023,000 (2007: RMB18,917,000).

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

	2008 RMB'000	2007 RMB'000
Cost of sales	22,001	12,676
Distribution costs	4,592	1,035
Administrative expenses	2,290	1,831
	28,883	15,542

Lease rentals amounting to approximately RMB3,630,000 (2007: RMB4,909,000) relating to the lease of property are included in the consolidated income statements (Note 23).

7 Prepaid lease payments

	Group	Company
	Land use right	Land use right
	RMB'000	RMB'000
At 1 January 2007	63,926	63,926
Additions	5,917	5,245
Transfer to a subsidiary	–	(12,712)
Amortisation	(2,385)	(2,334)
At 31 December 2007	67,458	54,125
Additions	56,073	56,073
Amortisation	(2,630)	(2,357)
At 31 December 2008	120,901	107,841
At 31 December 2007		
Cost	72,744	59,188
Accumulated amortisation	(5,286)	(5,063)
Net book amount	67,458	54,125
At 31 December 2008		
Cost	128,817	115,261
Accumulated amortisation	(7,916)	(7,420)
Net book amount	120,901	107,841

Amortisation of RMB2,405,000 (2007: RMB2,385,000) and RMB225,000 (2007: nil) are included in the "cost of sales" and "administrative expenses" in the consolidated income statement, respectively.

7 Prepaid lease payments (continued)

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

	2008 RMB'000	2007 RMB'000
In Chongqing, held on:		
Leases of between 10 and 50 years	106,205	52,456
Outside Chongqing, held on:		
Leases of between 10 and 50 years	14,696	15,002
	120,901	67,458

8 Intangible assets

Group

	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2007	2,222	389	2,611
Additions	–	200	200
Amortisation	–	(182)	(182)
At 31 December 2007	2,222	407	2,629
Additions	–	810	810
Amortisation	–	(339)	(339)
At 31 December 2008	2,222	878	3,100
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
At 31 December 2008			
Cost	4,000	1,579	5,579
Accumulated amortisation	(1,778)	(701)	(2,479)
Net book amount	2,222	878	3,100

8 Intangible assets (continued)

Company

	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2007	2,222	389	2,611
Additions	–	200	200
Amortisation	–	(182)	(182)
At 31 December 2007	2,222	407	2,629
Additions	–	580	580
Amortisation	–	(330)	(330)
At 31 December 2008	2,222	657	2,879
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
At 31 December 2008			
Cost	4,000	1,349	5,349
Accumulated amortisation	(1,778)	(692)	(2,470)
Net book amount	2,222	657	2,879

Amortisation of approximately RMB339,000 in 2008 (2007: approximately RMB182,000) is included in "administrative expenses".

Impairment tests for goodwill –

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

The recoverable amount of a CGU is determined based on value–in–use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five–year period.

8 Intangible assets (continued)

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

Gross margin as budgeted	8.08%
Pre tax discount rate	10.76%

These assumptions have been used for the analysis of the CGU within the business. Management determined budgeted gross margin 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.

9 Investments in subsidiaries

	Company	
	2008	2007
	RMB'000	RMB'000
Investment at cost:		
Unlisted shares – Chongqing CMAL Gangcheng Logistics Company Limited ("Chongqing Gangcheng")	9,980	9,980
Unlisted shares – Nanjing CMSC Logistics Co., Ltd ("Nanjing CMSC")	25,500	25,500
	35,480	35,480

The Company had direct interest in the following subsidiaries:

Name of subsidiary	Place of incorporation and kind of legal entity	Registered capital	Principal activities and place of operation	Investment amount	Interest held	
		RMB'000		RMB'000	31 December 2008	31 December 2007
Chongqing Gangcheng	Chongqing, PRC, Limited liability company	9,980	Providing logistics services in PRC	9,980	100%	100%
Nanjing CMSC	Nanjing, PRC, Limited liability company	100,000	Providing logistics services in PRC	25,500	51%	51%

10 Investments in associates

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	14,351	7,324	7,600	7,600
Additions	–	4,500	4,500	4,500
Share of profit of associates	476	2,527	–	–
At 31 December	14,827	14,351	12,100	12,100

The Group's share of the results of the associates, all of which are unlisted, and its aggregated assets and liabilities are as follows:

Name	Registered capital	Location	Assets	Liabilities	Revenue	Profit/(loss)	Interest held
	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	
2008							
Wuhan Changan Minfutong Logistics Company Limited ("Wuhan Minfutong")	10,000	Wuhan, PRC	6,966	1,222	2,657	1,205	31%
Chongqing Terui Transportation Service Company Limited ("Chongqing Terui")	20,000	Chongqing, PRC	10,429	1,346	17,483	(729)	45%
			17,395	2,568	20,140	476	
2007							
Wuhan Minfutong	10,000	Wuhan, PRC	7,664	3,125	3,893	1,575	31%
Chongqing Terui	20,000	Chongqing, PRC	14,057	4,245	19,374	952	45%
			21,721	7,370	23,267	2,527	

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.

11 Deferred income tax

	Group 2008 RMB'000	Group 2007 RMB'000	Company 2008 RMB'000	Company 2007 RMB'000
Deferred tax assets				
– Deferred tax asset to be recovered after more than 12 months	4,896	1,017	4,858	–
– Deferred tax asset to be recovered within 12 months	330	1,566	330	1,566
	5,226	2,583	5,188	1,566

The movement on deferred tax assets during the year is as follows:

Group

	Provision for impairment of receivables RMB'000	Tax losses RMB'000	Depreciation RMB'000	Deferred income RMB'000	Total RMB'000
At 1 January 2007	167	45	–	–	212
Credited to the consolidated income statement (Note 27)	603	972	796	–	2,371
At 31 December 2007	770	1,017	796	–	2,583
Credited/(charged) to the consolidated income statement (Note 27)	496	(1,017)	1,943	1,221	2,643
At 31 December 2008	1,266	–	2,739	1,221	5,226

Company

	Provision for impairment of receivables RMB'000	Tax losses RMB'000	Depreciation RMB'000	Deferred income RMB'000	Total RMB'000
At 1 January 2007	167	45	–	–	212
Credited/(charged) to the income statement	603	(45)	796	–	1,354
At 31 December 2007	770	–	796	–	1,566
Credited to the income statement	458	–	1,943	1,221	3,622
At 31 December 2008	1,228	–	2,739	1,221	5,188

12 Trade receivables

	Group	Company	Company and Group
	2008	2008	2007
	RMB'000	RMB'000	RMB'000
Accounts receivable (Note (a))	45,743	37,414	28,697
Less: provision for impairment of receivables	(8,122)	(7,906)	(5,129)
Accounts receivable – net	37,621	29,508	23,568
Bills receivable (Note (b))	72,910	72,212	53,366
	110,531	101,720	76,934

The carrying amounts of trade receivables represent their fair values.

(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 2008 and 2007 were as follows:

	Group	Company	Company and Group
	2008	2008	2007
	RMB'000	RMB'000	RMB'000
0 to 90 days	24,800	16,743	12,485
91 to 180 days	6,396	6,358	6,814
181 to 365 days	7,559	7,325	5,022
Over 1 year	6,988	6,988	4,376
	45,743	37,414	28,697

As at 31 December 2008 and 2007, trade receivables of approximately RMB6,396,000 and RMB6,814,000 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:

	Group	Company	Company and Group
	2008	2008	2007
	RMB'000	RMB'000	RMB'000
91 to 180 days	6,396	6,358	6,814

12 Trade receivables (continued)

As at 31 December 2008 and 2007, trade receivables of RMB14,547,000 and RMB9,398,000 were impaired and provided for. The amount of the provision was RMB8,122,000 and RMB5,129,000 as at 31 December 2008 and 2007. 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:

	Group	Company	Company and Group
	2008	2008	2007
	RMB'000	RMB'000	RMB'000
181 to 365 days	7,559	7,325	5,022
Over 1 year	6,988	6,988	4,376
	14,547	14,313	9,398

(b) Ageing analysis of bills receivable at 31 December 2008 and 2007 were as follows:

	Group	Company	Company and Group
	2008	2008	2007
	RMB'000	RMB'000	RMB'000
0 to 180 days	72,910	72,212	53,366

Bills receivable do not contain impaired balances.

As at 31 December 2008, bills receivable amounted to RMB9,000,000 (2007: RMB20,000,000) were pledged for bills payable (Note 18).

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

	Group	Company	Company and Group
	2008	2008	2007
	RMB'000	RMB'000	RMB'000
At 1 January	5,129	5,129	1,421
Provision for impairment of accounts receivables	3,001	2,785	3,869
Accounts receivables written off during the year as uncollectible	(8)	(8)	(161)
At 31 December	8,122	7,906	5,129

12 Trade receivables (continued)

The Group has recognised the provision for impairment of trade receivables in "administrative expenses" in the consolidated income statement (Note 23). Amounts charged to allowance account are generally written off, when there is no expectation of recovering additional cash.

As at 31 December 2008, approximately 63% (2007: approximately 69%) of the total amount of trade receivables and due from related parties was due from the five 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 does not hold any collateral as security.

13 Prepayment and other receivables

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for transportation services	19,135	23,427	25,955	22,314
Other receivables	7,255	5,326	6,941	5,213
	26,390	28,753	32,896	27,527

The carrying amounts of other receivables represent their fair values.

14 Cash and cash equivalents and restricted cash

(a) Restricted cash

As at 31 December 2008, the Group's bank balance of RMB10,000,000 (2007: RMB16,000,000) was pledged as security for the Group and the Company's bills payable (Note 18).

(b) Cash and cash equivalents

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

	Company and Group 2008 RMB'000	Company and Group 2007 RMB'000
HKD	59	16,616
USD	2,734	3,522
	2,793	20,138

The remaining cash and cash equivalents are denominated in RMB.

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.

The credit quality of bank deposits with banks and financial institutions can be assessed by reference to external credit ratings as follows:

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
AAA *	117,887	257,881	105,815	231,650
AA *	5,916	2,757	5,916	2,756
A *	19,286	19,921	19,285	19,922
	143,089	280,539	131,016	254,328

* Reference from Da Gong Global Credit Rating Co., Ltd.

15 Share capital

	Number of shares RMB'000	Domestic shares RMB'000	Non–H foreign shares RMB'000	H shares RMB'000	Total RMB'000
At 31 December 2007 and 2008	162,064	65,600	41,464	55,000	162,064

The total registered, issued and fully paid number of shares is 162,064,000 shares (2007: 162,064,000 shares) with a par value of RMB1 per share (2007: RMB1 per share). All issued shares are rank pari passu in all aspects.

16 Reserves

Group

	Capital surplus RMB'000 Note (a)	Statutory surplus reserve fund RMB'000 Note (b)	Discretionary surplus reserve fund RMB'000 Note (c)	Retained earnings RMB'000	Total RMB'000
At 1 January 2007	75,150	16,525	4,835	79,577	176,087
Net profit for the year	–	–	–	94,761	94,761
Dividends (Note 30)	–	–	–	(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
Net profit for the year	–	–	–	100,295	100,295
Dividends (Note 30)	–	–	–	(12,965)	(12,965)
Appropriation (Note (b))	–	9,145	–	(9,145)	–
At 31 December 2008	75,150	35,647	4,835	229,581	345,213

16 Reserves (continued)

Company

	Capital surplus	Statutory surplus reserve fund	Discretionary surplus reserve fund	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note (a)	Note (b)	Note (c)		
At 1 January 2007	75,150	16,525	4,835	80,186	176,696
Net profit for the year	–	–	–	96,190	96,190
Dividends (Note 30)	–	–	–	(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
Net profit for the year	–	–	–	90,148	90,148
Dividends (Note 30)	–	–	–	(12,965)	(12,965)
Appropriation (Note (b))	–	9,145	–	(9,145)	–
At 31 December 2008	75,150	35,647	4,835	221,472	337,104

(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% 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 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.

For the year ended 31 December 2008, approximately RMB9,145,000 (2007: RMB9,977,000) was appropriated to the statutory surplus reserve fund from net profit.

(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 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.

17 Deferred income

The movement of deferred income is as follows:

Group	2008 RMB'000	2007 RMB'000
At 1 January	1,025	–
Additions	12,745	1,272
Credited to the income statement	(3,455)	(247)
At 31 December	10,315	1,025

Company	2008 RMB'000	2007 RMB'000
At 1 January	1,025	–
Additions	12,407	1,272
Credited to the income statement	(3,388)	(247)
At 31 December	10,044	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 Administration of Taxation, 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 and Nanjing Jiangling Economic Development Zone, with respect to the Group's application for income tax reduction relating to the purchase of domestic manufactured equipment, the Group is entitled to tax reductions of RMB1,272,000 and RMB1,745,000, which were all utilised to offset the Group's income tax liability for 2007 and 2008, respectively. Such reductions 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 equipment. During the year ended 31 December 2008, approximately RMB595,000 (2007: RMB247,000) of such deferred income was amortised and credited to cost of sales.

In 2007, the Company had obtained grants from local government of RMB11,000,000, in relation to upgrading certain logistics information systems. It was recorded as advance received from government in other payables. In 2008, such amount has been transferred from other payables to deferred income as a result of completion of the upgrading activities. The deferred income is amortised on a straight–line basis over the estimated useful lives of related assets. During the year ended 31 December 2008, approximately RMB2,860,000 of such deferred income was amortised and credited to cost of sales.

18 Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts payable	165,803	169,894	130,468	154,408
Bills payable (Note(b))	14,900	30,600	14,900	30,600
Other payables	72,427	77,342	62,932	71,844
Other taxes	5,541	6,716	4,684	6,348
	258,671	284,552	212,984	263,200

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	161,775	164,568	126,598	149,082
91 to 180 days	1,525	3,911	1,522	3,911
181 to 365 days	431	731	276	731
Over 1 year	2,072	684	2,072	684
	165,803	169,894	130,468	154,408

(b) As at 31 December 2008, all the bills payable were due within 6 months, and secured by bank deposits of RMB10,000,000 (2007: RMB16,000,000) (Note 14(a)) and bills receivable of RMB9,000,000 (2007: RMB20,000,000) (Note 12(b)).

19 Short–term bank loans

	Company and Group 2008 RMB'000	Company and Group 2007 RMB'000
Secured bank loans	–	30,000

The effective average interest rate for the year ended 31 December 2008 was 6.55% (2007: 6.30%)

The fair value of short–term bank loans was equal to their carrying amount, as the impact of discounting is not significant.

As at 31 December 2008, the Group had no undrawn borrowing facilities (2007: RMB50,000,000).

20 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 24 and Note 31.

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 2008 and 2007.

21 Revenue

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 2008 are as follows:

	2008 RMB'000	2007 RMB'000
Revenue		
Related party transactions (Note 35)		
Transportation of finished vehicles	924,846	943,656
Supply chain management for automobile components and parts	457,792	414,951
Subtotal	1,382,638	1,358,607
Transactions with unrelated parties		
Transportation of finished vehicles	11,836	9,863
Supply chain management for automobile components and parts	68,221	51,211
Transportation of non–vehicle commodities	102,542	55,339
Subtotal	182,599	116,413
Total	1,565,237	1,475,020

22 Other income

	2008 RMB'000	2007 RMB'000
Sales of recycled packages of vehicle spare parts	3,034	2,968
Others	1,296	1,056
	4,330	4,024

23 Expenses by nature

	2008 RMB'000	2007 RMB'000
Transportation fee	1,219,049	1,210,814
Business tax	16,238	10,921
Employee benefit expense (Note 24)	118,715	87,045
Auditors' remuneration	1,048	958
Provision for impairment of receivables (Note 12)	3,001	3,869
Provision/(reversal) of impairment of due from related parties (Note 35)	281	(801)
Depreciation of property, plant and equipment (Note 6)	28,883	15,542
Amortisation of prepaid lease payments (Note 7)	2,630	2,385
Amortisation of intangible assets (Note 8)	339	182
Amortisation of deferred income (Note 17)	(3,455)	(247)
Operating lease rentals for office premises and distribution centres (Note 6)	3,630	4,909
Loss on disposal of property, plant and equipment (Note 34)	1,025	17
Entertainment expense	3,715	3,089
Travelling expense	2,836	2,662
Other expenses	47,359	37,701
Total cost of sales, distribution costs and administrative expenses	1,445,294	1,379,046

24 Employee benefit expense

Employee benefit expense includes emoluments of the directors and supervisors.

	2008 RMB'000	2007 RMB'000
Wages and salaries	91,434	69,334
Pension costs – defined contribution plans	9,635	7,179
Social security benefits costs	11,899	6,766
Others	5,747	3,766
Total employee benefit expense	118,715	87,045

25 Finance income

	2008 RMB'000	2007 RMB'000
Interest income	1,963	2,508

26 Finance costs

	2008 RMB'000	2007 RMB'000
Interest expense	3,045	2,065
Exchange losses	518	3,313
Others	–	3
	3,563	5,381

27 Income tax expenses

	2008 RMB'000	2007 RMB'000
Current PRC enterprise income tax ("EIT")	22,053	8,352
Deferred tax (Note 11)	(2,643)	(2,371)
	19,410	5,981

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

	2008		2007	
	Applicable tax rate	Actual tax rate	Applicable tax rate	Actualtax rate
Company	15.0%	15.0%	15.0%	7.5%
Chongqing Gangcheng	15.0%	15.0%	24.0%	24.0%
Nanjing CMSC	25.0%	25.0%	30.0%	30.0%

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.

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 rates of the Company and Chongqing Gangcheng are 15% from 2008 to 2010. The applicable EIT rate of Nanjing CMSC is 25% from 1 January 2008 onwards.

27 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:

	2008 RMB'000	2007 RMB'000
Profit before tax	123,149	99,652
Tax calculated at actual tax rates applicable to each group entities	19,167	6,532
Expenses not deductible for tax purposes	359	26
Share of profit of associates	(72)	(379)
Others	(44)	(198)
Tax charge	19,410	5,981

The effective tax rate for the year ended 31 December 2008 was 15.8% (2007: 6.0%).

28 Profit attributable to equity holders of the Company

For the year ended 31 December 2008, profit attributable to shareholders of the Company dealt with in the financial statements of the Company amounted to approximately RMB90,148,000 (2007: RMB96,190,000).

29 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 2008 and 2007, respectively.

	2008 RMB'000	2007 RMB'000
Group's profit attributable to shareholders of the Company	100,295	94,761
Weighted average number of ordinary shares in issue (in thousands)	162,064	162,064
Basic earnings per share (RMB per share)	0.62	0.58

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

30 Dividends

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.

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.

During the Board of Directors' meeting on 21 March 2008, 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 20 June 2008. This dividend was accounted for as an appropriation of retained earnings for the year ended 31 December 2008. 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 2007.

Pursuant to the resolution of the Board of Directors dated 20 March 2009, the directors of the Company proposed to declare final dividend of RMB0.09 per share, totalling RMB14,586,000. The proposed dividend is subject to approval at the annual general meeting of shareholders on 19 June 2009 and will be accounted for as an appropriation of retained earnings for the year ending 31 December 2009.

In accordance with the Circular Guoshuihan [2008] No. 897 issued by State Administration of Taxation in November 2008, the dividends paid by Chinese listed companies to H–share foreign corporate shareholders is subject to withholding income tax at a rate of 10% on dividend paid in 2008 and subsequent years.

31 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 2008 and 2007 are as follows:

	2008 RMB'000	2007 RMB'000
Basic salaries and allowances	355	316
Discretionary bonuses	127	125
Retirement benefit contributions	14	12
	496	453

The emoluments of the directors of the Company for the years ended 31 December 2008 and 2007 are analysed as follows:

	2008 RMB'000	2007 RMB'000
Shi Chaochun	307	303
Yin Jiaxu	–	–
Huang Zhangyun	–	–
Lu Xiaozhong	–	–
James H McAdam	–	–
Lu Guoji	–	–
Zhang Baolin	–	–
Daniel C. Ryan	–	–
Wu Xiaohua	–	–
Lau Man Yee	–	–
Li Ming	–	–
Wang Xu	63	50
Peng Qifa	63	50
Chong Teck Sin	63	50
	496	453

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 2008 and 2007.

31 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 2008 and 2007 are as follows:

	2008 RMB'000	2007 RMB'000
Basic salaries and allowances	176	173
Discretionary bonuses	110	109
Retirement benefit contributions	28	24
	314	306

The emoluments of the supervisors for the years ended 31 December 2008 and 2007 are analysed as follows:

	2008 RMB'000	2007 RMB'000
Ye Guangrong	186	183
Chen Haihong	128	123
Wu Juan	–	–
Hua Zhanbiao	–	–
Tang Yizhong	–	–
	314	306

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 2008 and 2007.

31 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 2008 and 2007 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 2008 and 2007 are as follows:

	2008 RMB'000	2007 RMB'000
Basic salaries and allowances	492	485
Discretionary bonuses	330	325
Retirement benefit contributions	55	48
	877	858

The emoluments of the four highest paid individuals for the years ended 31 December 2008 and 2007 are analysed as follows:

	2008 RMB'000	2007 RMB'000
Individual A	231	225
Individual B	229	225
Individual C	228	225
Individual D	189	183
	877	858

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

	Number of individuals	
	2008	2007
Nil to HKD1,000,000 (equivalent to RMB881,900)	4	4

For the years ended 31 December 2008 and 2007, 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.

32 Commitments

(a) Capital commitments

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

	2008 RMB'000	2007 RMB'000
Property, plant and equipment		
Contracted but not provided for	29,332	24,283
Prepaid lease payments		
Contracted but not provided for	–	13,501
	29,332	37,784

(b) Operating lease commitments

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

	2008 RMB'000	2007 RMB'000
Not later than one year	4,205	2,869
Later than one year and no later than five years	1,556	1,571
	5,761	4,440

33 Contingent liabilities

As at 31 December 2008, the Group did not have any significant contingent liabilities.

34 Cash generated from operations

	2008 RMB'000	2007 RMB'000
Profit before income tax	123,149	99,652
Finance costs	3,563	5,381
Finance income	(1,963)	(2,508)
Provision for impairment of receivables and due from related parties	3,282	3,068
Loss on disposal of property, plant and equipment	1,025	17
Depreciation of property, plant and equipment	28,883	15,542
Amortisation of prepaid lease payments	2,630	2,385
Amortisation of intangible assets	339	182
Share of profit of associates	(476)	(2,527)
Amortisation of deferred income	(3,455)	(247)
Changes in working capital:		
Trade and other receivables	(34,421)	(22,579)
Due from related parties	(52,719)	49,257
Restricted cash pledged for bills payable	6,000	4,000
Trade and other payables	(26,106)	49,041
Due to related parties	(14,082)	22,493
Cash generated from operations	35,649	223,157

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2008 RMB'000	2007 RMB'000
Net book amount (Note 6)	1,680	17
Loss on disposal of property, plant and equipment	(1,025)	(17)
Proceeds from disposal of property, plant and equipment	655	–

35 Related party transactions

(a) For the year ended 31 December 2008, 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 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)	Subsidiary of Changan Automobile
Hebei Changan Automobile Company Limited ("Changan Hebei")	Subsidiary of Changan Automobile
Hebei Changan Commercial Vehicle Company Limited ("Changan Hebei Commercial")	Subsidiary of Changan Automobile
Nanjing Changan Automobile Company Limited ("Changan Nanjing")	Subsidiary of Changan Automobile
Chongqing Changan Suzuki Automobile Company Limited ("Changan Suzuki")	Subsidiary of Changan Automobile
Chongqing Changan Automobile Supporting Service Co., Ltd. ("Changan Service")	Subsidiary of Changan Automobile
Jiangling Motor Holding Company Limited ("Jiangling Holding")	Jointly controlled entity 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
Chongqing 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 Nanjing CMSC

35 Related party transactions (continued)

(b) For the year ended 31 December 2008, 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

	2008 RMB'000	2007 RMB'000
Changan Ford	434,829	491,590
Changan Automobile	280,937	270,573
Changan Hebei	57,394	143,675
Changan Hebei Commercial	101,863	–
Changan Nanjing	41,643	33,788
Changan Suzuki	8,180	4,030
	924,846	943,656

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

	2008 RMB'000	2007 RMB'000
Changan Ford	260,221	276,365
Changan Ford Engine	22,747	16,750
Chongqing Ante	12,098	3,360
Changan Hebei	34,396	34,157
Changan Automobile	27,644	33,496
Changan International Sales	66,481	10,956
Changan Suzuki	4,819	7,407
Changan Nanjing	13,335	7,635
Changan Jinling	3,507	8,161
Jiangling Holding	2,680	15,144
Changan Co.	2,015	723
Chongqing Tsingshan	832	773
Changan Lingyun	7	24
Changan Service	7,010	–
	457,792	414,951

35 Related party transactions (continued)

(iii) Transportation services provided by related parties

	2008 RMB'000	2007 RMB'000
Minsheng Logistics	93,421	118,423
Minsheng International Freight	10,455	63,829
Minsheng Shipping	45,568	83,453
Chongqing Terui	30,853	32,927
Wuhan Minfutong	4,367	8,448
Beijing Changjiu	33,363	40,975
	218,027	348,055

(iv) Construction services provided by related parties

	2008 RMB'000	2007 RMB'000
Changan Construction	23,155	8,184

(v) Purchase of equipment from related parties

	2008 RMB'000	2007 RMB'000
Chongqing Changan Terui	878	–

(vi) Consultant services provided by related parties

	2008 RMB'000	2007 RMB'000
APLLC	876	–

35 Related party transactions (continued)

(c) As at 31 December 2008, the related party balances were shown as follows:

Due from related parties

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Balance from rendering of services				
Changan Automobile	127,008	64,572	40,248	31,356
Changan Ford	19,346	60,003	–	56,092
Changan Ford Engine	6,241	2,128	207	448
Changan Hebei	14,333	49,297	14,333	49,297
Changan Hebei Commercial	60,854	–	60,854	–
Changan Nanjing	23,900	30,159	23,900	30,159
Chongqing Tsingshan	159	126	159	126
Changan Lingyun	56	49	56	49
Changan Suzuki	2,459	1,893	2,459	1,893
Changan International Sales	–	1,346	–	1,346
Changan Co.	1,815	563	1,815	563
Jiangling Holding	2,015	4,759	2,015	4,759
Changan Jinling	2,271	2,911	2,271	2,911
Changan supporting service	5,585	–	5,585	–
Nanjing CMSC	–	–	1,560	7,637
Chongqing Gangcheng	–	–	7,100	–
Subtotal	266,042	217,806	162,562	186,636
Less: provision for impairment of due from related parties	(281)	–	(281)	–
Subtotal	265,761	217,806	162,281	186,636

35 Related party transactions (continued)

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Balance of deposits for service quality guarantee (Note (a))				
Changan Ford	2,840	2,970	777	985
Changan Automobile	812	4,902	815	4,902
Changan Hebei	745	798	745	798
Changan Nanjing	828	828	828	828
Changan Suzuki	142	154	142	154
Subtotal	5,367	9,652	3,307	7,667
Prepayment for transportation services				
Minsheng Logistics	8,215	–	13,480	–
Minsheng International Freight	133	–	–	–
Subtotal	8,348	–	13,480	–
Balances from subsidiaries				
Chongqing Gangcheng	–	–	38,401	9,155
Nanjing CMSC	–	–	7,868	7,614
Subtotal	–	–	46,269	16,769
Other receivables				
Minsheng Industrial	170	–	170	–
Wuhan Minfutong	100	–	100	–
Chongqing Terui	150	–	150	–
Subtotal	420	–	420	–
Total	279,896	227,458	225,757	211,072

35 Related party transactions (continued)

Note

(a) 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 2008, approximately 63% (2007: approximately 69%) of the total amount of trade receivables and due from related parties was due from the five 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 2008 and 2007 were as follows:

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
0 to 90 days	232,097	167,311	146,368	136,141
91 to 180 days	28,177	47,656	10,426	47,656
181 to 365 days	3,872	2,826	3,872	2,826
Over 1 year	1,896	13	1,896	13
Total	266,042	217,806	162,562	186,636

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

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
At 1 January	–	801	–	795
Provision/(reversal) of impairment of balances due from related parties	281	(801)	281	(795)
At 31 December	281	–	281	–

The Group has recognised the provision for impairment of due from related parties in "administrative expenses" in the consolidated income statement (Note 23).

35 Related party transactions (continued)

Due to related parties

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Balance from transportation services provided by related parties				
Minsheng Logistics	2,000	14,185	2,000	12,799
Minsheng International Freight	14,063	31,528	14,063	31,219
Minsheng Shipping	10,269	24,882	7,467	24,536
Beijing Changjiu	4,351	13,350	3,580	12,652
Wuhan Minfutong	4,715	4,018	4,715	4,018
Chongqing Terui	6,046	9	5,967	9
Chongqing Gangcheng	–	–	–	101
Nanjing CMSC	–	–	4,241	131
Subtotal	41,444	87,972	42,033	85,465
Balance from timely settlement compensation fee payable to related party				
Changan Automobile	1,400	596	1,399	596
Balance from construction services provided by related party				
Changan Construction	1,172	265	7	265
Advances for rendering of services				
Changan Ford	25,671	–	25,671	–
Chongqing Ante	535	–	535	–
Changan International Sales	944	–	944	–
Subtotal	27,150	–	27,150	–
Other payables				
Minsheng Logistics	405	403	405	403
Changan Automobile	413	–	413	–
Minsheng Shipping	1,092	371	1,092	371
Chongqing Terui	878	–	878	–
APLLC	200	–	200	–
Changan Ford	272	–	272	–
Changan Co.	367	–	367	–
Minsheng Industrial	311	–	311	–
Beijing Changjiu	421	–	421	–
Subtotal	4,359	774	4,359	774
Total	75,525	89,607	74,948	87,100

35 Related party transactions (continued)

Ageing analysis of due to related parties at 31 December 2008 and 2007 were as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	69,869	84,981	70,470	82,474
91 to 180 days	1,457	3,809	1,453	3,809
181 to 365 days	1,926	229	752	229
Over 1 year	2,273	588	2,273	588
	75,525	89,607	74,948	87,100

As at 31 December 2008 and 2007, 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.

36 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 2008, no share appreciation rights have been granted under the SARIS.

37 Events after the balance sheet date

As at 31 December 2008, except those disclosed in other notes of the financial statements, the Company had no material events after the balance sheet date.