



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)

## Results Announcement for the year ended 31 December 2010

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

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*This announcement 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 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable*

## **FINANCIAL HIGHLIGHTS**

- For the year ended 31 December 2010, the audited consolidated revenue of the Group was approximately RMB2,827,020,000 representing an increase of approximately 23.74% from the previous year.
- The audited profit attributable to equity holders of the Company was approximately RMB178,945,000, representing an increase of 37.40% from the corresponding period in 2009.
- For the year ended 31 December 2010, the audited basic earnings per share was RMB 1.10 (in 2009: RMB 0.80).

## **ANNUAL RESULTS**

The board of directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2010 and the comparative figures for the corresponding period of 2009 as follows:

**CHANGAN MINSHENG APLL LOGISTICS CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(All amounts in Renminbi("RMB"))

		<b>As at 31 December</b>	
		<b>2010</b>	<b>2009</b>
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
		243,100	174,542
		146,164	129,653
		9,676	2,915
		-	-
		19,692	16,811
		13,093	6,866
<b>Total non-current assets</b>		<u>431,725</u>	<u>330,787</u>
<b>Current assets</b>			
		3,097	4,186
	5	114,777	177,498
		39,032	19,142
	17	389,405	369,527
		-	9,300
		441,532	314,362
<b>Total current assets</b>		<u>987,843</u>	<u>894,015</u>
<b>Total assets</b>		<u><u>1,419,568</u></u>	<u><u>1,224,802</u></u>

**CHANGAN MINSHENG APLL LOGISTICS CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS (continued)**  
(All amounts in RMB)

		<b>As at 31 December</b>	
		<b>2010</b>	<b>2009</b>
		RMB'000	RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
		162,064	162,064
Share capital			
Capital surplus	6	75,150	75,150
Other reserves	6	65,911	51,866
Retained earnings			
- Proposed final dividend		24,310	14,586
- Others		459,850	319,260
		<u>787,285</u>	<u>622,926</u>
<b>Non-controlling interests</b>		<u>89,153</u>	<u>39,549</u>
<b>Total equity</b>		<u>876,438</u>	<u>662,475</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liability		963	-
Deferred income		4,910	7,707
<b>Total non-current liabilities</b>		<u>5,873</u>	<u>7,707</u>
<b>Current liabilities</b>			
Trade and other payables	7	399,863	424,731
Due to related parties	17	111,499	113,787
Current income tax liabilities		25,895	16,102
<b>Total current liabilities</b>		<u>537,257</u>	<u>554,620</u>
<b>Total liabilities</b>		<u>543,130</u>	<u>562,327</u>
<b>Total equity and liabilities</b>		<u>1,419,568</u>	<u>1,224,802</u>
<b>Net current assets</b>		<u>450,586</u>	<u>339,395</u>
<b>Total assets less current liabilities</b>		<u>882,311</u>	<u>670,182</u>

**CHANGAN MINSHENG APLL LOGISTICS CO., LTD.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(All amounts in RMB)

		<b>Year ended 31 December</b>	
		<b>2010</b>	<b>2009</b>
		RMB'000	RMB'000
	Note		
Revenue	8	2,827,020	2,284,723
Cost of sales	10	(2,419,262)	(2,016,652)
<b>Gross profit</b>		<b>407,758</b>	<b>268,071</b>
Other income	9	2,505	1,756
Distribution costs	10	(87,751)	(61,889)
Administrative expenses	10	(65,311)	(41,654)
<b>Operating profit</b>		<b>257,201</b>	<b>166,284</b>
Finance income	12	3,294	1,526
Finance costs	13	(1,564)	(1,130)
Share of profit of associates		2,881	1,984
<b>Profit before income tax</b>		<b>261,812</b>	<b>168,664</b>
Income tax expense	14	(46,788)	(25,734)
<b>Profit and total comprehensive income for the year</b>		<b>215,024</b>	<b>142,930</b>
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		178,945	130,235
Non-controlling interests		36,079	12,695
		<b>215,024</b>	<b>142,930</b>
Earnings per share for profit attributable to owners of the Company during the year			
- basic and diluted	15	<b>RMB1.10</b>	<b>RMB0.80</b>
Dividends	16	24,310	14,586

**CHANGAN MINSHENG APLL LOGISTICS CO., LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(All amounts in RMB)

	Note	Attributable to owners of the Company			Retained earnings RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Capital surplus RMB'000	Other reserves RMB'000			
<b>Balance at 1 January 2009</b>		162,064	75,150	40,482	229,581	26,854	534,131
<b>Comprehensive income</b>							
Profit for the year		-	-	-	130,235	12,695	142,930
<b>Transactions with owners</b>							
Cash dividends		-	-	-	(14,586)	-	(14,586)
Appropriation to reserve	6	-	-	11,384	(11,384)	-	-
<b>Balance at 31 December 2009</b>		162,064	75,150	51,866	333,846	39,549	662,475
<b>Comprehensive income</b>							
Profit for the year		-	-	-	178,945	36,079	215,024
<b>Transactions with owners</b>							
Cash dividends		-	-	-	(14,586)	(13,475)	(28,061)
Appropriation to reserve	6	-	-	14,045	(14,045)	-	-
Capital injection by non-controlling shareholders		-	-	-	-	27,000	27,000
<b>Balance at 31 December 2010</b>		<u>162,064</u>	<u>75,150</u>	<u>65,911</u>	<u>484,160</u>	<u>89,153</u>	<u>876,438</u>

**CHANGAN MINSHENG APLL LOGISTICS CO., LTD.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(All amounts in RMB)

	<b>Year ended 31 December</b>	
	<b>2010</b> RMB'000	<b>2009</b> RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	293,358	251,726
Interest paid	(1,235)	(1,235)
Income tax paid	(43,303)	(22,056)
Net cash generated from operating activities	<u>248,820</u>	<u>228,435</u>
<b>Cash flows from investing activities</b>		
Acquisition of a business	(7,124)	-
Purchase of property, plant and equipment and intangible assets	(96,773)	(22,749)
Increase in prepaid lease payments	(19,970)	(11,823)
Proceeds from disposal of property, plant and equipment	218	215
Interest received	3,294	1,526
Net cash used in investing activities	<u>(120,355)</u>	<u>(32,831)</u>
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans	50,000	50,000
Repayment of short-term loans	(50,000)	(50,000)
Capital contributions from non-controlling shareholders	27,000	-
Dividends paid to the Company's shareholders	(14,586)	(14,586)
Dividends paid to non-controlling shareholders	(13,475)	-
Net cash used in financing activities	<u>(1,061)</u>	<u>(14,586)</u>
<b>Net increase in cash</b>	127,404	181,018
Cash at beginning of year	314,362	133,239
Exchange (losses)/gains on cash	(234)	105
<b>Cash at end of year</b>	<u><u>441,532</u></u>	<u><u>314,362</u></u>

## **1 General information**

Changan Minsheng APLL Logistics Co., Ltd, (“the Company”), was incorporated in the People’s Republic of China (the “PRC”) on 27 August 2001 as a limited liability company. In 2002, the Company was converted to a sino-foreign equity joint venture. On 31 December 2004, the Company was transformed into a joint stock limited liability company. The H Share of the Company has 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, transportation of non-vehicle commodities services, sales of packages materials and processing of tyres.

The address of the Company’s registered office is Liang Jing Cun, Yuan Yang Zhen, Yu Bei District, Chongqing, the PRC.

These consolidated financial statements have been approved for issue by the Board of Directors on 18 March 2011.

## **2 Basis of preparation**

The consolidated financial statements of the Group, including the financial statements of the Company, have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, except that certain financial assets and financial liabilities are stated at fair value or recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The preparation of these 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 these financial statements are also disclosed.

### **3 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.

The management 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.

#### **3.1 Income taxes**

The Group is subject to various taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. 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 income 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.

#### **3.2 Useful lives of property, plant and equipment**

The Group's management determines the estimated useful lives of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated, and will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

#### 4 Segment information

Management has determined the operating segments based on the reports reviewed by the General Manager meeting of the Company that are used to make strategic decisions.

The General Manager meeting considers the business from a service perspective only, as geographically all the services are provided in the PRC, which is considered as one geographic location with similar risks and returns.

The reportable operating segments derive their revenue primarily from the rendering of transportation and supply chain management for automobile components and parts, and transportation of non-vehicle commodities services.

Other operations include the sales of package materials and processing of tyres, and the results of these operations are included in the “all other segments” column.

The General Manager meeting assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis excludes other income and administrative expenses. The measure also excludes the effects of the depreciation of property, plant and equipment, amortisation of prepaid lease payments and intangible assets, which are not allocated to segments, as these types of assets are driven by the central investment functions, which manage the long-term assets investments of the Group.

The segment information provided to the General Manager meeting for the reportable segments for the year ended 31 December 2010 is as follows:

	Transportation and supply chain management for vehicle commodities RMB'000	Transportation of non-vehicle commodities RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	2,660,702	110,135	56,183	2,827,020
Inter-segment revenue	-	-	-	-
<b>Revenue from external customers</b>	<b>2,660,702</b>	<b>110,135</b>	<b>56,183</b>	<b>2,827,020</b>
<b>Adjusted operating profit</b>	<b>336,776</b>	<b>13,282</b>	<b>6,923</b>	<b>356,981</b>
<b>Total assets</b>	<b>414,323</b>	<b>17,150</b>	<b>8,749</b>	<b>440,222</b>

#### 4 Segment information (continued)

The segment information for the year ended 31 December 2009 is as follows:

	Transportation and supply chain management for vehicle commodities RMB'000	Transportation of non-vehicle commodities RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	2,132,391	106,402	45,930	2,284,723
Inter-segment revenue	-	-	-	-
<b>Revenue from external customers</b>	<b>2,132,391</b>	<b>106,402</b>	<b>45,930</b>	<b>2,284,723</b>
<b>Adjusted operating profit</b>	<b>214,650</b>	<b>9,640</b>	<b>6,888</b>	<b>231,178</b>
<b>Total assets</b>	<b>373,124</b>	<b>26,982</b>	<b>2,394</b>	<b>402,500</b>

The revenue from external parties reported to the General Manager meeting is measured in a manner consistent with that in the consolidated statement of comprehensive income. The details are included in Note 8.

A reconciliation of adjusted operating profit to profit before tax is provided as follows:

	2010 RMB'000	2009 RMB'000
Adjusted operating profit for reportable segments	350,058	224,290
Other segments adjusted operating profit	6,923	6,888
Total segments	356,981	231,178
Depreciation and amortisation included in cost of sales and distribution costs	(36,974)	(24,996)
Other income	2,505	1,756
Administrative expenses	(65,311)	(41,654)
Finance income – net	1,730	396
Share of profit of associates	2,881	1,984
<b>Profit before income tax</b>	<b>261,812</b>	<b>168,664</b>

#### 4 Segment information (continued)

Reportable segments' assets are reconciled to total assets as follows:

	2010	2009
	RMB'000	RMB'000
Segment assets for reportable segments	431,473	400,106
Other segments assets	8,749	2,394
Unallocated:		
Property, plant and equipment	243,100	174,542
Prepaid lease payments	146,164	129,653
Intangible assets	9,676	2,915
Investments in associates	19,692	16,811
Deferred income tax assets	13,093	6,866
Other current assets	547,621	491,515
<b>Total assets per balance sheet</b>	<b>1,419,568</b>	<b>1,224,802</b>

The entity is domiciled in China. All its revenue from external customers are derived from PRC, and all the non-current assets are located within PRC.

Revenue of approximately RMB1,197 million, RMB742 million and RMB225 million (2009: approximately RMB982 million, RMB568 million and RMB246 million) were derived from three external customers, respectively. These revenues were attributable to transportation and supply chain management for vehicle commodities and other segments.

## 5 Trade receivables

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Accounts receivable (Note (a))	74,492	49,046	55,883	42,950
Less: provision for impairment of receivables	<u>(8,742)</u>	<u>(6,338)</u>	<u>(8,580)</u>	<u>(6,166)</u>
Accounts receivable - net	65,750	42,708	47,303	36,784
Bills receivable (Note (b))	<u>49,027</u>	<u>134,790</u>	<u>48,947</u>	<u>134,474</u>
	<u>114,777</u>	<u>177,498</u>	<u>96,250</u>	<u>171,258</u>

The carrying amounts of trade receivables approximated 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 as at 31 December 2010 and 2009 are as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Up to 90 days	52,559	34,196	34,811	28,388
91 to 180 days	8,279	5,223	7,577	4,935
181 to 365 days	9,355	4,066	9,196	4,066
Over 1 year	<u>4,299</u>	<u>5,561</u>	<u>4,299</u>	<u>5,561</u>
	<u>74,492</u>	<u>49,046</u>	<u>55,883</u>	<u>42,950</u>

As at 31 December 2010 and 2009, trade receivables aged within 90 days, which were amounted to approximately RMB52,559,000 and RMB34,196,000, respectively, were fully performing.

## 5 Trade receivables (continued)

As at 31 December 2010 and 2009, trade receivables of approximately RMB8,279,000 and RMB5,223,000 were past due but not impaired. These balances related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
91 to 180 days	<u>8,279</u>	<u>5,223</u>	<u>7,577</u>	<u>4,935</u>

As at 31 December 2010 and 2009, trade receivables of RMB13,654,000 and RMB9,627,000 were impaired and provisions of RMB8,742,000 and RMB6,338,000 were made, respectively. The individually impaired receivables mainly related to certain customers, which are in difficult financial situations. Based on the management's best estimation, it was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
181 to 365 days	9,355	4,066	9,196	4,066
Over 1 year	<u>4,299</u>	<u>5,561</u>	<u>4,299</u>	<u>5,561</u>
	<u>13,654</u>	<u>9,627</u>	<u>13,495</u>	<u>9,627</u>

(b) Ageing analysis of bills receivable at 31 December 2010 and 2009 is as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Up to 180 days	<u>49,027</u>	<u>134,790</u>	<u>48,947</u>	<u>134,474</u>

Bills receivable as at 31 December 2010 and 2009 were not impaired.

As at 31 December 2010, no bills receivable was pledged for bills payable (2009: RMB8,000,000) (Note 7).

## 5 Trade receivables (continued)

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
At 1 January	6,338	8,122	6,166	7,906
Provision/(reversal)for impairment of trade receivables	2,640	(1,695)	2,640	(1,651)
Trade receivables written off during the year as uncollectible	<u>(236)</u>	<u>(89)</u>	<u>(226)</u>	<u>(89)</u>
At 31 December	<u>8,742</u>	<u>6,338</u>	<u>8,580</u>	<u>6,166</u>

The Group has recognised some impaired receivables in 2010 and charged to “administrative expenses” (Note 10). Amounts charged to provision account are generally written off, when a trade receivable is uncollectible.

As at 31 December 2010, approximately 72% (2009: approximately 64%) of the total amount of trade receivables and due from related parties was due from the top five largest customers. The carrying amount of trade receivables and due from related parties represented the Group’s maximum exposure to credit risk in relation to its financial assets. The Group did not hold any collateral as security.

As at 31 December 2010, all trade receivables were denominated in RMB.

## 6 Capital surplus and other reserves

### (a) Capital surplus

Capital surplus represented the share premium, net of issuance costs, of the issuance of 50,000,000 H shares.

### (b) Other reserves

#### Group and Company

	Statutory surplus reserve	Discretionary surplus reserve	Total
	RMB'000	RMB'000	RMB'000
	Note (i)	Note (ii)	
At 1 January 2009	35,647	4,835	40,482
Appropriation to reserve	11,384	-	11,384
At 31 December 2009	47,031	4,835	51,866
Appropriation to reserve	14,045	-	14,045
At 31 December 2010	61,076	4,835	65,911

#### (i) Statutory reserves

In accordance with the PRC Company Law, the Company and its subsidiaries are 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 before distributing the net profit. When the balance of the statutory surplus reserve reaches 50% of a company's registered capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve 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, provided that the remaining balance of the statutory surplus reserve after such issue is not less than 25% of registered capital.

For the year ended 31 December 2010, approximately RMB14,045,000 (2009: approximately RMB11,384,000) was appropriated to the statutory surplus reserve from net profit.

## 6 Capital surplus and other reserves (continued)

### (b) Other reserves (continued)

#### (ii) 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 after the appropriation of statutory surplus reserve upon the approval by shareholders. The discretionary surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital.

## 7 Trade and other payables

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Accounts payable (Note(a))	250,693	325,769	164,287	221,077
Bills payable	-	14,400	-	14,400
Other payables	127,223	80,411	110,665	73,498
Advances from customers	5,394	1,887	2,964	1,778
Other taxes(Note(b))	16,553	2,264	11,184	1,644
	<u>399,863</u>	<u>424,731</u>	<u>289,100</u>	<u>312,397</u>

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Up to 90 days	250,011	324,049	163,709	220,004
91 to 180 days	181	1,178	176	591
181 to 365 days	133	70	65	45
Over 1 year	368	472	337	437
	<u>250,693</u>	<u>325,769</u>	<u>164,287</u>	<u>221,077</u>

(b) Other taxes include payables on business tax, value-added tax, city construction and maintenance tax and education surcharge.

Type	Tax rate	Taxable base
Value added tax ("VAT")	17%	Taxable turnover amount
Business tax	3% or 5%	Taxable turnover amount
City construction and maintenance tax	7%	Business tax and value-added tax payables
Education surcharge	3%	Business tax and value-added tax payables

## 8 Revenue

Revenues recognised for each year of the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
	RMB'000	RMB'000
<u>Transactions with related party (Note 17)</u>		
Transportation of finished vehicles	1,741,635	1,573,887
Supply chain management for automobile components and parts		
- sales of package materials and processing of tyres	47,225	34,988
- other supply chain management	733,340	469,110
Others	2,391	6,203
	<u>2,524,591</u>	<u>2,084,188</u>
<u>Transactions with third parties</u>		
Transportation of finished vehicles	2,097	32,732
Supply chain management for automobile components and parts	183,630	56,662
Transportation of non-vehicle commodities	110,135	106,402
Sales of packages of vehicle spare parts	6,567	4,739
	<u>302,429</u>	<u>200,535</u>
Total	<u>2,827,020</u>	<u>2,284,723</u>

## 9 Other income

	2010 RMB'000	2009 RMB'000
Government grants	1,206	-
Fines on transporters for violation of processing rules	435	1,298
Others	864	458
	<u>2,505</u>	<u>1,756</u>

## 10 Expenses by nature

	2010 RMB'000	2009 RMB'000
Transportation fees	2,147,499	1,814,321
Employee benefit expense (Note 11)	249,838	155,180
Inventories used	40,530	32,971
Business tax	39,552	19,787
Depreciation of property, plant and equipment	35,271	23,780
Operating lease rentals for office premises and distribution centres	10,551	5,666
Entertainment expenses	6,661	4,013
Travelling expenses	3,960	3,261
Amortisation of prepaid lease payments	3,459	3,071
Provision/(reversal) for impairment of receivables (Note 5)	2,640	(1,695)
Auditors' remuneration	1,430	1,150
Amortisation of intangible assets	1,131	394
Provision of impairment of due from related parties (Note 17)	476	242
Loss on disposal of property, plant and equipment	139	1,000
Amortisation of deferred income	(2,797)	(2,795)
Other expenses	31,984	59,849
	<u>2,572,324</u>	<u>2,120,195</u>
Total cost of sales, distribution costs and administrative expenses		

## 11 Employee benefit expense

Employee benefit expenses include emoluments of the directors and supervisors.

	2010 RMB'000	2009 RMB'000
Wages and salaries	197,267	125,298
Pension costs - defined contribution plans	15,643	9,610
Social security benefits costs	28,790	12,686
Others	8,138	7,586
	<u>249,838</u>	<u>155,180</u>

## 12 Finance income

	2010 RMB'000	2009 RMB'000
Interest income on bank deposits	<u>3,294</u>	<u>1,526</u>

## 13 Finance costs

	2010 RMB'000	2009 RMB'000
Interest expense on short-term borrowings	(1,235)	(1,235)
Net exchange (losses)/gains	<u>(329)</u>	<u>105</u>
	<u>(1,564)</u>	<u>(1,130)</u>

## 14 Income tax expense

	2010 RMB'000	2009 RMB'000
<u>Current tax:</u>		
Current PRC corporate income tax ("CIT") on profits for the year	52,915	28,389
Adjustments in respect of prior year by tax bureau	180	(1,015)
Total current tax	<u>53,095</u>	<u>27,374</u>
<u>Deferred tax :</u>		
Origination and reversal of temporary differences	(4,624)	745
Re-measurement of deferred tax as a result of changing tax rate	(1,683)	(2,385)
Total deferred tax	<u>(6,307)</u>	<u>(1,640)</u>
Income tax expense	<u>46,788</u>	<u>25,734</u>

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

	2010		2009	
	Applicable tax rate	Actual tax rate	Applicable tax rate	Actual tax rate
The Company	15%	15%	15%	15%
Chongqing Boyu	15%	15%	15%	15%
Nanjing CMSC	25%	25%	25%	25%
Chongqing Future	25%	25%	25%	25%
Chongqing Dingjie	25%	25%	NA	NA

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"). The CIT Law was effective 1 January 2008. Pursuant to detailed measures of the CIT Law in respect of West China Development Champion, the applicable CIT rates of the Company and Chongqing Boyu are 15% from 2008 to 2010. The applicable CIT rates of Nanjing CMSC, Chongqing Future and Chongqing Dingjie are 25% .

#### 14 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:

	2010 RMB'000	2009 RMB'000
Profit before tax	<u>261,812</u>	<u>168,664</u>
Tax calculated at weighted average tax rate applicable to the Group	48,498	28,215
Expenses not deductible for tax purposes	1,793	1,283
Share of profit of associates	(432)	(298)
Deductible expenditures under the tax rules	(1,568)	-
Re-measurement of deferred tax as a result of changing tax rate	(1,683)	(2,385)
Less/(over) provision in prior years	180	(1,015)
Others	<u>-</u>	<u>(66)</u>
Tax charge	<u>46,788</u>	<u>25,734</u>

The weighted average applicable tax rate was 18.5% (2009: 16.7%). The increase is caused mainly by an increase in the profitability of Nanjing CMSC.

## 15 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 2010 and 2009, respectively.

	2010 RMB'000	2009 RMB'000
Group's profit attributable to owners of the Company	178,945	130,235
Weighted average number of shares in issue (in thousand)	<u>162,064</u>	<u>162,064</u>
Basic earnings per share (RMB per share)	<u>1.10</u>	<u>0.80</u>

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

## 16 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 19 March 2010, the directors of the Company proposed to declare a final dividend of RMB0.09 per share, totalling RMB14,586,000, which was approved during the shareholders' annual general meeting on 30 June 2010. Pursuant to the resolution of the Board of Directors dated 18 March 2011, the directors of the Company proposed to declare final dividend of RMB0.15 per share, totalling RMB24,310,000. The proposed dividend is subject to be approved at the shareholders' annual general meeting of year 2010.

In accordance with the Circular Guoshuihan [2008] No. 897 issued by State Taxation Administration 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 from the earnings made after 1 January 2008.

The aggregate amounts of the dividends paid and proposed during 2009 and 2010 have been disclosed in the accompanying consolidated statement of comprehensive income in accordance with the Hong Kong Companies Ordinance.

## 17 Related party transactions

- (a) For each year of the years ended 31 December 2010, related parties, other than the subsidiaries, and their relationship with the Group are as follows:

Name of related party	Relationship
Changan Industry Group ("Changan Industry")	Shareholder
APL Logistics Ltd. ("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 Industry
China Changan Automobile Group ("Changan Auto Group")	Subsidiary of CSI Group
Chongqing Changan Automobile Company Limited ("Changan Automobile")	Subsidiary of Changan Automobile Group
Chongqing Changan Construction Company Limited ("Changan Construction")	Subsidiary of Changan Industry
Chongqing Changan Lingyun Automobile Parts Company Limited ("Changan Lingyun")	Associate of Changan Automobile
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")	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

## 17 Related party transactions (continued)

(a) For each year of the years ended 31 December 2010, related parties, other than the subsidiaries, and their relationship with the Group are as follows (continued):

<u>Name of related party</u>	<u>Relationship</u>
Chongqing Tsingshan Industries Company Limited ("Chongqing Tsingshan")	Subsidiary of Changan Automobile Group
Chongqing Jian'an Axles Branch (Chongqing Jian'an)	Subsidiary of Changan Automobile Group
Wuhan Minfutong	Associate
Chongqing Terui	Associate
Beijing Changjiu Logistics Company Limited ("Beijing Changjiu")	Non-controlling shareholder of Nanjing CMSC
Chongqing Dajiang Zhenyue Storage Company Limited ("Chongqing Dajiang")	Non-controlling shareholder of Chongqing Dingjie
Chongqing Weitai Business Trading Company Limited ("Chongqing Weitai")	Non-controlling shareholder of Chongqing Dingjie
Chongqing Lingxin Storage Company Limited ("Chongqing Lingxin")	Non-controlling shareholder of Chongqing Dingjie

## 17 Related party transactions (continued)

(b) As at 31 December 2010 and 2009, the related party balances are shown as follows:

### Due from related parties

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Balance from rendering of services				
Subsidiary:				
- Nanjing CMSC	-	-	3,616	4,522
Other related parties:				
- Changan Automobile	136,420	153,156	44,550	67,845
- Changan Ford	85,292	34,077	187	-
- Changan Ford Engine	7,550	3,202	-	20
- Changan Hebei	19,480	11,630	19,480	11,630
- Changan Hebei Commercial	72,823	100,803	72,823	100,803
- Changan Nanjing	44,492	45,642	44,492	45,642
- Chongqing Tsingshan	159	159	159	159
- Changan Lingyun	18	40	18	40
- Sichuan Jian'an	1,001	-	1,001	-
- Chongqing Ante	1,109	-	1,109	-
- Changan Suzuki	2,703	3,707	2,514	3,707
- Changan Industry	10,401	4,430	10,401	4,430
- Changan Auto Group	53	-	53	-
- Jiangling Holding	-	331	-	331
- Changan Service	1,957	5,503	1,957	5,503
Subtotal	<u>383,458</u>	<u>362,680</u>	<u>202,360</u>	<u>244,632</u>

## 17 Related party transactions (continued)

(b) As at 31 December 2010 and 2009, the related party balances were shown as follows (continued):

### Due from related parties (continued)

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Balance of deposits for service quality				
Other related parties:				
- Changan Ford	2,164	2,372	682	1,295
- Changan Automobile	730	748	730	748
- Changan Hebei	625	625	625	625
- Changan Nanjing	1,081	730	1,081	730
- Changan Suzuki	506	508	506	508
Subtotal	5,106	4,983	3,624	3,906
Prepayment for transportation services				
Other related parties:				
- Minsheng International Freight	478	1,300	1,646	1,296
- Beijing Changjiu	84	-	1,620	-
Subtotal	562	1,300	3,266	1,296
Other receivables				
Subsidiaries:				
- Chongqing Boyu	-	-	32,698	-
- Nanjing CMSC	-	-	-	3,843
- Chongqing Future	-	-	7,742	2,345
Associates:				
- Wuhan Minfutong	36	52	36	52
- Chongqing Terui	173	167	173	167
Other related parties:				
- Changan Industry	757	759	757	759
- Chongqing Ante	116	-	116	-
- Minsheng Industrial	196	109	196	109
Subtotal	1,278	1,087	41,178	7,275
Less: provision for impairment of due from related parties	(999)	(523)	(999)	(523)
Total	389,405	369,527	249,969	256,586

## 17 Related party transactions (continued)

(b) As at 31 December 2010 and 2009, the related party balances were shown as follows (continued):

### Due from related parties (continued)

Deposits for service quality guarantee represent 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 2010, approximately 73% (2009: approximately 64%) of the total amount of trade receivables and due from related parties was due from the top 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 30 to 90 days. Ageing analysis of balance from rendering of services at 31 December 2010 and 2009 are as follows:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 90 days	372,194	356,856	191,624	239,181
91 to 180 days	7,704	2,446	7,176	2,073
181 to 365 days	947	1,449	947	1,449
Over 1 year	2,613	1,929	2,613	1,929
	<u>383,458</u>	<u>362,680</u>	<u>202,360</u>	<u>244,632</u>

## 17 Related party transactions (continued)

(b) As at 31 December 2010 and 2009, the related party balances were shown as follows (continued):

As at 31 December 2010 and 2009, due from related parties of approximately RMB6,776,000 and RMB5,301,000 were past due but not impaired. These balances relate to certain related parties for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
91 to 180 days	7,704	2,446	7,176	2,073
181 to 365 days	947	1,449	947	1,449
Over 1 year	1,614	1,406	1,614	1,406
	<u>10,265</u>	<u>5,301</u>	<u>9,737</u>	<u>4,928</u>

As at 31 December 2010 and 2009, due from related parties of RMB999,000 and RMB523,000 were impaired and provided for. The individually impaired receivables mainly relate to certain related parties, which are in difficult financial situations. The ageing of these receivables is as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Over 1 year	<u>999</u>	<u>523</u>	<u>999</u>	<u>523</u>

## 17 Related party transactions (continued)

(b) As at 31 December 2010 and 2009, the related party balances were shown as follows (continued):

Movement of the provision for impairment of due from related parties is as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
At 1 January	523	281	523	281
Provision of impairment of balances due from related parties	<u>476</u>	<u>242</u>	<u>476</u>	<u>242</u>
At 31 December	<u>999</u>	<u>523</u>	<u>999</u>	<u>523</u>

## 17 Related party transactions (continued)

(b) As at 31 December 2010 and 2009, the related party balances were shown as follows (continued):

### Due to related parties

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Balance from transportation services provided by related parties				
Subsidiaries:				
- Nanjing CMSC	-	-	323	-
- Chongqing Boyu	-	-	30,391	-
- Chongqing Dingjie	-	-	123	-
Associates:				
- Wuhan Minfutong	20,226	12,368	20,226	12,368
- Chongqing Terui	932	4,293	932	4,281
Other related parties:				
- Minsheng Logistics	57,049	37,463	49,493	33,916
- Minsheng International Freight	506	-	128	-
- Minsheng Shipping	6,635	20,241	2,837	18,998
- Beijing Changjiu	-	8,018	378	6,178
Subtotal	<u>85,348</u>	<u>82,383</u>	<u>104,831</u>	<u>75,741</u>
Balance from construction services provided by related party				
Other related party:				
- Changan Construction	<u>2,267</u>	<u>2,583</u>	<u>555</u>	<u>7</u>
Advances for rendering of services				
Other related parties:				
- Changan Ford	19,639	24,220	19,579	24,220
- Changan International Sales	1,181	1,680	1,181	1,680
- Chongqing Ante	-	49	-	49
Subtotal	<u>20,820</u>	<u>25,949</u>	<u>20,760</u>	<u>25,949</u>

## 17 Related party transactions (continued)

(b) As at 31 December 2010 and 2009, the related party balances were shown as follows (continued):

### Due to related parties (continued)

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Other payables				
Subsidiaries:				
- Chongqing Boyu	-	-	-	22,664
- Chongqing Dingjie	-	-	19,842	-
Other related parties:				
- Minsheng Logistics	405	405	405	405
- Changan Automobile	749	1,086	749	1,086
- Minsheng Shipping	52	4	-	4
- APLLC	229	200	229	200
- Changan Ford	235	-	235	-
- Chongqing Lingxin	219	-	-	-
- Changan Nanjing	376	217	376	217
- Changan Industry	37	-	37	-
- Minsheng Industrial	307	559	307	531
- Beijing Changjiu	455	401	401	401
Subtotal	<u>3,064</u>	<u>2,872</u>	<u>22,581</u>	<u>25,508</u>
Total	<u>111,499</u>	<u>113,787</u>	<u>148,727</u>	<u>127,205</u>

## 17 Related party transactions (continued)

(b) As at 31 December 2010 and 2009, the related party balances were shown as follows (continued):

### Due to related parties (continued)

Ageing analysis of due to related parties at 31 December 2010 and 2009 were as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Up to 90 days	106,470	109,893	146,089	124,311
91 to 180 days	878	1,365	146	1,365
181 to 365 days	1,037	469	1,010	469
Over 1 year	3,114	2,060	1,482	1,060
	<u>111,499</u>	<u>113,787</u>	<u>148,727</u>	<u>127,205</u>

As at 31 December 2010 and 2009, all 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.

## Financial Summary

### 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 2010 (as extracted from the Group's audited consolidated statement of comprehensive income, which are prepared in accordance with the Hong Kong Financial Reporting Standards):

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,827,020	2,284,723	1,565,237	1,475,020	1,104,477
Profit before income tax	261,812	168,664	123,149	99,652	71,889
Income tax expense	46,788	25,734	19,410	5,981	5,940
Profit for the year	215,024	142,930	103,739	93,671	65,949
Profit attributable to the following parties:					
Non-controlling interest	36,079	12,695	3,444	(1,090)	-
Owners of the Company	178,945	130,235	100,295	94,761	65,949
	RMB yuan	RMB yuan	RMB yuan	RMB yuan	RMB yuan
Earnings per share (Note 1)	1.10	0.80	0.62	0.58	0.43
Dividends per share (including tax) (Note 2)	0.15	0.09	0.09	0.08	0.08

**Note 1:** Earnings per share is calculated by dividing the profit attributable to the owners of the Company for the years ended 31 December 2006, 2007, 2008, 2009 and 2010 by the weighted average number of shares in issue for the respective years ended 31 December 2006, 2007, 2008, 2009 and 2010, respectively, being 153,730,667, 162,064,000, 162,064,000, 162,064,000 and 162,064,000 shares.

**Note 2:** This is the final dividend for the year ended 31 December 2010 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 consolidated balance sheet at each balance sheet date for the five years ended 31 December 2010 (as extracted from the Group's audited consolidated balance sheet, which are prepared in accordance with the Hong Kong Financial Reporting Standards):

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	431,725	330,787	329,370	238,780	197,972
Current assets	987,843	894,015	560,056	613,850	479,733
Total assets	1,419,568	1,224,802	889,426	852,630	677,705
Non-current liabilities	5,873	7,707	10,315	1,025	-
Current liabilities	537,257	554,620	344,980	408,248	339,554
Non-controlling interest	89,153	39,549	26,854	23,410	-
Total liabilities and non-controlling interest	632,283	601,876	382,149	432,683	339,554
Total equity attributable to owners of the Company	787,285	622,926	507,277	419,947	338,151

## Chairman's Statement

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 2010 to all shareholders of the Company.

### ANNUAL RESULTS

Although the world economy got out of the recession and began to reveal a recovery in 2010, the unbalance and unharmonization of the world economy is very prominent. These unbalance caused great restriction and influence on China's domestic macroeconomic control. Facing the complicated economic environment both at home and abroad and the severe natural diseases and big challenges, the Chinese government consider the situation and make scientific decision, make efforts to speed up changing economic developing way, strengthen and improve the macroeconomic control to make the market mechanism playing a role in effectively strengthen and expand the achievements to resist the global financial crisis. The general situation of China's national economy reveals well. China's GDP in 2010 achieved RMB39.7983 trillion yuan, increasing approximately 10.3% than that of 2009.

In order to boost the automobile industry developing smoothly and rapidly, further develop the effects of boosting consumption to bring production and to stimulate China's economic growth, on 4 January 2010, the Chinese government publicized the Notice on Continuing Implementation of Automobiles Going to Countryside, which decided to prolong the policy of automobile going to countryside for one more year to 31 December 2010; on 4 January 2010, the Chinese government also publicized the Notice on Both Preferential Policies of Subsidiaries for Old-for-New Cars and the Reduced Vehicle Purchase Tax, decided since 1 January 2010, allowing the vehicle owners who comply with the conditions can enjoy both the preferential policies of old-for-new and the reduced vehicle purchase tax under 1.6L emission (including 1.6L) (the vehicle purchase tax was levied by 7.5% in 2010 and 5% in 2009). With the continuing implementation of the relevant policies, China's automobile industry continuously revealed a good developing situation in both production and sales. According to the statistics of China Automobile Association, China produced 18,264,700 vehicles in 2010, increasing 32.44% from that of the last year; sold 18,061,900 vehicles, increasing 32.37% from that of the last year.

The Group's customers are mainly in the automobile industry. The automobile production volume and sales volume of the Group's customers in 2010 maintained a rapid increasing momentum due to the influence of many economic stimulus policies and automobile industry policy with a total volume of over 1,850,000 vehicles, all increasing over 30% from that of the last year. As one of the third party logistics services providers in China, through its creative logistics services ideas, professional logistics service technology, rich logistics design and operating experience and well-established service network throughout the PRC, the Group kept optimizing the supply chain management operation mode, integrating logistics resources and optimizing the business process in 2010. These facilitated the Group achieving a highly efficient, low cost and good quality lean logistics service capacity and being able to achieve a good result in 2010.

Benefited from the growth of the customers' sales production, for the year ended 31 December 2010, the Group's revenue was RMB2,827,020,000, up approximately 23.74% from the same period in 2009; as the revenue increased, the Group strengthened the cost control and the holding subsidiary Nanjing CMSC Logistics Co., Ltd. ("Nanjing CMSC") had a large increasing profit, which made the profits attributable to the owners of the Company were RMB178,945,000, up approximately 37.40% from the same period in 2009. Earnings per share was RMB1.10 for the year ended 31 December 2010 (2009:RMB0.80).

## **ANNUAL REVIEW**

### **Marketing exploration**

On 30 April 2010, Chongqing Changan Minsheng Dingjie Logistics Co., Ltd. (“Chongqing Dingjie”) was established in Banan District, Chongqing by the Company, the Company holds 95% of its shares. The establishment of Chongqing Dingjie represented that the Company had successfully stepped in the in-bound logistics of Chongqing Changan Suzuki Automobile Company Limited (“Changan Suzuki”). Chongqing Dingjie will create a customized supply chain management operation mode for Changan Suzuki to better meet the customer’s logistics demand. It mainly offers logistics services including ordinary cargo forwarding, processing, assembly, car components packaging, development of logistics software and information service and so on. The Company would also take this chance to expand the logistics business with Changan Suzuki, enhance the logistics service capacity and improve the market competition and continuing development capacity.

During the report period, in order to further enhance the the Group’s commercial vehicles transportation capacity, the Company increased RMB50,020,000 to its wholly-owned subsidiary CMAL Bo Yu Transportation Co., Ltd. (“CMAL Bo Yu”). After increasing the investment, the registered capital of CMAL Bo Yu achieved RMB60,000,000. CMAL Bo Yu used the increased funds to purchase 100 commercial vehicles’ transportation vehicles and largely enhanced the Group’s commercial vehicle transportation capacity.

In 2010, the Company took advantages of the existing customers’ resources, expanded logistics service fields and actively explored increasing space. During the reporting year, the Company comprehensively integrated the in-bound logistics of Baotou Base and Chongqing Base of Baotou Northern Benz Heavy Truck Company Limited (“Northern Benz Heavy Truck”) and set up the Bao Tou Branch; the Company signed the logistics service strategic framework agreement with Hafei Automobile Co., Ltd. (“Hafei Automobile”), and would offer Hafei Automobile the complete, customized and comprehensive logistics services; the Company successfully explored the logistics services for electronic manufacturers like Foxconn, HP through its wholly-owned subsidiary Chongqing Changan Mingsheng Future Bonded Logistics Co, Ltd. (“Chongqing Future”).

### **Carrying out the Three Management Ideas to further enhance the Professional level of logistics service technology**

In order to be a comprehensive and international modern logistics enterprise, the Company comprehensively carried out the Professional logistics strategy in 2010. During the year 2010, the Company adhered to carry out the Three Management Ideas ----- Scientific Management, Normalized Management and Strict Management, which would make the logistics technology having Standard Behavior, Normalized Procedure, Standard Operation, Quantization for Processing Monitoring, Planning for Goals and Clear Rights and Responsibilities. Through carrying out the Three Management Ideas, the Professional level of the logistics technology of the Company will further enhanced which will make a solid base for offering Professional level logistics service to customers and striding forward international first-class logistics enterprise.

### **Awards**

The Company has achieved good operating results in 2010 while the same has been recognised by the community. On 22 January 2010, the Company won the prize of 5A Grade Logistics Enterprise issued by China Federation of Logistics & Purchasing. In January 2010, the Company was awarded one of the Top Ten Foreign Investment Enterprises in Chongqing in 2009 by Chongqing Municipal People’s Government. In April 2010, the Research and Application on Automobile Supply Chain Logistics

Outsourced Service System jointly researched by the Company, Chongqing University, Changan Ford Mazda Automobile Company Limited (“Changan Ford Mazda”) and Chongqing Changan Automobile Company Limited (“Changan Automobile”) won the Third Prize of Chongqing Technology and Science Progress. On 24 June 2010, the Company won the prize of Top 100 Enterprises in Chongqing Commerce and Trade Circulate in 2009. On 5 August 2010, the Company won the Top 50 of Chongqing Service Enterprises in 2010 issued by Chongqing Enterprises Association Entrepreneur Association. In August 2010, the Company once again won the title of 3A Grade of the Excellent Enterprise of Evaluation on Quality of Security Service of Road Freight Station in 2009 issued by Chongqing Road Transport Administration. In October 2010, the project of Automobile Supply Chain Logistics Service System and Key Technology Research and Application worked by the Company was awarded the Second Prize of Technology and Science Progress. In November 2010, the Company was awarded 2010 Outstanding Enterprises in China Logistics Industry issued by China Federation of Logistics & Purchasing.

## **OUTLOOK AND PROSPECTS**

On 27 December 2010, the Ministry of Finance of the PRC publicized the Notice on Ceasing the Implementation of the Preferential Policy of the Reduced Vehicle Purchase Tax Under 1.6L Emission (Including 1.6L) Due to the Policy Expiration, decided to levy the vehicle purchase tax by 10% to the passenger cars under 1.6L emission (including 1.6L) since 1 January 2011; on 29 December 2010, the Ministry of Finance of the PRC, National Development and Reform Commission and Ministry of Industry and Information Technology of the PRC jointly issued the Notice on Ceasing the Policy of Implementation of Automobiles Going to Countryside for Policy Expiration and the Relevant Issues. In 2011, the stimulus policies for car consumption exist no more. Besides, the fuel price soars continuously; some big city like Beijing began to regulate the traffic jams by restricting car licenses and such means. So in 2011 China’s automobile industry would face great challenges. From the long term, as China’s car per capita is still at a low level, the Company expected that the automobile industry has a good long term developing momentum. With the implementation of the tasks in the Plan on Adjusting and Revitalizing the Logistics Industry, we are optimistic about China’s economy and the development of automobile and logistics industry in the future years.

In 2011, although the competition in automobile logistics market is fierce day by day, by the Three Management Ideas, creative logistics service modes and Professional logistics service technology, the Group will continually seek for strengthening the relationship with the existing customers, actively seek for taking advantages of all chances to develop continuously; continually expand the logistics service space among the existing customers, digging increasing chances; actively seek for and seize the market exploration chance and continually strengthen communication with the famous enterprises among the industry to seek for cooperation opportunities.

The Board and I are very optimistic about the prospect of the Group. The Group will work together with various parties to establish a stronger 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*  
**Shi Yubao**

Chongqing, the PRC

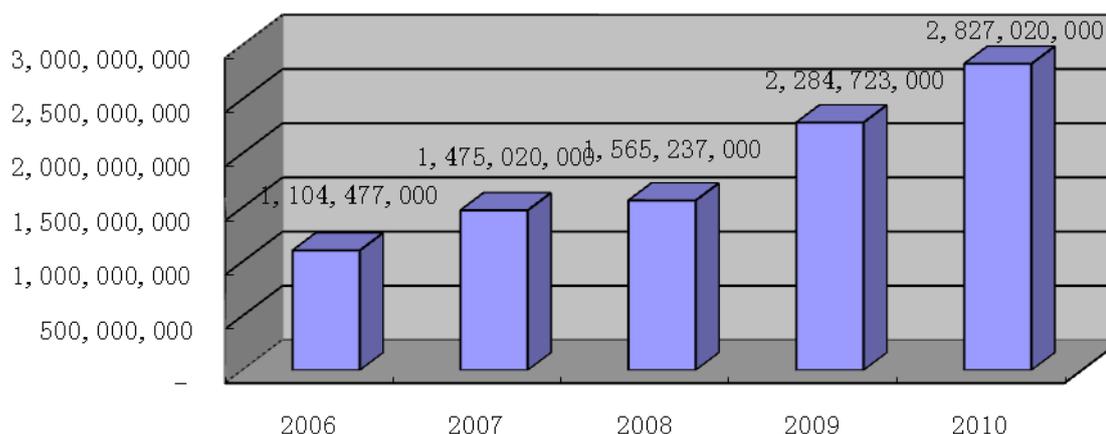
## Management Discussion and Analysis

### BUSINESS REVIEW

The principal businesses of the Group include 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 Company Limited ("Changan Nanjing"), Northern Benz Heavy Truck, Webasto Roof Systems (Shanghai) Ltd., Shanghai Delphi International Battery Company Ltd., Yanfeng Visteon Automotive Electronics Co., Ltd., and Chengdu Baogang West Trade Company Limited, etc.

During the reporting period, the PRC economy maintained a rapid growth, and the GDP grew 10.3%, as compared with the corresponding period of 2009. In 2010, sales in the automobile industry, to which important customers of the Group belong, increased 30% which has factored in the impact of the stimulated economic policies and automobile industry policies, especially the reduced vehicle purchase tax under 1.6L emission (including 1.6L) and the policy of automobile go to countryside. The production and sales volume of the major customers of the Group maintained a rapid increasing rate and the production and sales volumes all exceeded 1,850,000 vehicles. Through actively exploring the market, the strengthening of traditional logistics services, better after-sales services, speeding up the development of the milk-run project and an extension scope of supply chain management provided by the Group, for the year ended 31 December 2010, the revenue of the Group was approximately RMB2,827,020,000, up approximately 23.74% from RMB2,284,723,000 of last year.

Chart 1: Growth in revenue for the five years ended 31 December 2010 (unit: RMB yuan)



### **Transportation of Finished Vehicles**

For the year ended 31 December 2010, the revenue from the finished vehicles transportation services was RMB1,743,732,000, up approximately 8.53% from RMB1,606,619,000 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 RMB964,195,000, up approximately 71.94% from RMB560,760,000 of last year.

### **Transportation of Non-vehicle Commodities**

During the reporting period, the revenue of the Group from such logistics services was RMB110,135,000, up approximately 3.51% from RMB106,402,000 of last year.

### **Car Components & Parts Packaging Sales and Other Logistics Services**

During the reporting period, the revenue of the Group from car components & parts packaging sales and other logistics services was RMB8,958,000, down approximately 18.13% from RMB10,942,000 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 branches by better utilising the information technology system and managing them in a more scientific way. As at 31 December 2010, the Company had a total of 17 branches, subsidiaries, associated companies and representative offices, which are mainly located in East China, Central China, North China, South China and Southwest China (Chart 2). The continuous enhancement of service network enables the Group to provide logistics services to different parts of the country.



## Finance Costs

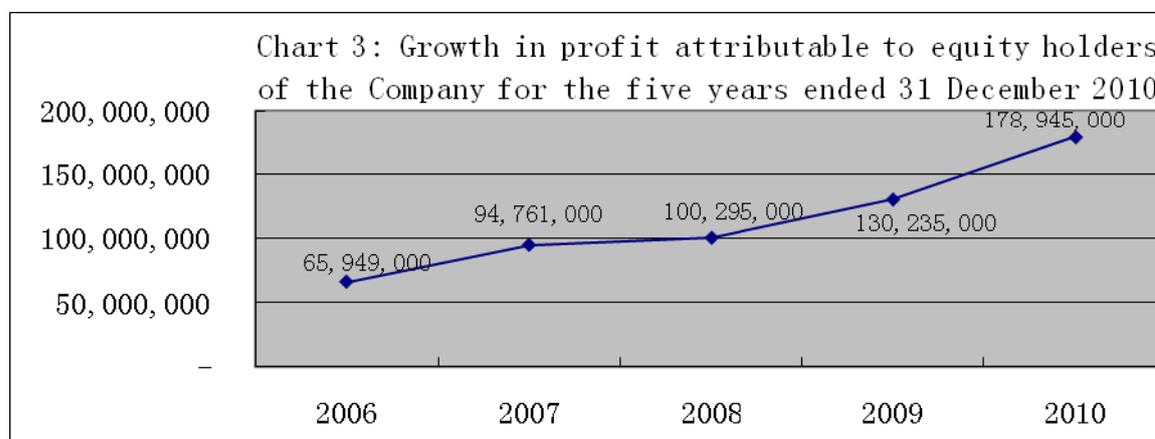
The Group's finance costs for the year amounted to RMB1,564,000 (2009: RMB1,130,000). As at 31 December 2010, the Group had no bank borrowings.

## Taxation

The weighted average applicable tax rate of the Group increased from 16.7% in 2009 to 18.5% for the year ended 31 December 2010, the increasing of the tax rate is mainly caused by the profit changing of Nanjing CMSC, and the income tax expenses for the year increased from RMB25,734,000 to RMB46,788,000.

## Profit Attributable to Equity Holders

During the year, the profit attributable to equity holders of the Company was RMB178,945,000, up approximately 37.4% from the previous financial year.



## Dividends

Based on the total shares in issue on the record date for implementation of the profit appropriation, the Board recommended the payment of a final dividend of RMB0.15 (including tax) (2009: RMB0.09 (including tax)) per share for the year ended 31 December 2010. The above proposal of profit appropriation is subject to consideration and approval at the 2010 annual general meeting of the Company. The final dividend is expected to be payable before 30 September 2011 upon approval of the Board's proposal by shareholders at the annual general meeting.

The record date for the determination of entitlements to the proposed dividends and the period for the closure of register of members will be set out in the notice convening the annual general meeting of the Company. The Company shall comply with the relevant rules and regulations to withhold and pay the enterprise income tax on behalf of the relevant shareholders whose names are listed in the register of members of the Share of the Company as of the record date.

## Liquidity and Financial Resources

The Group maintained a sound position for the year ended 31 December 2010. As at 31 December 2010, the balance of the Group's cash and bank deposit was RMB441,532,000 (31 December 2009: RMB323,662,000). As at 31 December 2010, total assets of the Group amounted to RMB1,419,568,000 (31 December 2009: RMB1,224,802,000). Capital resources were current

liabilities of RMB537,257,000 (31 December 2009: RMB554,620,000), non-current liabilities of RMB5,873,000 (31 December 2009: RMB7,707,000), shareholders' interests (excluding non-controlling interest) of RMB787,285,000 (31 December 2009: RMB622,926,000) and non-controlling interests of RMB89,153,000 (31 December 2009: RMB39,549,000).

### **Capital Structure**

For the year ended 31 December 2010, there was no change in the Company's share capital.

### **Loans and Borrowings**

As at 31 December 2010, the balance of the Group's bank loans and borrowings was zero (31 December 2009: zero).

### **Gearing Ratio**

As at 31 December 2010, the gearing ratio (total liabilities as a percentage of total assets) of the Group was approximately 38.26% (31 December 2009: 45.91%). The ratio of total liabilities to total equities of the Group was approximately 0.62:1 (31 December 2009: 0.85:1).

### **Pledge of Assets**

As at 31 December 2010, the Group had not pledged any assets as security, and 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 2010, the Group did not have any significant contingent liabilities.

On 18 May 2010, a fire broke out in a warehouse which is used by Penglai Branch of the Company with an area involving approximately 4,700 square meters and approximately RMB15,000,000 in value were affected by the fire (please refer to the Announcement disclosed by the Company on 25 May 2010). At present, the Company had reached an agreement with the relevant parties. The Company estimated a net loss of approximately RMB1,182,000 due to the fire.

## Capital Commitment

As at 31 December 2010, the Group capital expenditure at the balance sheet date but not yet incurred was as follows:

	2010 RMB'000	2009 RMB'000
Property, plant and equipment		
Contracted but not provided for	13,192	18,006
Approved but not signed the contract	-	-
Prepaid lease payments		
Approved but not provided for	-	-
	<u>13,192</u>	<u>18,006</u>

## Significant Purchase or Sale of Subsidiaries and Associates

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

## Substantial Investment

During the year, RMB50,020,000 was invested to add the registered capital of CMAL Bo Yu and the registered capital of CMAL Bo Yu reached RMB60,000,000; RMB47,500,000 was invested to jointly establish Chongqing Dingjie with Chongqing Dajiang Zhenyue Storage Company Limited (“Chongqing Dajiang”), Chongqing Weitai Economic and Trade Company Limited (“Chongqing Weitai”) and Chongqing Lingxin Storage Company Limited (“Chongqing Lingxin”), the registered capital of Chongqing Dingjie was RMB50,000,000 and the Company holds 95% of its shares, Chongqing Dajiang holds 2%, Chongqing Weitai holds 2% and Chongqing Lingxin holds 1% of its shares. Please refer to the Chairman’s Statement and the Report of the Directors of this report.

## Employees

As at 31 December 2010, the Company employed 3,816 employees (31 December 2009: 3,650 employees).

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

	2010	2009
Administration and finance	118	113
Information and technology	46	45
Sales and marketing	86	82
Operation	3,566	3,410
Total	<u>3,816</u>	<u>3,650</u>

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

## Remuneration Policy

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 20 to the consolidated financial statements.

### **Staff Quarters**

During the year, the Company has not provided any staff quarters to the staff (2009: nil). It has provided housing provident fund to the staff, details of which are set out in note 20 to the consolidated financial statements.

## Corporate Governance Report

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 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 Managers" 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 March 2011, 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 2010 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:

<b>Directors</b>	<b>Number of attendance/Number of meetings</b>
Executive directors	
Mr. Shi Yubao ( <i>note 1</i> )	0/0
Mr. Yin Jiayu ( <i>note 1</i> )	4/4
Mr. Gao Peizheng ( <i>note 2</i> )	0/0
Ms. Cui Xiaomei ( <i>note 2</i> )	4/4
Mr. Lu Xiaozhong	4/4
Mr. Shi Chaochun	4/4
Mr. William K Villalon ( <i>note 3</i> )	2/2
Mr. James H McAdam ( <i>note 3</i> )	2/2

Non-executive directors	
Mr. Lu Guoji	4/4
Mr. Zhang Lungang	4/4
Mr. Danny Goh Yan Nan (note 4)	2/2
Mr. Joseph F Lee (note 4)	2/2
Mr. Li Ming	4/4
Mr. Wu Xiaohua	4/4
Ms. Lau Man Yee, Venessa	4/4
Independent non-executive directors	
Ms. Wang Xu	4/4
Mr. Peng Qifa	4/4
Mr. Chong Teck Sin	4/4

*Note 1: during the rest of the year that after Mr. Shi Yubao was appointed as the executive director of the Company, the Company didn't take any regular board meetings; the effective resignation date of Mr. Yin Jiaxu was 10 November 2010 and Mr. Yin Jiaxu attended the four times of the regular board meetings of the year.*

*Note 2: Mr. Gao Peizheng was appointed as the executive director of the Company on 25 January 2011; the effective resignation date of Ms. Cui Xiaomei was the date that Mr. Gao Peizheng was appointed as the executive director of the Company, which is 25 January 2011, Ms. Cui Xiaomei attended the four times of the regular board meetings of the year.*

*Note 3: Mr. William K Villalon was appointed as the executive director of the Company on 30 June 2010 and attended two times of the regular board meetings of the year. The effective resignation date of Mr. James H McAdam was the date that Mr. William K Villalon was appointed as the executive director of the Company, which is 30 June 2010, Mr. James H McAdam attended the two times of the regular board meetings of the year.*

*Note 4: Mr. Danny Goh Yan Nan was appointed as the non-executive director of the Company on 30 June 2010 and attended two times of the regular board meetings of the year. The effective resignation date of Mr. Joseph F Lee was the date that Mr. Danny Goh Yan Nan was appointed as the non-executive director of the Company, which is 30 June 2010, Mr. Joseph F Lee attended the two times of the regular board meetings of the year.*

## **Cessation of Directors and Supervisors**

On 19 March 2010 the Company received the letters of resignation from Mr. James H McAdam and Mr. Joseph F. Lee. Due to their job changes, Mr. James H McAdam and Mr. Joseph F. Lee resigned as directors and other positions in the Company. Please refer to the announcement of the Company dated 19 March 2010 for more details. On 19 March 2010, the substantial shareholder of the Company, APL Logistics Ltd. ("APL Logistics") nominated Mr. William K Villalon and Mr. Danny Goh Yan Nan to respectively elect as executive director and non-executive director of the Company. On 30 June 2010, Mr. William K Villalon was elected as an executive director of the Company; Mr. Danny Goh Yan Nan was elected as a non-executive director of the Company on the annual general meeting. Please refer to the announcement of the Company dated 30 June 2010 for more details.

On 15 September 2010 the Company received the letter of resignation from Mr. Yin Jiaxu. Due to the job change, Mr. Yin Jiaxu resigned as director and other positions in the Company. Please refer to the announcement of the Company dated 15 September 2010 for more details. On 15 September 2010, the substantial shareholder of the Company, Chongqing Changan Industry Company (Group) Limited ("Changan Industry") nominated Mr. Shi Yubao to elect as an executive director of the Company. On

10 November 2010, Mr. Shi Yubao was elected as an executive director of the Company on the extraordinary general meeting. Please refer to the announcement of the Company dated 10 November 2010 for more details.

On 25 November 2010 the Company received the letter of resignation from Ms. Cui Xiaomei. Due to her retirement from Changan Industry, Ms. Cui Xiaomei resigned as director and other positions in the Company. Please refer to the announcement of the Company dated 25 November 2010 for more details. On 25 January 2011, Mr. Gao Peizheng was elected as an executive director of the Company on the extraordinary general meeting. Please refer to the announcement of the Company dated 25 January 2011 for more details.

On 18 March 2011 the Company received the letters of resignation from Mr. Wu Xiaohua. Due to the job change, Mr. Wu Xiaohua resigned as director and other positions in the Company. Please refer to the announcement of the Company dated 18 March 2011 for more details. On 18 March 2011, the substantial shareholder of the Company, Minsheng Industrial (Group) Company Limited (“Minsheng Industrial”) nominated Mr. Cao Yang to elect as a non-executive director of the Company. Please refer to the announcement of the Company dated 18 March 2011 for more details.

On 18 March 2011 the Company received the letters of resignation from Mr. Tang Yizhong. Due to the job change and departure from Minsheng Industrial, Mr. Tang Yizhong resigned as shareholder representative supervisor of the Company. Please refer to the announcement of the Company dated 18 March 2011 for more details. On 18 March 2011, the substantial shareholder of the Company, Minsheng Industrial nominated Mr. Wu Xiaohua to elect as a shareholder representative supervisor of the Company. Please refer to the announcement of the Company dated 18 March 2011 for more details.

## **Chairman and General Manager**

The Company's chairman is Mr. Shi Yubao, and the general manager is Mr. Gao Peizheng. 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 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 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.

During the period from 1 January 2010 to the date of this report, the audit committee has held six meetings.

The audit committee has met on 12 March 2010 to review the Group's annual results, financial statements, principal accounting policies and internal audit matters for the year ended 31 December 2009, listened to the auditor's views on the Company and approved the content of these reports.

The audit committee met on 5 May 2010 to review the Group's unaudited first quarterly report for the three months ended 31 March 2010, and approved the content of the report.

The audit committee met on 20 July 2010 to review the Group's unaudited interim report for the six months ended 30 June 2010, and approved the content of the report.

The audit committee met on 4 November 2010 to review the Group's unaudited quarterly report for the nine months ended 30 September 2010, and approved the content of the report.

The audit committee met on 12 January 2011 to review the remuneration of the appointed auditor, and approved the proposal.

The audit committee met on 14 March 2011 to review the Group's annual results, financial statements, principal accounting policies and internal audit matters for the year ended 31 December 2010, 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 2010 to the date of this report are set out in the following table:

<b>Committee Members</b>	<b>Number of attendance/ Number of meetings</b>
Peng Qifa ( Chairman )	6/6
Wang Xu	6/6
Chong Teck Sin	6/6

## **(2) Remuneration Committee**

The remuneration committee currently comprises Mr. Zhang Lungang (the chairman), Mr. William K Villalon, 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.

During the period from 1 January 2010 to the date of this report, the remuneration committee held three meetings.

Details of committee members' attendance records at the meeting during the period from 1 January 2010 to the date of this report are set out in the following table:

<b>Committee Members</b>	<b>Number of attendance/ Number of meetings</b>
Zhang Lungang (Chairman) <i>(note 1 and note 2)</i>	1/1
William K Villalon <i>(note 1 and note 2)</i>	1/1
Wang Xu	3/3
Peng Qifa	3/3
Chong Teck Sin	3/3

*Note 1: The Board of the Company appointed Mr. Zhang Lungang to be the chairman of the remuneration committee to replace Mr. Yin Jiaxu on 17 March 2011; appointed Mr. William K Villalon to be the member of the remuneration committee to replace Mr. James H McAdam.*

*Note 2: To the date of the report since Mr. Zhang Lungang and Mr. William K Villalon had been respectively appointed as the chairman and the member of the remuneration committee of the Company, there was one meeting of the remuneration committee held.*

### **(3) Nomination Committee**

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

The 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.

During the period from 1 January 2010 to the date of this report, the nomination committee held five meetings.

Details of committee members' attendance records at the meeting during the period from 1 January 2010 to the date of this report are set out in the following table:

<b>Committee Members</b>	<b>Number of attendance/ Number of meetings</b>
Lau Man Yee, Vanessa (Chairman)	5/5
Wu Xiaohua	5/5
Wang Xu	5/5
Peng Qifa	5/5
Chong Teck Sin	5/5

### **Securities Transactions by Directors**

During the reporting period, the directors have strictly obeyed the required standards of dealings set out in Rule 5.48 to Rule 5.67 of the GEM Listing Rules (such standards was set out in the Manual) and have taken it as the behavior standards for their dealings. 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 Board 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@caml.com).

### **Auditors and the Remuneration**

PricewaterhouseCoopers was the Company's international auditors (PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. was the Company's PRC auditor) for the year ended 31 December 2010. For the three years ended 31 December 2010, the Company didn't change auditor. The remuneration of the auditor for the year ended 31 December 2010 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.

## **Report of the Directors**

The Board is pleased to present the annual report together with audited consolidated financial statements of the Group for the year ended 31 December 2010.

### **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 2010 are set out in the consolidated income statement of this report.

### **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 Bo Yu is RMB60,000,000 and the Company holds 100% of its equity interests. CMAL Bo Yu'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 by the Company, Sumitomo Corporation ("Sumitomo") and Beijing Changjiu Logistics Company Limited ("Beijing Changjiu") to provide logistics services to the customers such as Changan Ford Mazda Nanjing Plant and Changan Ford Mazda Engine Company Limited, and the Company holds 51% of its equity interests, Sumitomo and Beijing Changjiu respectively hold 25% and 24% of its equity interests. Details are set out in note 9 to the consolidated financial statement of this report.

Future Logistics, the wholly-owned subsidiary of the Company, was incorporated by the Company to provide bonded logistics services to the customers in Chongqing and the areas around. The incorporated capital is RMB30,000,000. Future Logistics mainly engages in storage, goods, loading and unloading, handling, distribution, import & export of goods and international freight forwarding services. Details are set out in note 9 to the consolidated financial statement of this report.

Chongqing Dingjie was incorporated by the Company, Chongqing Dajiang, Chongqing Weitai and Chongqing Lingxin to provide logistics services to Changan Suzuki. The incorporated capital is RMB50,000,000. The Company holds 95% of its shares, Chongqing Dajiang holds 2%, Chongqing Weitai holds 2% and Chongqing Lingxin holds 1% of its shares. Details are set out in note 9 to the

consolidated financial statement of this report.

### **Capitalized Interests**

For the year ended 31 December 2010, no interest had been capitalized.

### **Share Capital**

For the year ended 31 December 2010, the share capital had not been changed. Details are set out in note 16 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 17 of the consolidated financial statements.

### **Directors and Supervisors**

The directors of the second board of directors and supervisors of the second supervisory committee of the Company up to the date of this report were as follows:

#### **Executive directors**

Shi Yubao (Chairman)	( appointed on 10 November 2010 )
Gao Peizheng	( appointed on 25 January 2011 )
Lu Xiaozhong	(appointed on 20 June 2008)
Shi Chaochun	(appointed on 20 June 2008)
William K Villalon	( appointed on 30 June 2010 )

#### **Non-executive directors**

Lu Guoji (Vice Chairman)	(appointed on 20 June 2008)
Zhang Lungang	(appointed on 19 June 2009)
Danny Goh Yan Nan	( appointed on 30 June 2010 )
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**

Tang Dongmei	(appointed on 19 June 2009)
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. The Company thinks that the existing independent non-executive directors of the Company are independent persons.

## **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).

## **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 31 December 2010, 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 31 December 2010, 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 2009, 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 31 December 2010, 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:

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 Industry	Beneficial owner	39,029,088(L)	36.45%	-	24.08%
Changan Industry (Note 1)	Interest of a controlled corporation	796,512(L)	0.74%	-	0.49%
Chongqing Changan Industrial Company Limited ("Changan Industrial")	Beneficial owner	796,512(L)	0.74%	-	0.49%
APL Logistics	Beneficial owner	33,619,200(L)	31.40%	-	20.74%
Minsheng Industrial	Beneficial owner	25,774,720(L)	24.07%	-	15.90%
Minsheng Industrial (Note 2)	Interest of a controlled corporation	7,844,480(L)	7.33%	-	4.84%
Ming Sung Industrial Co., (HK) Limited ("Ming Sung (HK)")	Beneficial owner	7,844,480(L)	7.33%	-	4.84%
Atlantis Investment Management Ltd (Note 3)	Investment manager	6,000,000(L)	-	10.91%	3.70%
Atlantis Fund Management (Guernsey) Limited (Note 3)	Investment manager	5,406,000(L)	-	9.83%	3.34%
Atlantis Investment Management (Hong Kong) Limited (Note 3)	Investment manager	5,406,000(L)	-	9.83%	3.34%
Liu Yang (Note 3)	Investment manager	5,406,000(L)	-	9.83%	3.34%
788 China Fund Ltd.	Investment manager	4,000,000(L)	-	7.27%	2.47%
Braeside Investments,LLC (Note 4)	Investment manager	3,423,000(L)	-	6.22%	2.11%
Braeside Management,LP (Note 4)	Investment manager	3,423,000(L)	-	6.22%	2.11%
McIntyre Steven (Note 4)	Interest of a controlled corporation	3,423,000(L)	-	6.22%	2.11%

Note 1: Changan Industrial is the subsidiary of Changan Industry.

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

Note 3: According to the disclosure of interests notice filed, Atlantis Investment Management Limited

is a wholly-owned subsidiary of Atlantis Fund Management (Guernsey) Limited. Yang Liu is deemed to be in control of Atlantis Investment Management (Hong Kong) Limited and Atlantis Fund Management (Guernsey) Limited.

Note 4: According to the disclosure of interests notice filed, Braeside Management, LP is a wholly-owned subsidiary of Braeside Investment, LLC. McIntyre Steven is the controlling shareholder of Braeside Investment, LLC.

Note 5: (L) – long position, (S) – short position, (P) - Lending Pool.

Save as disclosed in this report, as at 31 December 2010, 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 of the Company issued by the Company on 16 February 2006 ("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	
	2010	2009
Changan Ford Mazda	42%	43%
Changan Automobile	26%	25%
Hebei Changan Commercial Vehicles Sales Co., Ltd.	8%	11%
Nanjing Changan	7%	7%
Hebei Changan	2%	2%
Total of 5 largest customers	<u>85%</u>	<u>88%</u>

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	
	2010	2009
Minsheng Logistics Ltd. (Minsheng Logistics)	9%	7%
Chongqing Hailong Transportation Co., Ltd.	5%	5%
Yingtian Taiyangsheng Logistics Ltd.	2%	3%
Dingzhou Tieda Logistics Ltd.	2%	4%
Chongqing Fengping Automobile Transportation Company Limited	2%	2%
Total of 5 largest suppliers	20%	21%

Among the 5 largest suppliers, Minsheng Logistics is the connected person (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 APL Logistics, Minsheng Industrial, Ming Sung (HK) and Changan Industry have all signed non-competition undertakings with the Company in favour of the Company. Please refer to the Prospectus for such undertakings.

In March 2011, the Company received the confirmation regarding the above-mentioned non-competition undertakings from each of APL Logistics, Minsheng Industrial, Ming Sung (HK) and Changan Industry.

### Connected Transactions

Set out below is information in relation to the connected transactions of the Company which need to be reported pursuant to the GEM Listing Rules during the year.

#### Background of the Connected Transactions

Changan Industry is one of the promoters and a substantial shareholder of the Company. Changan Industry is a wholly owned subsidiary of China South Industries Group Corporation ("South Group"). China Changan Automobile Group Co., Ltd ("China Changan"), a holding subsidiary of South Group, holds 45.55% shares of Changan Automobile; South Group holds 42.27% of Binqi Zhuangbei Group Financial Limited Liability Company ("Zhuangbei Finance"). Changan Industry directly and indirectly holds 100% of the share of Chongqing Changan Construction Company Limited ("Chongqing Changan Construction"). Accordingly, Changan Industry, Changan Automobile, Zhuangbei Finance, Chongqing Changan Construction and their respective associates are all the Company's connected persons according to the GEM Listing Rules. Minsheng Industrial and APL Logistics are one of the promoters and substantial shareholders of the Company. Accordingly, Minsheng Industrial and APL Logistics and their respective associates are also connected persons of the Company. The Company holds 51% of the share capital of Nanjing CMSC, Beijing Changjiu holds 24% of its share capital and Sumitomo holds 25% of its share capital. Accordingly, Beijing Changjiu and Sumitomo and their respective associates are also connected persons of the Company as they are the substantial shareholders of Nanjing CMSC according to the GEM Listing Rules. Sumitomo holds 49% of the share capital of Nanjing Baogang Zhushang Metal Products Company Limited ("Baogang Zhushang"), Baogang Zhushang is the associate of Sumitomo.

On 22 October 2008, the Company entered into a framework agreement with Changan Industry (formerly named Changan Automobile Company (Group) Limited), 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.

On 30 March 2009, the Company entered into a framework agreement with APL Logistics and Zhuangbei Finance and the subsidiary of the Company Nanjing CMSC entered into a framework agreement with Baogang Zhushang, all of which have an effective period from 1 January 2009 to 31 December 2011. Please refer to the circular released on 17 April 2009 and the announcement released on 30 March 2009 for further details.

On 26 April 2010, the Company entered into a supplementary agreement with Zhuangbei Finance, which has an effective period from 1 January 2010 to 31 December 2011. Please refer to the circular released on 14 May 2010 and the announcement released on 26 April 2010 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 Industry, APL Logistics, Changan Automobile, Baogang Zhushang and their respective associates are in line with the Company's main business and development strategy. These connected transactions should be continued. 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, APL Logistics, Beijing Changjiu and their respective associates, the Company is satisfied with the quality of their transportation service. Therefore the Company will continue to transact with them. In order to support the normal operation and investment activities, apart from the net in-flows of cash out of the operation activities, more funds will be needed as a supplement; following successive expansions in the asset scale of the Company, the in-flows and out-flows of cash out of the operating activities becomes more frequent and the amounts have also increased continuously, the time for settlement needs to be shortened and finance costs needs to be decreased. In view of the relationship between the Company and Zhuangbei Finance, the Board is of the view that the settlements and gaining funds from Zhuangbei Finance is consistent with the Group's principal businesses and development strategies and can promote the business growth. The Company purchases engineering construction services from Chongqing Changan Construction. It is beneficial to save the construction costs. The Group needs to continuously purchase engineering construction services from Chongqing Changan Construction.

### **Pricing of Connected Transactions**

The Company signed framework agreements with Changan Industry, Minsheng Industrial, APL Logistics (the Group purchases transport services from APL Logistics), Beijing Changjiu and Chongqing Changan Construction on 22 October 2008. And on 30 March 2009, the Company signed the framework agreements with APL Logistics (the Group provides logistics services to APL Logistics); the Company's holding subsidiary, Nanjing CMSC, signed the framework agreements with Baogang Zhushang. 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.

On 30 March 2009, the Company entered into a framework agreement with Zhuangbei Finance; on 26 April 2010, the Company entered into a supplementary agreement with Zhuangbei Finance. The prices of the transactions under the framework agreement and the supplementary agreement shall be based on the normal commercial terms.

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 Connected Transactions**

During the reporting period, the Group did continuing connected transactions with Changan Industry, Changan Automobile, APL Logistics, Minsheng Industrial, Beijing Changjiu, Chongqing Changan Construction and their respective associates, which constitute accounting connected transactions during the period. The details are set out in the notes to the consolidated financial statements. During the reporting period, the Group strictly obeyed Chapter 20 of the GEM Listing Rules.

For the year ended 31 December 2010, 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 2010
	Annual transaction volume
	RMB'000
Changan Industry and its associates:	
- Supply chain management services for car raw materials, components and parts and other logistics services, such as other product packaging and transportation services, etc	8,220
Changan Automobile and its associates:	
- Transportation for finished vehicle	1,741,635
- Supply chain management for car components and parts	771,737
APLL and its associates:	
- Supply chain management for car components and parts	-
Baogang Zhushang:	
- Supply chain management for car components and parts and other products	7,337

For the year ended 31 December 2010, the total consideration paid by the Group to the connected persons for the purchase of transportation services is as follows:

	For the year ended 31 December 2010
	Annual transaction volume
	RMB'000
Minsheng Industrial and its associates	228,052
APL Logistics and its associates	-
Beijing Changjiu and its associates	51,272

For the year ended 31 December 2010, the transactions between the Group and Zhuangbei Finance:

	For the year ended 31 December 2010
	RMB'000
The maximum amount of loan outstanding (including interests) on a daily basis	50,608
The maximum amount of deposit (including interest) on a daily basis	144,196
The aggregate amount of each note discounting transactions on an annual basis	-

For the year ended 31 December 2010, the total consideration paid by the Group to Chongqing Changan Construction for the purchase of engineering construction services is as follows:

	For the year ended 31 December 2010
	RMB'000
Chongqing Changan Construction	1,496

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/or 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 annual cap approved by the Stock Exchange.

## **Legal Proceedings**

As at 31 December 2010, 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 2010.

### **Public Float**

Based on the information for public inspection and according to the directors' awareness, 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 2010, 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 year, the total amount of donation made by the Company and its subsidiaries was RMB500,000 (2009: RMB33,590).

### **Auditors**

The attached consolidated financial statements of the Group have been audited by PricewaterhouseCoopers.

### **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  
Shi Yubao  
Chairman

Chongqing, the PRC  
18 March 2011

As at the date of this announcement the Board comprises

**Executive directors:**

Mr. Shi Yubao

Mr. Gao Peizheng

Mr. Lu Xiaozhong

Mr. Shi Chaochun

Mr. William K Villalon

**Non-executive directors:**

Mr. Lu Guoji

Mr. Zhang Lungang

Mr. Danny Goh Yan Nan

Mr. Li Ming

Mr. Wu Xiaohua

Ms. Lau Man Yee, Vanessa

**Independent non-executive directors:**

Ms. Wang Xu

Mr. Peng Qifa

Mr. Chong Teck Sin

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcement” page for at least 7 days from the date of its posting.*

*\* For identification purpose only*