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)

2010 Annual Report

*For identification purpose only

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

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

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CORPORATE INFORMATION

Executive Directors
Shi Yubao (Chairman)
Gao Peizheng
Lu Xiaozhong
Shi Chaochun
William K Villalon

Non-Executive Directors
Lu Guoji (Vice Chairman)
Zhang Lungang
Danny Goh Yan Nan
Li Ming
Wu Xiaohua
Lau Man Yee, Vanessa

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

Supervisors
Tang Dongmei (Chairman)
Tang Yizhong
Wu Jun
Ye Guangrong
Chen Haihong

General Manager
Gao Peizheng

Deputy General Managers
Li Xiwen
Huang Yong
Huang Ming

Company Secretary
Joseph Au Yeung Wai Ki, CPA ACA

Audit Committee
Peng Qifa (Chairman)
Wang Xu
Chong Teck Sin

Compliance Officer
Shi Chaochun

Authorised Representative
Gao Peizheng
Shi Chaochun

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

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

H-shares Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
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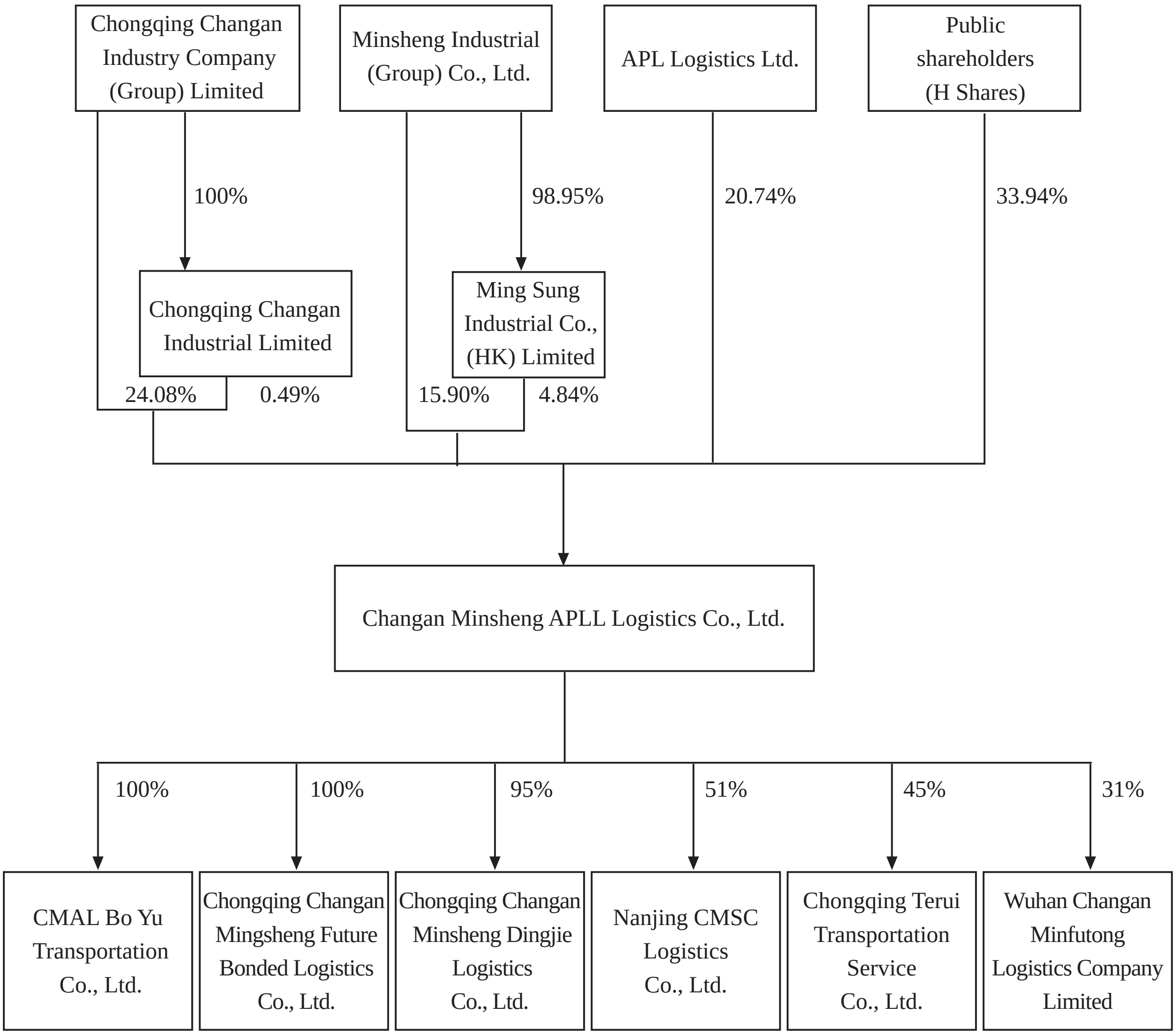
GROUP'S SHAREHOLDING STRUCTURE



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 attuibutable 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	0.15 (including tax) (Note 2)	0.09 (including tax)	0.09 (including tax)	0.08 (including tax)	0.08 (including tax)

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 sheets, 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 interests	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 attibutable 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 approximately37.40% 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. Please refer to the announcement of the Company dated 20 April 2010 for more details.

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 will achieve 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 Assoiciation. 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 issued by China Federation of Logistics & Purchasing. 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

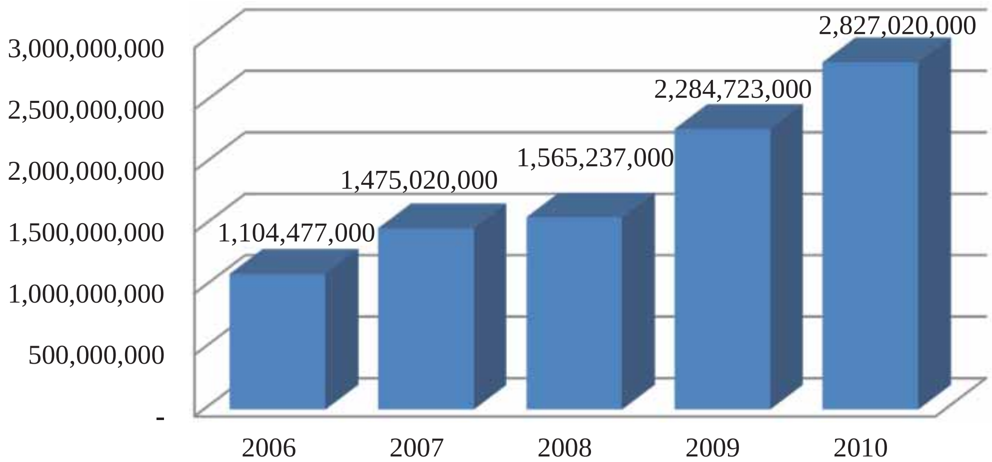
Chongqing, the PRC
18 March 2011

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. ("Hebei Changan"), Nanjing Changan Automobile Company Limited ("Nanjing Changan"), 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 over 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.

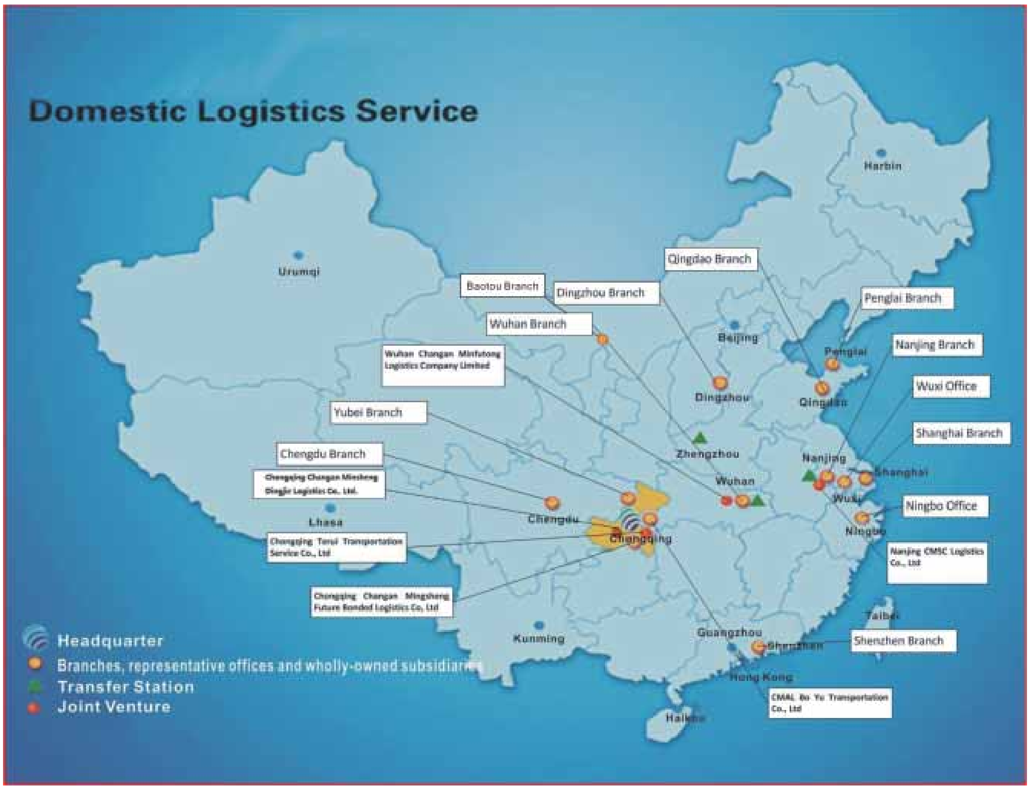
Car Components & Parts Packaging Sales and Other Logistics Services

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 18 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.

Chart 2: Location of the Company's existing branches, subsidiaries and representative offices



FINANCIAL REVIEW

Cost of sales and gross profit margin

For the year ended 31 December 2010, the Group's cost of sales was RMB2,419,262,000 (2009: RMB2,016,652,000), up approximately19.96% from the previous financial year. During the reporting year, although facing the adverse factors such as the rising price of fuel, the Group continually strengthened the control on logistics cost and the internal management cost, the Group's gross profit margin increased to 14.42% (2009: 11.73%).

Distribution Expenses

The Group's distribution expenses of RMB87,751,000 for the year ended 31 December 2010 represented approximately 3.10% of the Group's revenue during the year (2009: 2.71%).

The distribution expenses included salaries and benefits, traveling, business and communication expenses, and marketing and promotion expenses incurred by the Group's sales and marketing department. Such expenses increased by approximately 41.79% from last year.

Administrative Expenses

The Group's administrative expenses increased from RMB41,654,000 in 2009 to RMB65,311,000 in 2010.

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.

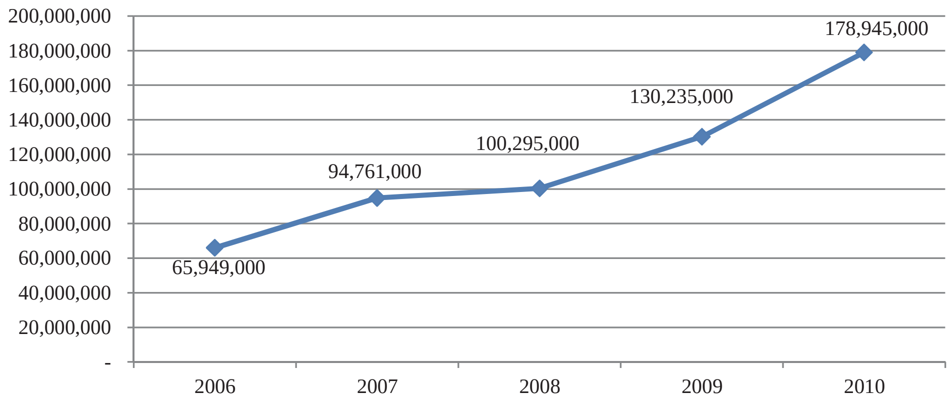
Taxation

The weighted average applicable tax rate of the Group increased from 16.70% in 2009 to 18.50% for the year ended 31 December 2010, the increasing of the tax rate is 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 37.40% from the previous financial year.

Chart 3: Growth in profit attributable to equity holders of the Company for the five years ended 31 December 2010 (unit:RMB yuan)



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 interests) 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	2009
	RMB’000	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	-	-
	13,192	18,006

Significant Purchase of 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:

	As at 31 December	
	2010	2009
Administration and finance	118	113
Information and technology	46	45
Sales and marketing	86	82
Operation	3,566	3,410
Total	3,816	3,650

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.

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 nonexecutive 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:

Directors	**Number of attendance/Number of meetings**
Executive directors	
Mr. Shi Yubao *(note 1)*	0/0
Mr. Yin Jiaxu *(note 1)*	4/4
Mr. Gao Peizheng *(note 2)*	0/0
Ms. Cui Xiaomei *(note 2)*	4/4
Mr. Lu Xiaozhong	4/4
Mr. Shi Chaochun	4/4
Mr. William K Villalon *(note 3)*	2/2
Mr. James H McAdam *(note 3)*	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 Company") 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 Company, 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 letter 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 ("Minsehng 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 letter of resignation from Mr. Tang Yizhong. Due to the job change and depature 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 oppointed 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:

Committee Members	Number of attendance/ Number of meetings
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:

Committee Members	Number of attendance/ Number of meetings
Zhang Lungang (Chairman)*(note 1 and note 2)*	1/1
William K Villalon*(note 1 and note 2)*	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:

Committee Members	Number of attendance/ Number of meetings
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 Manuual) 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@camsl.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.

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 statement of comprehensive income 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 statements of this report.

Future Logistics, the wholely-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 statements 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 statements 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 as at 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 statements 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 Company	Beneficial owner	39,029,088(L)	36.45%	-	24.08%
Changan Industry Company (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%
Mclntyre 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 Company .

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	85%	88%

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 Transporatation Co., Ltd.	5%	5%
Yingtan 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 Company 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 annual confirmation regarding the above-mentioned non-competition undertakings from each of APL Logistics, Minsheng Industrial, Ming Sung (HK) and Changan Industry Company .

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 Company is one of the promoters and a substantial shareholder of the Company. Changan Industry Company 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 the share capital of Binqi Zhuangbei Group Financial Limited Liability Company (“Zhuangbei Finance”). Changan Industry Company directly and indirectly holds 100% of the share capital of Chongqing Changan Construction Company Limited (“Chongqing Changan Construction”). Accordingly, Changan Industry Company , 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 the framework agreements with Changan Industry Company (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 to the framework agreements 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 Apirl 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 Company, 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 the framework agreements with Changan Industry Company, Minsheng Industrial, APL Logsitics (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 agreement with APL Logistics (the Group provides logistics services to APL Logistics); the Company's holding subsidiary, Nanjing CMSC, signed the framework agreement 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 Company, 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 Chapater 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 Company 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
	Annual transaction volume
	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 and abroad 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

Report of the Supervisory Committee

Shareholders,

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

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

The Supervisory Committee considers that in 2010, the members of the Board, the general manager and other senior management staff of the Company were able to strictly fulfil their fiduciary duties, to act diligently and to exercise their authority faithfully in the best interests of the Company. The transactions between the Company and connected parties are carried out on fair and reasonable terms and in the interests of the shareholders as a whole. Up till now, none of the directors, general manager and other senior management staff had been found to have abused their authority, damaging the interests of the Company and of its shareholders and employees. And none of them was found to be in breach of any laws and regulations or the articles of association of the Company.

The Supervisory Committee is satisfied with the achievement and efficient work of the Company in 2010, and has full confidence in the future development of the Company.

The Supervisory Committee has seriously reviewed and agreed with the report of the directors, the audited consolidated financial statements, which need to be submitted by the Board to the 2010 annual general meeting.

By order of the Supervisory Committee
Tang Dongmei
Chairman

Chongqing, the PRC
18 March 2011

DIRECTORS, SUPERVISORS, GENERAL MANAGER AND DEPUTY GENERAL MANAGERS

Executive Directors

Mr. Shi Yubao

Mr. Shi Yubao (時玉寶), the chairman and an executive director of the second session of the Board of the Company, the chairman of Nanjing CMSC, the holding subsidiary of the Company. Mr. Shi was born in 1953 and was graduated from Chongqing University in 2003, holding a Master's degree of Business Administration. Mr. Shi joined the Company in November 2010. Mr. Shi is a member of the 15th executive committee of China national general labour union, a member of the 3rd labour union committee of Chongqing general labour union and a member of the expert group evaluating committee for Chongqing Enterprise Management Excellence evaluation. Mr. Shi Yubao had served as general manager, Chairman of the board, chairman of labour union, secretary of the CPC committee, Changan Industry Company; executive deputy secretary of the CPC committee, chairman of labour union, former Changan Automobile Company (Group) Liability Company Limited; chairman of supervisory committee of Changan Automobile and so on.

Mr. Gao Peizheng

Mr. Gao Peizheng(高培正), the executive director of the second session of the Board and general manager of the Company. He was born in 1967, graduated from Southwest University of Political Science and Law in 1989. Since Mr. Gao entered into former Changan Automobile (Group) Company Liability Limited, Mr. Gao served as Vice-division Chief of Audit & Supervision division of Audit & Supervision department and Vice-division Chief of Law Affairs division of Audit & Supervision department , Division Chief of Security division and Party Branch Secretary, Vice Minister of Audit & Supervision department, Minister of Social Working department and Party Branch Secretary, Assistant President and general counsel for former Changan Automobile (Group) Company Liability Limited from that time to December 2008. During the period, Mr. Gao served also as Director General of Changan Branch Bureau of Chongqing Public Security Bureau. From December 2008 to October 2010, Mr. Gao served as Deputy Secretary of Discipline Inspection Commission, Minister of Audit & Supervision department and Party Branch Secretary, Minister of Reform and Social Working department and Party Branch Secretary, Assistant President and general counsel for Changan Industry Company and so on. Mr. Gao now serves as the Deputy Secretary of Party Commission, Secretary of Discipline Inspection Commission, Chairman of Trade Union and general counsel for Changan Industry Company Mr. Gao has been working for over 20 years and has been mainly responsible for efficiency supervision, law affairs, trade mark and intellectual property rights protection, handle lawsuit or non-lawsuit case, safety guard, investigate into law case, audit & supervision, reform and reorganization, HRM and subsidiary company management and so on. So Mr. Gao has accumulated rich working experiences.

Mr. Lu Xiaozhong

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

Mr. Shi Chaochun

Mr. Shi Chaochun (施朝春), the executive director of the second session of the Board of the Company. He was born in 1965, holding a master's degree in Industrial Engineering, joined the Company as deputy general manager in 2001. Mr. Shi worked for former Changan Automobile (Group) Company Liability Limited as secretary to the vice president and the deputy director of the planning and development department, general manager of the Company. Mr. Shi has been the executive director of the Company since February 2005. In 2007, Mr. Shi won the prizes of "Outstanding Contribution Entrepreneur of Automotive Logistics Industry", "Top Ten Logistics Persons of the Year for 2007 in China", "Excellent Entrepreneur for Chongqing City", and "Best of Top 10 Entrepreneurs for 2007 for Chongqing Economic & Development Zone".

Mr. William K Villalon

Mr. William K Villalon, the executive director of the second session of the Board of the Company. He was born in 1949, graduated from University of California, Berkeley in 1979, holding a MBA in Finance; and was graduated from Washington University, St. Louis in 1972, holding a BA in Political Science. Mr. William K Villalon has served for American President Lines/Logistics, now is the Vice President of Land Transportation Services / Global Automotive Logistics. Mr. William K Villalon had served different positions for American President Lines/Logistics, mainly including Vice President of Americas' Logistics, Vice President of American Consolidation Services, Vice President of Global Marketing, Vice President of Southeast Asia, Vice President of Stacktrain Service and Director of Stacktrain Marketing. Mr. William K Villalon served as General Manager, Intermodal of Southern Pacific Railroad (subsequently merged into UNION PACIFIC RAIROAD) before 1984.

Non-executive Directors

Mr. Lu Guoji

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

DIRECTORS, SUPERVISORS, GENERAL MANAGER AND DEPUTY GENERAL MANAGERS

Mr. Zhang Lungang

Mr. Zhang Lungang (張倫剛), the non-executive director of the second session of the Board of the Company. He was born in 1967, holding a bachelor's degree. Mr. Zhang joined the Company in June 2009. Mr. Zhang has participated in many financial training organizations including Hong Kong international financial training course, Germany senior financial experts training course, Japanese Altos financial training course and Canadian senior financial experts training course for professional financial knowledge. And he also participated in the state-owned large and medium sized enterprises' general accountants' professional training held by the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Zhang worked as the director of the finance division and assets management division of Southwest Military Bureau, the deputy general manger and general accountant of Chongqing Dajiang Industrial Group and the financial manger of Chongqing Wanyou Conifer Hotel with working experiences in joint venture companies. Mr. Zhang is proficient in financial management, financial budget and final accounts and assets and capital verification and so on. Mr. Zhang is now the secretary of the CPC committee, general accountant of Changan Industry Company.

Mr. Danny Goh Yan Nan

Mr. Danny Goh Yan Nan, the non-executive director of the second session of the Board of the Company. He was born in 1959, graduated from University of Oregon, USA in 1986, holding a Bachelor of Science, Finance. Mr. Danny Goh Yan Nan has been served as Vice President of North Asia Region of APL Logistics since 2010. Mr. Danny Goh Yan Nan had been served different positions for APL Logistics, mainly including Vice President / Managing Director in Japan, Vice President of International Services and Global Operations, Vice President / Managing Director of Asia-Middle East Region, General Manager of South East and West Asia Region and Regional Operations Manager of South East and West Asia Region.

Mr. Li Ming

Mr. Li Ming (李鳴), the non-executive director of the second session of the Board of the Company. He was born in 1957, holds a bachelor's degree and joined former Changan Automobile (Group) Company Liability Limited in August 1978. Mr. Li joined the Company in June 2008. He is the head of the finance department of Changan Industry Company. Mr. Li was the deputy director and the director of former Changan Automobile (Group) Company Liability Limited, the vice general manager and the director of finance department of Chongqing Changan Automobile Sales Co., Ltd, the finance controller of Changan Ford Mazda and the deputy head of finance department of former Changan Automobile (Group) Company Liability Limited.

Mr. Wu Xiaohua

Mr. Wu Xiaohua (吳小華), the non-executive director of the second session of the Board of the Company. He was born in 1955. Mr. Wu joined the Company in 2001. Mr. Wu graduated from the Sichuan Cadre Institute in 1988, majoring in Financial Accounting. From 1976 to 1989, he was the deputy head of the finance department of Chuanjiang Shipping Factory of Changjiang Marine Transportation Company. From 1989 till November 2009, Mr. Wu had taken up the posts as the department head in the planning financial department of Minsheng Industry, the director and general accountant of Minsheng Industry. Mr. Wu serves as the director, deputy general manager and CFO of Minsheng Shipping Co., Ltd.

Ms. Lau Man Yee, Vanessa

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

Independent Non-executive Directors

Ms. Wang Xu

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

Mr. Peng Qifa

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

Mr. Chong Teck Sin

Mr. Chong Teck Sin (張鐵沁), the independent non-executive director of the second session of the Board of the Company. He was born in 1955, joined the Company as an independent non-executive director in July 2005. Mr. Chong was the group managing director (commercial) of Seksun Corporation Limited ("Seksun"), which was listed on Singapore Stock Exchanges, until May 2004. Prior to his appointment at Seksun, he was the strategic development director for China of Glaxo Wellcome Asia Pacific Pte Ltd. and before that, the senior general manager of China-Singapore Suzhou Industrial Park Development Co., Ltd., the Singapore Suzhou Industrial Park developer. He was with the Singapore Economic Development Board from 1986 to 1989. Since April 2004, Mr. Chong sits on the Board of the Accounting and Corporate Regulatory Authority (ACRA) of Singapore. He is also the independent non-executive director of British-American Tobacco (Singapore) Pte Ltd. In addition, Mr. Chong is also the independent non-executive director of the companies following-mentioned which were listed on Singapore Stock Exchanges: Beyonics Technology Ltd., Wanxiang International Pte Ltd., Sihuan Pharmaceutical Holdings Group Ltd. and JES International Holdings Ltd. Since October 2008, Mr. Chong is also the director of Singapore's largest folk charitable organization National Kidney Foundation Singapore. He obtained the bachelor of engineering at the University of Tokyo in 1981, and subsequently obtained a Master of Business Administration degree from the National University of Singapore.

Supervisors

Ms. Tang Dongmei

Ms. Tang Dongmei (唐冬梅), chairman of the second session of the Supervisory Committee of the Company. She was born in 1976. Ms. Tang joined the Company in June 2009. Ms. Tang graduated from Chongqing Architecture College in 1997. Ms. Tang participated in the training courses held by China internal auditing institute and Chongqing Construction Committee and other organizations. Ms. Tang is good at financial and construction pricing and so on. Ms. Tang has abundant experience in enterprise auditing work as she has been involved in such field for over ten years. Ms. Tang is now the deputy director general of audit department of ministry of audit and supervision of Changan Industry Company.

Mr. Tang Yizhong

Mr. Tang Yizhong (唐宜中), supervisor of the second session of the Supervisory Committee of the Company. He was born in 1963, joined the Company as a supervisor in December 2004. Mr. Tang graduated from the Chongqing Science and Technology University in (重慶科技進修大學) in 1986. He obtained a bachelor's degree in Accounting from the Shanghai University of Finance & Economics in 1995. From 1987 to 1993, he worked in Minsheng Shipping Co., Ltd. From 1993 till November 2009, Mr. Tang has worked as the deputy manager, manager, and assistant to the department head, deputy department head and department head of the finance department of Minsheng Industrial. Mr. Tang also served as the department head of the finance and planning department of Minsheng Shipping Co., Ltd.

Mr. Wu Jun

Mr. Wu Jun (吳雋), supervisor of the second session of the Supervisory Committee of the Company. He was born in 1974. Mr. Wu joined the Company in June 2008. Mr. Wu has been Regional Financial Officer, North Asia Region of NOL/APL/APLL since Oct 2007. Mr. Wu joined NOL in February 2006 and was in charge of financial reporting and investment analysis. Mr. Wu got the Chinese CPA certificate in 1998. He has taken leadership positions in financial management in several multinational companies including Arthur Andersen, Delphi, LVMH. Throughout these years, he has gained rich experience in financial management, investment, audit and internal control areas. Mr. Wu obtained the Bachelor of Economics degree from Shanghai International Studies University in 1995.

Mr. Ye Guangrong

Mr. Ye Guangrong (葉光榮) was born in 1951, was elected by the labour union of the Company as a Supervisor of the second session of the Supervisory Committee of the Company in June 2008. Mr. Ye graduated from the Distance Learning Institute of the China Communist Party Sichuan Provincial Committee School in 1998. From 1988 to November 2004, he worked in former Changan Automobile (Group) Company Liability Limited as deputy officer of the secretariat division and director of the secretariat reception division. From November 2004 to March 2010, Mr. Ye had been the chairman of the labor union of the Company.

Ms. Chen Haihong

Ms. Chen Haihong (陳海紅) was born in 1968, was elected by the labour union of the Company as a supervisor of the second session of the Supervisory Committee of the Company in June 2008. Ms. Chen graduated from the Laborer University of Weapon Industry (兵器工業職工大學), majoring in Water Supply and Drainage. She obtained a master's degree in Business Administration at the Asia International Open University, Macau in April 2005. Ms. Chen worked for former Changan Automobile (Group) Company Liability Limited from 1984 to 2001. She joined the Company in 2001 and she has held various posts such as senior secretary, deputy manager and she is now the administration deputy supervisor of the Company.

General Manager and Deputy General Manager

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

Mr. Li Xiwen (李習文), was borned in 1973, joined the Company in 2005. Mr. Li is the deputy general manager and responsible for managing the regional distribution centres and information technology department of the Company as well as overseeing the implementation and development of various management systems and company policies. Mr. Li graduated from Beijing Foreign Studies University in 1996 and obtained bachelor's degree in Arts. He obtained a master's degree in Business Administration from the Michigan State University in the United States in 2002. From August 2004 to October 2005, he was the deputy general manager of GEFCODTW Logistics Co., Ltd.

Mr. Huang Yong (黃勇), was born in 1956, joined the Company in 2003. Mr. Huang graduated from the Distance Learning Institute of the Central Party School of the China Communist Party (中共中央黨校函授學院) in 2003. Mr. Huang is the deputy general manager of the Company and is mainly responsible for managing multi-mode transportation department and international freight forwarding department

Mr. Huang Ming (黃明), was born in 1962, joined the Company in 2001. Mr. Huang graduated from the Distance Learning Institute of the Central Party School of the China Communist Party in 2000. Mr. Huang is the deputy general manager of the Company and mainly responsible for the business development and planning of the Company, as well as the finished vehicle logistics business. Mr. Huang worked as a manager of the general affairs department and multi-modal transportation department of Shanghai North Transportation Co., Ltd. (上海北方航運有限公司) from 2000 to 2001.

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

Independent Auditor's Report
To the shareholders of Changan Minsheng APLL Logistics Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Changan Minsheng APLL Logistics Co., Ltd. ("the Company") and its subsidiaries (together, the "Group") set out on pages 42 to 114 , which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2011

BALANCE SHEETS
(All amounts in Renminbi("RMB"))

		Group		Company	
		As at 31 December		As at 31 December	
		2010	**2009**	**2010**	**2009**
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	243,100	174,542	149,047	139,766
Prepaid lease payments	7	146,164	129,653	123,346	105,215
Intangible assets	8	9,676	2,915	2,532	2,653
Investments in subsidiaries	9	-	-	188,500	65,480
Investments in associates	10	19,692	16,811	12,100	12,100
Deferred income tax assets	11	13,093	6,866	10,176	6,795
Total non-current assets		431,725	330,787	485,701	332,009
Current assets					
Inventories	12	3,097	4,186	3,097	4,186
Trade receivables	13	114,777	177,498	96,250	171,258
Prepayment and other receivables	14	39,032	19,142	31,581	19,353
Due from related parties	35	389,405	369,527	249,969	256,586
Restricted cash	15	-	9,300	-	9,300
Cash	15	441,532	314,362	310,198	265,358
Total current assets		987,843	894,015	691,095	726,041
Total assets		1,419,568	1,224,802	1,176,796	1,058,050

The notes on pages 47 to 114 are an integral part of these financial statements.

		Group As at 31 December		Company As at 31 December	
		2010	2009	2010	2009
	Note	RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Equity attributable to owners of the Company					
Share capital	16	162,064	162,064	162,064	162,064
Capital surplus	17	75,150	75,150	75,150	75,150
Other reserves	17	65,911	51,866	65,911	51,866
Retained earnings					
- Proposed final dividend	30	24,310	14,586	24,310	14,586
- Others		459,850	319,260	393,041	293,305
		787,285	622,926	720,476	596,971
Non-controlling interests		89,153	39,549	-	-
Total equity		876,438	662,475	720,476	596,971
LIABILITIES					
Non-current liabilities					
Deferred income tax liability	11	963	-	-	-
Deferred income	18	4,910	7,707	4,775	7,504
Total non-current liabilities		5,873	7,707	4,775	7,504
Current liabilities					
Trade and other payables	19	399,863	424,731	289,100	312,397
Due to related parties	35	111,499	113,787	148,727	127,205
Current income tax liabilities		25,895	16,102	13,718	13,973
Total current liabilities		537,257	554,620	451,545	453,575
Total liabilities		543,130	562,327	456,320	461,079
Total equity and liabilities		1,419,568	1,224,802	1,176,796	1,058,050
Net current assets		**450,586**	**339,395**	**239,550**	**272,466**
Total assets less current liabilities		**882,311**	**670,182**	**725,251**	**604,475**

The notes on pages 47 to 114 are an integral part of these financial statements.

The financial statements on pages 42 to 114 were approved by the Board of Directors on 18 March 2011 and were signed on its behalf.

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB)

		Year ended 31 December	
		2010	**2009**
	Note	RMB'000	RMB'000
Revenue	21	2,827,020	2,284,723
Cost of sales	23	(2,419,262)	(2,016,652)
Gross profit		407,758	268,071
Other income	22	2,505	1,756
Distribution costs	23	(87,751)	(61,889)
Administrative expenses	23	(65,311)	(41,654)
Operating profit		257,201	166,284
Finance income	25	3,294	1,526
Finance costs	26	(1,564)	(1,130)
Share of profit of associates	10	2,881	1,984
Profit before income tax		261,812	168,664
Income tax expense	27	(46,788)	(25,734)
Profit and total comprehensive income for the year		215,024	142,930
Profit and total comprehensive income attributable to:			
Owners of the Company		178,945	130,235
Non-controlling interests		36,079	12,695
		215,024	142,930
Earnings per share for profit attributable to owners of the Company during the year			
- basic and diluted	29	RMB1.10	RMB0.80

The notes on pages 47 to 114 are an integral part of these consolidated financial statements.

Dividends	30	24,310	14,586

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB)

		Attributable to owners of the Company					
		Share capital	Capital surplus	Other reserves	Retained earnings	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009		162,064	75,150	40,482	229,581	26,854	534,131
Comprehensive income							
Profit for the year		-	-	-	130,235	12,695	142,930
Transactions with owners							
Cash dividends		-	-	-	(14,586)	-	(14,586)
Appropriation to reserve	17	-	-	11,384	(11,384)	-	-
Balance at 31 December 2009		162,064	75,150	51,866	333,846	39,549	662,475
Comprehensive income							
Profit for the year		-	-	-	178,945	36,079	215,024
Transactions with owners							
Cash dividends		-	-	-	(14,586)	(13,475)	(28,061)
Appropriation to reserve	17	-	-	14,045	(14,045)	-	-
Capital injection by non-controlling shareholders		-	-	-	-	27,000	27,000
Balance at 31 December 2010		162,064	75,150	65,911	484,160	89,153	876,438

The notes on pages 47 to 114 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB)

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	293,358	251,726
Interest paid		(1,235)	(1,235)
Income tax paid		(43,303)	(22,056)
Net cash generated from operating activities		248,820	228,435
Cash flows from investing activities			
Acquisition of a business	33	(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	34	218	215
Interest received		3,294	1,526
Net cash used in investing activities		(120,355)	(32,831)
Cash flows from financing activities			
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		(1,061)	(14,586)
Net increase in cash		127,404	181,018
Cash at beginning of year		314,362	133,239
Exchange (losses)/gains on cash		(234)	105
Cash at end of year		441,532	314,362

The notes on pages 47 to 114 are an integral part of these consolidated financial statements.

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 Liangjing Village, Yuanyang Town, Yubei District, Chongqing, the PRC.

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group, 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 disclosed in Note 4.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), "Business combinations", and consequential amendments to Hong Kong Accounting Standards ("HKAS") 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

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

- HKAS 7, "Statement of cash flows" (amendment), "classification of expenditures on unrecognised assets" (effective 1 January 2010). This amendment requires that only expenditures that result in a recognised asset in the balance sheet can be classified as investing activities. The amendment has no significant impact on the Group's financial statements.

- HKAS 18, "Revenue" (amendment). Additional guidance has been added to the appendix to HKAS 18 "Revenue" regarding the determination as to whether an entity is acting as a principal or an agent. The application of such additional guidance has no impact on the Group's financial statements.

- HKAS 36, "Impairment of assets" (amendment), unit of accounting for goodwill impairment test (effective 1 January 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of HKFRS 8, "Operating segments" (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of HKFRS 8). This amendment has no impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

- HKAS 38, "Intangible assets" (amendment) (effective 1 July 2009). This amendment clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. This Group adopted the amendment from 1 January 2010.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- HKFRS 1 (amendment), "Additional exemptions for first-time adopters" (effective 1 January 2010). This amendment is not relevant to the Group as it is an existing HKFRS preparer.

- HKFRS 2 (amendment), "Group cash-settled share-based payment transactions" (effective 1 January 2010). In addition to incorporating HK(IFRIC) – Int 8, "Scope of HKFRS 2", and HK(IFRIC) – Int 11, "HKFRS 2 - Group and treasury share transactions", the amendment expands on the guidance in HK(IFRIC) – Int 11 to address the classification of group arrangements that were not covered by that interpretation. This amendment has no impact on the Group's financial statements.

- HKAS 27 (revised), "Consolidated and separate financial statements" (effective 1 July 2009). The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the profit or loss. This amendment has no impact on the Group's financial statements.

- HKAS 39 (amendment), "Eligible hedge items" (effective 1 July 2009). The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt and prohibits including time value in a one-sided hedged risk when designating options as hedges. This amendment has no impact on the Group's financial statements.

- HK(IFRIC) - Int 17, "Distribution of non-cash assets to owners" (effective 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets (or with a cash alternative) to shareholders either as a distribution of reserves or as dividends. This amendment has no impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (continued)

- Below amendment to existing standard is from first annual improvements project published in October 2008 by HKICPA, which is not currently relevant to the Group and has no impact on the Group's financial statements.

  - Amendment to HKFRS 5 "Non-current assets held for sale and discontinued operations" (and consequential amendment to HKFRS 1 "First-time adoption"), plan to sell the controlling interest in a subsidiary (effective 1 July 2009).

- Below amendments to existing standards and interpretations are from second annual improvements project published in May 2009 by HKICPA, which are not currently relevant to the Group and have no impact on the Group's financial statements.

  - Amendment to HKFRS 2, "Share-based payment", scope of HKFRS 2 and HKFRS 3 (revised) (effective 1 July 2009);
  - Amendment to HKFRS 5, "Non-current assets held for sale and discontinued operations", disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations (effective 1 January 2010);
  - Amendment to HKAS 1 (amendment), current/non-current classification of convertible instruments (effective 1 January 2010);
  - Amendment to HKAS 17, "Leases" , classification of leases of land and buildings (consequential amendment to HK-Int 4, Leases – determination of the length of lease term in respect of Hong Kong land leases) (effective 1 January 2010);
  - Amendment to HKAS 39, "Financial instruments: Recognition and measurement", treating loan prepayment penalties as closely related derivatives (effective 1 January 2010);
  - Amendment to HKAS 39, "Financial instruments: Recognition and measurement", cash flow hedge accounting (effective 1 January 2010);
  - Amendment to HKAS 39, "Financial instruments: Recognition and measurement", scope exemption for business combination contracts (effective 1 January 2010);
  - Amendment to HK(IFRIC) – Int 9 and HKFRS 3 (revised), (effective 1 July 2009); and
  - Amendment to HK(IFRIC) - Int 16, "Hedges of a net investment in a foreign operation"(effective 1 July 2009).

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted.

The management of the Company assesses impact of these new standards and interpretations as follows.

- HKFRS 9, “Financial instruments”, issued in November 2009. This standard is the first step in the process to replace HKAS 39, “Financial instruments: recognition and measurement”. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group’s accounting for its financial assets.

- HKAS 24 (revised), “Related party disclosures”, issued in November 2009. It supersedes HKAS 24, “Related party disclosures”, issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011.

- “Classification of rights issues” (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with HKAS 8 “Accounting policies, changes in accounting estimates and errors”. This amendment is not currently applicable to the Group.

- Amendments to HK(IFRIC) Int-14 “Prepayments of a minimum funding requirement” corrects an unintended consequence of HK(IFRIC) Int-14, “HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction”. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) Int-14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This amendment is not currently applicable to the Group.

- HK(IFRIC) -Int 19, “Extinguishing financial liabilities with equity instruments” clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted. This interpretation is not currently applicable to the Group.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted (continued)

- "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" (Amendment to HKFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing HKFRS preparer.

- In May 2010, the HKICPA published certain improvements to HKFRSs which will be effective for accounting periods beginning on or after 1 January 2011 or later periods. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

  HKFRS 1 (amendment) First-time Adoption of HKFRSs,
  HKFRS 3 (revised) (amendment) Business Combinations,
  HKFRS 7 (amendment) Financial Instruments: Disclosures,
  HKAS 1 (amendment) Presentation of financial statements,
  HKAS 27 (revised) (amendment) Consolidated Financial Statements and Accounting for Investments in Subsidiaries,
  HKAS 34 (amendment) Interim Financial Reporting, and
  HK(IFRIC) 13 (amendment) Customer Loyalty Programs

  The Group is in the process of making an assessment of the impact of these new/revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

(a) Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivables.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (Note 2.6).

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Associates

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

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

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

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment loss. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2 Summary of significant accounting policies (continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the General Manager meeting presided by the general manger and presented by all vice general managers of the Company that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to bank deposits and due from/to related parties are presented in profit or loss within “finance costs”.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful life, as follows:

- Buildings	10 - 30 years
- Machinery	3 - 5 years
- Office equipment	5 years
- Motor vehicles	4-5 years

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "administrative expenses" in profit or loss.

2.6 Intangible assets

(a) Goodwill

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

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

(b) Contractual customer relationship

Contractual customer relationship acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship (6.5 years).

(c) Computer software

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

2 Summary of significant accounting policies (continued)

2.7 Prepaid lease payments

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

2.8 Impairment of non-financial assets

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

2.9 Financial assets

(a) Classification

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

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise of "trade receivables", "prepayment and other receivables" and "due from related parties" in the balance sheet.

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification (continued)

- Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the balance sheet date.

(b) Recognition and measurement

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

2 Summary of significant accounting policies (continued)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses and taxes.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group assesses at each balance sheet date whether there is objective evidence that trade and other receivables are impaired. Trade and other receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the trade and other receivables that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider; and
- It becomes probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group first assesses whether objective evidence of impairment exists.

2 Summary of significant accounting policies (continued)

2.12 Trade and other receivables (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within ”administrative expenses”. When a receivable is uncollectible, it is written off against the allowance account for receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.13 Cash

In the consolidated statement of cash flows, cash includes cash in hand and deposits held at call with banks.

2.14 Share capital

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

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.16 Borrowings and borrowing costs

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

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

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit or loss in the year in which they are incurred.

2 Summary of significant accounting policies (continued)

2.17 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Government grants

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

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

Government grants relating to assets are included in non-current liabilities as deferred income and are credited in profit or loss on a straight-line basis over the expected lives of the related assets.

2 Summary of significant accounting policies (continued)

2.19 Employee benefits

In accordance with the rules and regulations in the PRC, the Group's employees participate in various benefits including defined contribution pension, medical insurance, housing fund and unemployment fund plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in profit or loss as employee benefit expenses as incurred .

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services provided in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the service type of customer, the type of transaction and the specifics of each arrangement.

(a) Provision of service

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

(b) Sales of goods

Revenue from the sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customer, and the customer has accepted the goods and collectability of the related receivables is reasonably assured.

(c) Interest income

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

(d) Dividend income

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

2 Summary of significant accounting policies (continued)

2.21 Leases (as the lessee for operating leases)

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

2.22 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with all of the transactions settled in RMB, except for certain international freight forward services and corresponding purchases which are settled in United States Dollars ("USD"). The Group's assets and liabilities that are subject to foreign exchange rate risk include bank deposits and amounts due from/to related parties that are denominated in Hong Kong Dollars ("HKD") and USD. As at 31 December 2010, the Group had HKD and USD denominated bank deposits amounting to approximately RMB8 million (2009: RMB7 million), and USD denominated amounts due from/to related parties of approximately RMB4 million and RMB0.3 million respectively (2009: RMB4 million and RMB0.5 million).

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Management has set up policies for non-RMB denominated bank deposits to manage the Group's foreign exchange risk against its functional currency, including term deposits to earn higher interest income to offset the loss due to appreciation of RMB, and matching the settlement dates of receivables and payables relating to abovementioned international freight forward services.

As at 31 December 2010, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, post-tax profit for the year would have been approximately RMB590,000 (2009: approximately RMB504,000) lower/higher, mainly as a result of foreign exchange losses/gains on the translation of USD denominated bank deposits and amounts due from/to related parties.

(ii) Cash flow and fair value interest rate risk

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

The Group's interest-rate risk arises from short-term bank loans. Loans borrowed at variable rates expose the Group to cash flow interest-rate risk. Loans borrowed at fixed rates expose the Group to fair value interest-rate risk. In 2010 and 2009 the Group's short-term bank loans were all borrowed at fixed rates. The short term bank loan has been repaid by the year end.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

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

As at 31 December 2010, substantially all the Group's deposits are deposited in major banks and a non-bank financial institution that is state-owned entity incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The Group's deposits as at 31 December 2010 and 2009 were as follows:

	2010 RMB'000	2009 RMB'000
Big four commercial banks (i)	277,234	206,484
Other listed banks	33,023	37,247
Non-bank financial institution	130,934	79,770
	441,191	323,501

(i) Big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

As at 31 December 2010, approximately 72% (2009: approximately 64%) of the total amount of trade receivables and due from related parties of the Group was due from the top five largest customers. The carrying amount of trade receivables and due from related parties included in the balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

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

In this regard, the directors of the Company are satisfied that adequate provision for impairment on trade and other receivables and due from related parties has been made in the financial statements after assessing the collectability of individual debts. Further quantitative disclosures in respect of the impairment of trade and other receivables and due from related parties are set out in Note 13 and 35.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

To manage the liquidity risk, the Group performs cash flow forecasting and monitors rolling forecasts of the Group's liquidity requirements to ensure it maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions, as well as equity financing through shareholders. As at 31 December 2010, the Group had undrawn borrowing facilities of RMB300,000,000 (2009: RMB150,000,000). The facilities are annual facilities, subject to review during 2011, and will expire within one year.

The table below analysed the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows.

	Group		Company	
	2010	2009	2010	2009
	RMB '000	RMB '000	RMB '000	RMB '000
Trade and other payables				
- less than 1 year	377,916	420,580	274,952	308,975
Due to related parties				
- less than 1 year	90,679	87,838	127,967	101,256

3 Financial risk management (continued)

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as interest-bearing liabilities divided by the total equity as shown in the consolidated balance sheet.

Unchanged from 2009, the Group's strategy in 2010 was to maintain a gearing ratio at a reasonable level. The gearing ratios at 31 December 2010 and 2009 are as follows:

Group	2010	2009
Interest bearing liabilities (RMB'000)	-	-
Total equity (RMB'000)	876,438	662,475
Gearing ratio	0%	0%

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

No assets under non-current assets are measured at fair value. The carrying amount of financial instruments under current assets and current liabilities approximate their fair values because of short-period maturity date.

4 Critical accounting estimates and judgements

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

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.

4.1 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.

As at 31 December 2010, the Group has deferred tax assets of approximately RMB13,093,000 (2009: approximately RMB6,866,000). To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised for temporary differences arising from impairment provision on receivables, tax losses, amortisation of deferred income, and useful lives used in calculating depreciation of property, plant and equipment are different from tax rules.

4.2 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.

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

5 Segment information (continued)

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

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

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 21.

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
Profit before income tax	261,812	168,664

5 Segment information (continued)

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

	2010 RMB'000	2009 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
Total assets per balance sheet	1,419,568	1,224,802

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.

6 Property, plant and equipment

Group

	Buildings	Machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009						
Cost	203,505	7,877	12,699	33,676	-	257,757
Accumulated depreciation	(43,356)	(3,749)	(7,665)	(17,671)	-	(72,441)
Net book amount	160,149	4,128	5,034	16,005	-	185,316
Year ended 31 December 2009						
Opening net book amount	160,149	4,128	5,034	16,005	-	185,316
(Adjustment)/additions	(2,352)	2,850	2,104	7,015	4,604	14,221
Disposals (Note 34)	(851)	(65)	(55)	(244)	-	(1,215)
Depreciation charges (Note 23)	(14,074)	(1,424)	(1,980)	(6,302)	-	(23,780)
Closing net book amount	142,872	5,489	5,103	16,474	4,604	174,542
At 31 December 2009						
Cost	199,527	10,539	14,025	37,847	4,604	266,542
Accumulated depreciation	(56,655)	(5,050)	(8,922)	(21,373)	-	(92,000)
Net book amount	142,872	5,489	5,103	16,474	4,604	174,542
Year ended 31 December 2010						
Opening net book amount	142,872	5,489	5,103	16,474	4,604	174,542
Additions	2,228	4,809	5,228	65,210	24,919	102,394
Acquisition of a business (Note 33)	438	546	193	615	-	1,792
Transfers	20,294	-	-	-	(20,294)	-
Disposals (Note 34)	(23)	(40)	(136)	(158)	-	(357)
Depreciation charges (Note 23)	(16,290)	(2,018)	(2,381)	(14,582)	-	(35,271)
Closing net book amount	149,519	8,786	8,007	67,559	9,229	243,100
At 31 December 2010						
Cost	222,401	14,985	16,799	101,854	9,229	365,268
Accumulated depreciation	(72,882)	(6,199)	(8,792)	(34,295)	-	(122,168)
Net book amount	149,519	8,786	8,007	67,559	9,229	243,100

6 Property, plant and equipment (continued)

Company

	Buildings	Machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009						
Cost	173,980	7,061	10,965	29,250	-	221,256
Accumulated depreciation	(42,766)	(3,628)	(7,165)	(16,732)	-	(70,291)
Net book amount	131,214	3,433	3,800	12,518	-	150,965
Year ended 31 December 2009						
Opening net book amount	131,214	3,433	3,800	12,518	-	150,965
(Adjustment)/additions	(1,813)	2,708	1,748	6,603	2,033	11,279
Disposals	(851)	(65)	(47)	(244)	-	(1,207)
Depreciation charges	(13,119)	(1,276)	(1,586)	(5,290)	-	(21,271)
Closing net book amount	115,431	4,800	3,915	13,587	2,033	139,766
At 31 December 2009						
Cost	170,542	9,581	11,955	33,010	2,033	227,121
Accumulated depreciation	(55,111)	(4,781)	(8,040)	(19,423)	-	(87,355)
Net book amount	115,431	4,800	3,915	13,587	2,033	139,766
Year ended 31 December 2010						
Opening net book amount	115,431	4,800	3,915	13,587	2,033	139,766
Additions	759	4,253	3,908	16,122	9,229	34,271
Transfers	2,033	-	-	-	(2,033)	-
Disposals	(23)	(40)	(132)	(52)	-	(247)
Depreciation charges	(14,601)	(1,799)	(1,853)	(6,490)	-	(24,743)
Closing net book amount	103,599	7,214	5,838	23,167	9,229	149,047
At 31 December 2010						
Cost	173,248	12,925	13,225	47,625	9,229	256,252
Accumulated depreciation	(69,649)	(5,711)	(7,387)	(24,458)	-	(107,205)
Net book amount	103,599	7,214	5,838	23,167	9,229	149,047

6 Property, plant and equipment (continued)

As at 31 December 2010, the Group was in the process of obtaining the legal title of buildings with carrying amount of approximately RMB30,754,000 (2009: approximately RMB36,688,000).

Operating lease rentals for properties amounting to approximately RMB10,551,000 (2009: approximately RMB5,666,000) were included in profit or loss (Note 23).

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

	Group	
	2010 RMB'000	2009 RMB'000
Cost of sales	27,301	16,335
Distribution costs	6,420	6,113
Administrative expenses	1,550	1,332
	35,271	23,780

7 Prepaid lease payments

	Group	Company
	RMB'000	RMB'000
At 1 January 2009	120,901	107,841
Additions	11,823	-
Amortisation charges (Note 23)	(3,071)	(2,626)
At 31 December 2009	129,653	105,215
Additions	21,167	21,167
Deductions (Note (a))	(1,197)	-
Amortisation charges (Note 23)	(3,459)	(3,036)
At 31 December 2010	146,164	123,346

(a) The local government adjusted the scope of the land use rights that the Group acquired in 2009 and returned corresponding prepaid lease payments of approximately RMB1,197,000 to the Group for the reduction of the areas.

Amortisation charges of RMB2,932,000 (2009: RMB2,548,000) and RMB527,000 (2009: RMB523,000) were included in the "cost of sales" and "administrative expenses" in profit or loss, respectively for the year ended 31 December 2010.

As at 31 December 2010, the Group was in the process of obtaining the legal title of a piece of land use right with a carrying amount of approximately RMB19,822,000 (2009: approximately RMB11,651,000).

The Group's interests in land use rights are all situated within PRC.

8 Intangible assets

Group

	Goodwill	Computer software	Contractual customer relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009				
Cost	2,222	1,579	-	3,801
Accumulated amortisation	-	(701)	-	(701)
Net book amount	2,222	878	-	3,100
Year ended 31 December 2009				
Opening net book amount	2,222	878	-	3,100
Additions	-	209	-	209
Amortisation charges (Note 23)	-	(394)	-	(394)
Closing net book amount	2,222	693	-	2,915
At 31 December 2009				
Cost	2,222	1,788	-	4,010
Accumulated amortisation	-	(1,095)	-	(1,095)
Net book amount	2,222	693	-	2,915
Year ended 31 December 2010				
Opening net book amount	2,222	693	-	2,915
Additions	-	1,277	-	1,277
Acquisition of a business (Note 33)	2,441	-	4,174	6,615
Amortisation charges (Note 23)	-	(810)	(321)	(1,131)
Closing net book amount	4,663	1,160	3,853	9,676
At 31 December 2010				
Cost	4,663	2,992	4,174	11,829
Accumulated amortisation	-	(1,832)	(321)	(2,153)
Net book amount	4,663	1,160	3,853	9,676

8 Intangible assets(continued)

Company

	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2009			
Cost	2,222	1,423	3,645
Accumulated amortisation	-	(766)	(766)
Net book amount	2,222	657	2,879
Year ended 31 December 2009			
Opening net book amount	2,222	657	2,879
Additions	-	107	107
Amortisation charges	-	(333)	(333)
Closing net book amount	2,222	431	2,653
At 31 December 2009			
Cost	2,222	1,530	3,752
Accumulated amortisation	-	(1,099)	(1,099)
Net book amount	2,222	431	2,653
Year ended 31 December 2010			
Opening net book amount	2,222	431	2,653
Additions	-	422	422
Amortisation charges	-	(543)	(543)
Closing net book amount	2,222	310	2,532
At 31 December 2010			
Cost	2,222	1,952	4,174
Accumulated amortisation	-	(1,642)	(1,642)
Net book amount	2,222	310	2,532

8 Intangible assets(continued)

Amortisation of approximately RMB810,000 (2009: approximately RMB394,000) and RMB321,000 (2009: nil) were included in “administrative expenses” and “cost of sales” respectively, for the year ended 31 December 2010.

Impairment tests for goodwill

Goodwill is allocated to the Group’s cash-generating units (CGUs) identified according to operating segment. The Group's goodwill are all within the segment of ”Transportation and supply chain management for vehicle commodities”.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial forecast prepared by management covering a five-year period.

Key assumptions used for value-in-use calculations in 2010 are as follows:

	Transportation and supply chain management for vehicle commodities	
	Transportation of finished vehicle	Storage management
Gross margin	4.6%	14.0%
Growth rate	5.8%	3.0%
Pre-tax discount rate	14.4%	17.0%

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

9 Investments in subsidiaries

	Company	
	2010 RMB’000	2009 RMB’000
Unlisted investments at cost:		
-Chongqing Changan Minsheng Boyu Transportation Co., Ltd. (“Chongqing Boyu”)	60,000	9,980
-Nanjing CMSC Logistics Co., Ltd. (“Nanjing CMSC”)	51,000	25,500
-Chongqing Changan Minsheng Future Bonded Logistics Co., Ltd. (“Chongqing Future”)	30,000	30,000
-Chongqing Changan Minsheng Dingjie Logistics Co., Ltd. (“Chongqing Dingjie”)	47,500	-
	188,500	65,480

9 Investments in subsidiaries (continued)

As at 31 December 2010, the Company had direct interests in the following subsidiaries:

Name	Place of incorporation and type of legal entity	Registered capital	Principal activities and place of operation	Investment amount	Interests held as at 31 December 2010	Interests held as at 31 December 2009
		RMB'000		RMB'000		
Chongqing Boyu	Chongqing, PRC, Limited liability company	60,000	Providing logistics services in PRC	60,000	100%	100%
Nanjing CMSC	Nanjing, PRC, Limited liability company	100,000	Providing logistics services in PRC	51,000	51%	51%
Chongqing Future	Chongqing, PRC, Limited liability company	30,000	Providing logistics services in PRC	30,000	100%	100%
Chongqing Dingjie	Chongqing, PRC, Limited liability company	50,000	Providing logistics services in PRC	47,500	95%	N/A

Chongqing Boyu: According to the resolutions of board of directors' meeting dated 13 January 2010, the Company increased its investment in Chongqing Boyu from RMB9,980,000 to RMB60,000,000 in cash. As at 31 December of 2010, the paid-in capital of Chongqing Boyu was RMB60,000,000, and had been verified by Chongqing Tong Guan CPAs Limited Company.

Nanjing CMSC: In 2010, the Company and the other two shareholders contributed the remaining registered capital of RMB50,000,000 to Nanjing CMSC in the form of cash. As at 31 December of 2010, the paid-in capital of Nanjing CMSC was RMB100,000,000 and had been verified by Jiangsu Fu Hua CPAs Limited Company.

Chongqing Dingjie: In April 2010, the Company and the other three shareholders established Chongqing Dingjie, with total registered capital of RMB50,000,000. As at 31 December 2010, all the registered capital has been paid in cash and verified by Zhongxingcai Guanghua CPAs Limited Company.

10 Investments in associates

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	16,811	14,827	12,100	12,100
Share of profit, net of tax	2,881	1,984	-	-
At 31 December	19,692	16,811	12,100	12,100

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

Name	Registered capital	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Interest held
	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	
2010							
Wuhan Changan Minfutong Logistics Company Limited ("Wuhan Minfutong")	10,000	Wuhan, PRC	11,295	4,234	4,625	1,084	31%
Chongqing Terui Transportation Service Company Limited ("Chongqing Terui")	20,000	Chongqing, PRC	22,440	9,809	32,110	1,797	45%
			33,735	14,043	36,735	2,881	
2009							
Wuhan Minfutong	10,000	Wuhan, PRC	9,089	3,111	3,060	233	31%
Chongqing Terui	20,000	Chongqing, PRC	12,672	1,839	20,608	1,751	45%
			21,761	4,950	23,668	1,984	

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

11 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets				
- Deferred tax asset to be recovered after more than 12 months	5,857	5,964	2,940	5,893
- Deferred tax asset to be recovered within 12 months	7,236	902	7,236	902
	13,093	6,866	10,176	6,795
Deferred tax liabilities				
- Deferred tax liabilities to be recovered after more than 12 months	(815)	-	-	-
- Deferred tax liabilities to be recovered within 12 months	(148)	-	-	-
	(963)	-	-	-
Deferred tax assets (net)	12,130	6,866	10,176	6,795

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax assets

Group

	Tax losses	Provision for impairment of receivables	Depreciation	Deferred income	Accruals	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	-	1,266	2,739	1,221	-	5,226
Credited to income tax expense (Note 27)	64	79	1,453	44	-	1,640
At 31 December 2009	64	1,345	4,192	1,265	-	6,866
Credited /(charged) to income tax expense (Note 27)	2,784	1,050	1,530	(330)	1,193	6,227
At 31 December 2010	2,848	2,395	5,722	935	1,193	13,093

11 Deferred income tax (continued)

In accordance with relevant PRC tax regulations, tax losses may be carried forward against future taxable income for at most five years. The management believes it is more than likely that the tax losses incurred by certain subsidiaries would be utilised before they expire and deferred income tax assets in this regard were recognised of RMB2,848,000 as at 31 December 2010 (2009: RMB64,000).

Company

	Provision for impairment of receivables	Depreciation	Deferred income	Accruals	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	1,228	2,739	1,221	-	5,188
Credited to income tax expense	110	1,453	44	-	1,607
At 31 December 2009	1,338	4,192	1,265	-	6,795
Credited /(charged) to income tax expense	1,057	1,461	(330)	1,193	3,381
At 31 December 2010	2,395	5,653	935	1,193	10,176

Deferred tax liabilities

Group	Contractual customer relationship
	RMB'000
At 31 December 2009	-
Additions (Note 33)	1,043
Credited to income tax expense (Note 27)	(80)
At 31 December 2010	963

12 Inventories

	Company and Group	Company and Group
	2010	2009
	RMB'000	RMB'000
Raw materials	2,065	2,282
Work in progress	95	90
Finished goods	937	1,814
	3,097	4,186

For the year ended 31 December 2010, the cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB40,530,000 (2009: approximately RMB32,971,000).

13 Trade receivables

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

The carrying amounts of trade receivables approximated their fair values.

13 Trade receivables (continued)

(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	2009	2010	2009
	RMB'000	RMB'000	RMB'000	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	4,299	5,561	4,299	5,561
	74,492	49,046	55,883	42,950

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.

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	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
91 to 180 days	8,279	5,223	7,577	4,935

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

13 Trade receivables (continued)

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

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

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 19).

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

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	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	(236)	(89)	(226)	(89)
At 31 December	8,742	6,338	8,580	6,166

The Group has recognised some impaired receivables in 2010 and charged to "administrative expenses"(Note 23). 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.

14 Prepayment and other receivables

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for transportation services	26,633	11,693	23,436	12,713
Prepayment for purchasing materials	3,933	2,985	3,933	2,985
Other receivables	8,466	4,464	4,212	3,655
	39,032	19,142	31,581	19,353

The carrying amounts of other receivables approximate their fair values.

15 Cash and restricted cash

(a) Restricted cash

As at 31 December 2010, no restricted cash (2009: RMB9,300,000) was pledged as security for the issuance of bills payable by the bank (Note 19).

(b) Cash

The cash in foreign currencies is as follows:

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	RMB'000	RMB'000	RMB'000	RMB'000
HKD	40	59	40	59
USD	8,190	6,636	7,873	5,117
	8,230	6,695	7,913	5,176

The remaining cash balance as at 31 December 2010 and 2009 was denominated in RMB.

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

16 Share capital

	Number of shares ('000)	Domestic shares RMB'000	Non-H foreign shares RMB'000	H shares RMB'000	Total RMB'000
At 31 December 2009 and 2010	162,064	65,600	41,464	55,000	162,064

The total registered, issued and fully paid number of shares is 162,064,000 shares (2009: 162,064,000 shares) with a par value of RMB1 per share (2009: RMB1 per share). All issued shares are rank pari passu in all respects.

The non-H foreign shares are held by APL Logistics Limited ("APLL") which are non-tradable on GEM.

17 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 RMB'000 Note (i)	Discretionary surplus reserve RMB'000 Note (ii)	Total RMB'000
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

17 Capital surplus and other reserves(continued)

(b) Other reserves (continued)

(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.

(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.

18 Deferred income

The movement of deferred income is as follows:

Group	2010 RMB'000	2009 RMB'000
At 1 January	7,707	10,315
Additions	-	187
Credited to cost of sales	(2,797)	(2,795)
At 31 December	4,910	7,707

Company	2010 RMB'000	2009 RMB'000
At 1 January	7,504	10,044
Additions	-	187
Credited to cost of sales	(2,729)	(2,727)
At 31 December	4,775	7,504

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

In accordance with the approvals issued by the tax bureau of Chongqing Technological Economic Development Zone and Nanjing Jiangling Economic Development Zone, with respect to the Group's application for income tax reduction relating to the purchase of domestic manufactured equipment, the Group is entitled to tax reductions of RMB1,272,000 and RMB1,745,000, which were all utilised to offset the Group's income tax liability for 2007 and 2008, respectively. Such reductions of the Group's income tax liability were recorded as deferred income and recognised as deduction to cost of sales on a straight-line basis over the estimated useful lives of the equipment. In 2010, such deferred income of approximately RMB595,000 (2009: approximately RMB595,0000) was amortised and credited to cost of sales.

In 2007, the Company obtained grants of RMB11,000,000 from local government, in relation to upgrading certain logistics information systems. It was initially recorded as advance received from government in other payables, and upon completion of the upgrading activities in 2008, transferred to deferred income, being amortised on a straight-line basis over the estimated useful lives of related assets. In 2010, such deferred income of approximately RMB2,200,000 (2009: approximately RMB2,200,000) was amortised and credited to cost of sales.

19 Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	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
	399,863	424,731	289,100	312,397

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

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	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
	250,693	325,769	164,287	221,077

(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

20 Retirement benefit schemes and housing benefits

The retirement benefits of full time employees of the Group are covered by the government-sponsored defined contribution pension plan under which the employees are required to make a monthly pension contribution based on 15% (2009: 15%) of the employees' basic salary.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed in Note 24 and Note 31.

Full time employees are also entitled to participate in the government-sponsored housing fund. The Group contributes on a monthly basis to the fund based on 7% of the salaries of the employees.

The Group's liability in respect of the fund is limited to the monthly contributions.

21 Revenue

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

	2010 RMB'000	2009 RMB'000
Transactions with related party (Note 35)		
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
	2,524,591	2,084,188
Transactions with third parties		
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
	302,429	200,535
Total	2,827,020	2,284,723

22 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
	2,505	1,756

23 Expenses by nature

	2010 RMB'000	2009 RMB'000
Transportation fees	2,147,499	1,814,321
Employee benefit expense (Note 24)	249,838	155,180
Inventories used (Note 12)	40,530	32,971
Business tax (Note 19(b))	39,552	19,787
Depreciation of property, plant and equipment (Note 6)	35,271	23,780
Operating lease rentals for office premises and distribution centres (Note 6)	10,551	5,666
Entertainment expenses	6,661	4,013
Travelling expenses	3,960	3,261
Amortisation of prepaid lease payments (Note 7)	3,459	3,071
Provision/(reversal) for impairment of receivables (Note 13)	2,640	(1,695)
Auditors' remuneration	1,430	1,150
Amortisation of intangible assets (Note 8)	1,131	394
Provision of impairment of due from related parties (Note 35)	476	242
Loss on disposal of property, plant and equipment (Note 34)	139	1,000
Amortisation of deferred income (Note 18)	(2,797)	(2,795)
Other expenses	31,984	59,849
Total cost of sales, distribution costs and administrative expenses	2,572,324	2,120,195

24 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
	249,838	155,180

25 Finance income

	2010 RMB'000	2009 RMB'000
Interest income on bank deposits	3,294	1,526

26 Finance costs

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

27 Income tax expense

	2010 RMB'000	2009 RMB'000
Current tax:		
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	53,095	27,374
Deferred tax (Note 11):		
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	(6,307)	(1,640)
Income tax expense	46,788	25,734

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% .

27 Income tax expenses (continued)

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

	2010 RMB'000	2009 RMB'000
Profit before tax	261,812	168,664
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	-	(66)
Tax charge	46,788	25,734

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.

28 Profit attributable to equity holders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB138,091,000 (2009: RMB112,389,000).

29 Earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders of the Company by the weighted average number of shares in issue for the years ended 31 December 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)	162,064	162,064
Basic earnings per share (RMB per share)	1.10	0.80

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

30 Dividends

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

During the Board of Directors' meeting on 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.

31 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emolument payables to the directors of the Company for the years ended 31 December 2010 and 2009 are as follows:

	2010 RMB'000	2009 RMB'000
Basic salaries and allowances	506	486
Performance bonuses	154	139
Retirement benefits	18	14
	678	639

The emoluments of the directors of the Company for the years ended 31 December 2010 and 2009 are analysed as follows:

	2010 RMB'000	2009 RMB'000
Shi Chaochun	378	339
Shi Yubao	-	-
Yin Jiaxu(i)	-	-
Gao Peizheng	-	-
Cui Xiaomei(i)	-	-
Lu Xiaozhong	-	-
James H McAdam(i)	-	-
William K Villalon	-	-
Lu Guoji	-	-
Zhang Lungang	-	-
Joseph F Lee(i)	-	-
Danny Goh Yan Nan	-	-
Wu Xiaohua	-	-
Lau Man Yee,Vanessa	-	-
Li Ming	-	-
Wang Xu	100	100
Peng Qifa	100	100
Chong Teck Sin	100	100
	678	639

(i) Resigned in 2010.

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

No director waived or agreed to waive any remunerations for the years ended 31 December 2010 and 2009.

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

(b) Supervisors' emoluments

The aggregate amounts of emolument payables to the supervisors for the years ended 31 December 2010 and 2009 are as follows:

	2010 RMB'000	2009 RMB'000
Basic salaries and allowances	209	196
Performance bonuses	147	132
Retirement benefits	37	28
	393	356

The emoluments of the supervisors for the years ended 31 December 2010 and 2009 are analysed as follows:

	2010 RMB'000	2009 RMB'000
Ye Guangrong	212	203
Chen Haihong	181	153
Tang Dongmei	-	-
Wu Jun	-	-
Tang Yizhong	-	-
	393	356

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

No supervisor waived or agreed to waive any remunerations for the years ended 31 December 2010 and 2009.

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

(c) Five highest paid individuals

One of the top five highest paid individuals of the Company for the years ended 31 December 2010 and 2009 was also a director of the Company and the emolument was reflected in the analysis presented in Note (a) above. The emolument payables to the remaining four individuals for the years ended 31 December 2010 and 2009 are as follows:

	2010 RMB'000	2009 RMB'000
Basic salaries and allowances	577	517
Performance bonuses	385	356
Retirement benefits	73	55
	1,035	928

The emoluments of the four highest paid individuals for the years ended 31 December 2010 and 2009 are analysed as follows:

	2010 RMB'000	2009 RMB'000
Individual A	281	249
Individual B	263	243
Individual C	258	233
Individual D	233	203
	1,035	928

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

	Number of individuals	
	2010	2009
Nil to HKD1,000,000 (equivalent to RMB850,930)	4	4

For the years ended 31 December 2010 and 2009, no emoluments were paid by the Group and the Company to any of the directors, supervisors or the top five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

32 Commitments

(a) Capital commitments

The Group's capital expenditure contracted for at balance sheet date but not yet provided for is as follows:

	2010	2009
	RMB'000	RMB'000
Property, plant and equipment	13,192	18,006

(b) Operating lease commitments

The Group leases various warehouses and office premise under non-cancellable operating lease agreements. The lease terms are between 6 months and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	2010	2009
	RMB'000	RMB'000
Not later than one year	7,241	6,588
Between one to five years	5,427	289
	12,668	6,877

33 Business combination

On 1 July 2010 (the "Acquisition Date"), the Group acquired the storage and distribution business (the "Acquired Business") of Chongqing Dajiang Zhenyue Storage Company Limited ("Chongqing Dajiang"), Chongqing Weitai Business Trading Company Limited ("Chongqing Weitai"), Chongqing Lingxin Storage Company Limited ("Chongqing Lingxin") and Chongqing Liqi Storage Company Limited ("Chongqing Liqi"), all of which, except Chongqing Liqi, are also non-controlling shareholders of Chongqing Dingjie, and were engaging in the provision of storage and logistics service to Chongqing Changan Suzuki Automobile Co., Ltd and its suppliers. As at the Acquisition Date, the fair value of the net assets of the Acquired Business amounted to approximately RMB4,923,000 and the goodwill on the acquisition was approximately RMB2,441,000. As a result of the acquisition, the Group is expected to increase its presence in local automobile logistics market.

The goodwill arising from the acquisition is attributable to expected synergies from combining operations of the acquired business and the Group.

The goodwill recognised from the acquisition is expected to be deductible for income tax purposes. The following table summarises the consideration paid for Acquired Business and the amounts of assets acquired recognised at the Acquisition Date.

	At 1 July 2010
Consideration:	**RMB '000**
Cash paid *	7,364
Recognised amounts of identifiable assets acquired	
Property, plant and equipment (Note 6)	1,792
Contractual customer relationship (included in intangibles) (Note 8)	4,174
Deferred tax liabilities (Note 11)	(1,043)
Total identifiable net assets	4,923
Goodwill	2,441

*As at 31 December 2011, there were still unpaid balances of approximately RMB240,000 in the consideration, among which, balance for Chongqing Lingxin approximated RMB219,000 and balance for Chongqing Liqi approximated RMB21,000.

The Acquired Business contributed revenues of approximately RMB6,769,000 and net loss of approximately RMB993,000 to the Group for the period from the Acquisition Date to 31 December 2010. If the acquisition had occurred on 1 January 2010, the Group's revenue would have been approximately RMB2,834,157,000, and consolidated profit for the year ended 31 December 2010 would have been RMB215,946,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the Acquired Business to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2010, together with the consequential tax effects.

34 Cash generated from operations

	2010 RMB'000	2009 RMB'000
Profit before income tax	261,812	168,664
Adjustments for		
-Finance costs	1,469	1,130
-Finance income	(3,294)	(1,526)
-Provision/(reversal) for impairment of receivables and due from related parties	3,116	(1,453)
-Loss on disposal of property, plant and equipment	139	1,000
-Depreciation of property, plant and equipment	35,271	23,780
-Amortisation of prepaid lease payments	3,459	3,071
-Amortisation of intangible assets	1,131	394
-Share of profit of associates	(2,881)	(1,984)
-Amortisation of deferred income	(2,797)	(2,795)
Changes in working capital:		
-Inventories	1,089	(4,186)
-Trade receivables	60,081	(65,271)
-Prepayment and other receivables	(20,615)	10,231
-Due from related parties	(20,354)	(89,873)
-Restricted cash pledged for bills payable	9,300	700
-Trade and other payables	(31,280)	170,163
-Due to related parties	(2,288)	39,681
Cash generated from operations	293,358	251,726

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

	2010 RMB'000	2009 RMB'000
Net book amount (Note 6)	357	1,215
Loss on disposal of property, plant and equipment	(139)	(1,000)
Proceeds from disposal of property, plant and equipment	218	215

35 Related party transactions

(a) For the year 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
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 Auto 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 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 Suzuki Automobile Company Limited (“Changan Suzuki”)	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

35 Related party transactions (continued)

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

Name of related party	Relationship
Chongqing Tsingshan Industries Company Limited ("Chongqing Tsingshan")	Subsidiary of Changan Auto Group
Chongqing Jian'an Axles Branch (Chongqing Jian'an)	Subsidiary of Changan Auto Group
Wuhan Minfutong	Associate
Chongqing Terui	Associate
Beijing Changjiu Logistics Company Limited ("Beijing Changjiu")	Non-controlling shareholder of Nanjing CMSC
Chongqing Dajiang	Non-controlling shareholder of Chongqing Dingjie
Chongqing Weitai	Non-controlling shareholder of Chongqing Dingjie
Chongqing Lingxin	Non-controlling shareholder of Chongqing Dingjie

(b) For each year of the years ended 31 December 2010 and 2009, the related party transactions are shown as follows:

The directors of the Company were of the view that the following related party transactions were carried out in the normal course of business of the Group. The pricing policy with each related party is based on the negotiation between each related party and the Company.

Transaction with associates:

(i) Transportation services provided by related parties

	2010	2009
	RMB'000	RMB'000
Chongqing Terui	22,598	20,715
Wuhan Minfutong	9,769	8,127
	32,367	28,842

35 Related party transactions (continued)

(b) For each year of the years ended 31 December 2010 and 2009, the related party transactions are shown as follows (continued):

Transaction with other related parties:

(i) Revenue from rendering of transportation of finished vehicles services

	2010 RMB'000	2009 RMB'000
Changan Ford	696,632	651,747
Changan Automobile	642,855	523,631
Changan Hebei Commercial	225,364	246,125
Changan Nanjing	163,988	134,972
Changan Suzuki	12,796	17,412
	1,741,635	1,573,887

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

	2010 RMB'000	2009 RMB'000
Changan Ford	460,740	299,129
Changan Ford Engine	10,471	5,067
Chongqing Ante	12,321	10,957
Changan Hebei	58,774	47,182
Changan Automobile	108,073	46,075
Changan International Sales	33,761	7,760
Changan Suzuki	5,240	2,865
Changan Nanjing	23,944	34,987
Jiangling Holding	527	623
Changan Industry	-	71
Chongqing Tsingshan	1,450	1,147
Sichuan Jian'an	1,550	-
Chongqing Lingyun	10	15
Changan Service	16,479	13,232
	733,340	469,110

35 Related party transactions (continued)

(b) For each year of the years ended 31 December 2010 and 2009, the related party transactions are shown as follows (continued):

Transaction with other related parties (continued):

(iii) Revenue from sales of packages and processing of tyres and others

	2010 RMB'000	2009 RMB'000
Changan Ford	39,013	31,301
Changan Industry	8,212	6,203
Changan International Sales	459	2,376
Jiangling Holding	482	760
Changan Automobile	14	205
Changan Suzuki	405	-
Changan Service	1,031	346
	49,616	41,191

(iv) Purchase of transportation services

	2010 RMB'000	2009 RMB'000
Minsheng Logistics	216,850	142,815
Minsheng International Freight	1,261	-
Minsheng Shipping	9,941	51,403
Beijing Changjiu	28,674	38,941
	256,726	233,159

(v) Purchase of construction services

	2010 RMB'000	2009 RMB'000
Changan Construction	1,496	-

(vi) Consultant services provided by related parties

	2010 RMB'000	2009 RMB'000
APLLC	555	438

35 Related party transactions (continued)

(b) For each year of the years ended 31 December 2010 and 2009, the related party transactions are shown as follows (continued):

Transaction with other related parties (continued):

(vii) Considerations paid for business acquired from non-controlling shareholders (Note 33)

	2010 RMB'000	2009 RMB'000
Chongqing Dajiang	2,520	-
Chongqing Weitai	2,043	-
Chongqing Lingxin	2,125	-
	6,688	-

35 Related party transactions (continued)

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

Due from related parties

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	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	383,458	362,680	202,360	244,632

35 Related party transactions (continued)

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

Due from related parties (continued)

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Balance of deposits for service quality guarantee				
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 Shipping	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	41,718	7,275
Less: provision for impairment of due from related parties	(999)	(523)	(999)	(523)
Total	389,405	369,527	249,969	256,586

35 Related party transactions (continued)

(c) 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 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 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
	383,458	362,680	202,360	244,632

As at 31 December 2010 and 2009, due from related parties of approximately RMB10,265,000 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	2009	2010	2009
	RMB'000	RMB'000	RMB'000	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
	10,265	5,301	9,737	4,928

35 Related party transactions (continued)

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

Due from related parties (continued)

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	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Over 1 year	999	523	999	523

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

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

As at 31 December 2010 and 2009, the balances of due from related parties denominated in USD were as below. The remaining balances as at 31 December 2010 and 2009 were denominated in RMB.

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
USD	3,947	3,945	519	3,103

35 Related party transactions (continued)

(c) 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	-	506	-
-Minsheng Shipping	6,635	20,241	2,837	18,998
-Beijing Changjiu	-	8,018	-	6,178
Subtotal	85,348	82,383	104,831	75,741
Balance from construction services provided by related party				
Other related party:				
-Changan Construction	2,267	2,583	555	7
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	20,820	25,949	20,760	25,949

35 Related party transactions (continued)

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

Due to related parties (continued)

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	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	3,064	2,872	22,581	25,508
Total	111,499	113,787	148,727	127,205

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

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	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
	111,499	113,787	148,727	127,205

35 Related party transactions (continued)

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

Due to related parties (continued)

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.

As at 31 December 2010 and 2009, the balances of due to related parties denominated in USD were as below. The remaining balances as at 31 December 2010 and 2009 were denominated in RMB.

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
USD	1,331	3,067	1,140	2,865

(d) The future minimum lease payments due under the signed irrevocable operating leases contracts with related parties are summarised as follows:

Operating lease – Chongqing Dajiang

	2010
	RMB'000
Within one year	700
Between 1 and 2 years	550
Between 2 and 3 years	400
Over 3 years	600
	2,250

36 Share-based payment

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

As at 31 December 2010 and 2009, no share appreciation rights have been granted under the SARIS.