重慶長安民生物流股份有限公司

CMA Logistics Co., Ltd.*

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

(Stock Code: 8217)

Results Announcement
For The Year Ended 31 December 2006

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

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

HIGHLIGHTS

- For the year ended 31 December 2006, the consolidated turnover of the Group was RMB1,104,477,000, representing an increase of approximately 25.2%, compared to 2005.
- For the year ended 31 December 2006, the consolidated profit attributable to shareholders of the Company was RMB65,949,000, representing an increase of approximately 14.0%, compared to 2005.
- Basic earnings per share for the year ended 31 December 2006 were RMB0.43 (2005: RMB0.52).

ANNUAL RESULTS

The board of directors (the "Board") of CMA Logistics Co., Ltd. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiary (the "Group") for the year ended 31 December 2006 and the comparative figures for the corresponding period of 2005 as follows:

CONSOLIDATED INCOME STATEMENT

		2006	**2005**
	Note	*RMB'000*	*RMB'000*
Turnover	3	1,104,477	882,176
Cost of sales	14	(986,228)	(776,599)
Gross profit		118,249	105,577
Other income		3,185	—
Distribution costs	14	(25,863)	(20,280)
Administrative expenses	14	(23,250)	(20,786)
Operating profit		72,321	64,511
Finance income		3,559	1,137
Finance costs	4	(3,715)	(1,988)
Share of loss of associates		(276)	—
Profit before income tax		71,889	63,660
Income tax expense	5	(5,940)	(5,799)
Profit attributable to equity holders of the Company	6	65,949	57,861
Dividends	7	12,965	31,275
Earnings per share for profit attributable to the equity holders of the Company during the year			
- basic and diluted	8	RMB0.43	RMB0.52

BALANCE SHEET

		Group		Company	
		As at 31 December		As at 31 December	
		2006	2005	2006	2005
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	9	123,899	84,555	123,899	84,555
Prepaid lease payments		63,926	50,673	63,926	50,673
Intangible assets		2,611	2,730	2,611	2,730
Investment in a subsidiary		—	—	5,000	4,950
Investments in associates		7,324	3,100	7,600	3,100
Deferred income tax assets		212	501	212	501
Total non-current assets		197,972	141,559	203,248	146,509
Current assets					
Trade receivables	10	75,482	22,655	75,482	22,655
Prepayment and other receivables	11	11,495	12,430	11,495	12,430
Due from related parties	15	275,914	250,055	273,920	250,055
Restricted cash		20,000	—	20,000	—
Cash and cash equivalents		96,842	40,425	96,804	39,414
Total current assets		479,733	325,565	477,701	324,554
Total assets		677,705	467,124	680,949	471,063

	Note	Group As at 31 December 2006 RMB'000	Group As at 31 December 2005 RMB'000	Company As at 31 December 2006 RMB'000	Company As at 31 December 2005 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital		162,064	112,064	162,064	112,064
Other reserves	13	96,510	9,756	96,510	9,756
Retained earnings					
- Proposed final dividend		12,965	17,827	12,965	17,827
- Others		66,612	20,483	67,221	20,487
		338,151	160,130	338,760	160,134
Minority interest		—	50	—	—
Total equity		338,151	160,180	338,760	160,134
LIABILITIES					
Current liabilities					
Trade and other payables	12	239,191	223,279	241,826	227,264
Due to related parties	15	67,115	39,468	67,115	39,468
Dividends payable		—	40,727	—	40,727
Short-term bank loans		30,000	—	30,000	—
Current income tax liabilities		3,248	3,470	3,248	3,470
Total current liabilities		339,554	306,944	342,189	310,929
Total liabilities		339,554	306,944	342,189	310,929
Total equity and liabilities		677,705	467,124	680,949	471,063
Net current assets		140,179	18,621	135,512	13,625
Total assets less current liabilities		338,151	160,180	338,760	160,134

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED CASH FLOW STATEMENT

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

1 **Basis of preparation**

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.

(a) *Amendments to published standards effective in 2006*

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

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

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

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

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

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

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

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

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

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

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

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

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

— HKAS 39 Amendment — The Fair Value Option;

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

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

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

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

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

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

2 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.

2.1 ***Critical accounting estimates and assumptions***

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

(a) *Fair value of financial assets and liabilities*

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

(b) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

2.2 ***Critical judgements in applying the entity's accounting policies***

Revenue recognition

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

3. **Turnover and segment information**

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

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

Note:

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

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

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

4. **Finance costs**

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

5. **Income tax expense**

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

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

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

Note:

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

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

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

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

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

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

6. **Profit attributable to equity holders of the Company**

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

7. **Dividends**

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

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

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

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

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

8. **Earnings per share**

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

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

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

9. **Property, plant and equipment**

Company and Group

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

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

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

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

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

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

10. **Trade receivables**

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

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

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

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

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

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

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

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

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

The carrying amounts of trade receivables represent their fair values.

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

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

11. **Prepayment and other receivables**

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

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

12 **Trade and other payables**

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

Note:

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

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

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

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

13. **Reserves**

Company

	Capital surplus *RMB'000* *Note (a)*	**Statutory surplus reserve fund** *RMB'000* *Note (b)*	**Statutory public welfare fund** *RMB'000* *Note (b)*	**Discretionary surplus reserve fund** *RMB'000* *Note (c)*	**Share issue costs** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
At 1 January 2005	—	—	—	—	(1,379)	36,418	35,039
Net profit for the year	—	—	—	—	—	57,865	57,865
Share issue costs	—	—	—	—	(3,370)	—	(3,370)
Dividends *(Note 7)*	—	—	—	—	—	(41,464)	(41,464)
Appropriation *(Note (b))*	—	9,670	4,835	—	—	(14,505)	—
At 31 December 2005	—	9,670	4,835	—	(4,749)	38,314	48,070
Net profit for the year	—	—	—	—	—	66,554	66,554
Share issue costs	—	—	—	—	(11,980)	—	(11,980)
Proceeds from shares issued *(Note (a))*	91,879	—	—	—	—	—	91,879
Transfer of share issuance costs to share premium	(16,729)	—	—	—	16,729	—	—
Dividends *(Note 7)*	—	—	—	—	—	(17,827)	(17,827)
Appropriation *(Note (b))*	—	6,855	—	—	—	(6,855)	—
Transferring statutory public welfare fund to surplus reserve fund *(Note (c))*	—	—	(4,835)	4,835	—	—	—
At 31 December 2006	75,150	16,525	—	4,835	—	80,186	176,696

Group

	Capital surplus RMB'000 *Note (a)*	Statutory surplus reserve fund RMB'000 *Note (b)*	Statutory public welfare fund RMB'000 *Note (b)*	Discretionary surplus reserve fund RMB'000 *Note (c)*	Share issue costs RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2005	—	—	—	—	(1,379)	36,418	35,039
Net profit for the year	—	—	—	—	—	57,861	57,861
Share issue costs	—	—	—	—	(3,370)	—	(3,370)
Dividends *(Note 7)*	—	—	—	—	—	(41,464)	(41,464)
Appropriation *(Note (b))*	—	9,670	4,835	—	—	(14,505)	—
At 31 December 2005	—	9,670	4,835	—	(4,749)	38,310	48,066
Net profit for the year	—	—	—	—	—	65,949	65,949
Share issue costs	—	—	—	—	(11,980)	—	(11,980)
Proceeds from shares issued *(Note (a))*	91,879	—	—	—	—	—	91,879
Transfer of share issuance costs to share premium	(16,729)	—	—	—	16,729	—	—
Dividends *(Note 7)*	—	—	—	—	—	(17,827)	(17,827)
Appropriation *(Note (b))*	—	6,855	—	—	—	(6,855)	—
Transferring statutory public welfare fund to surplus reserve fund *(Note (c))*	—	—	(4,835)	4,835	—	—	—
At 31 December 2006	75,150	16,525	—	4,835	—	79,577	176,087

Notes:

(a) **Capital surplus**

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

(b) **Statutory reserves**

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

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

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

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

(c) **Discretionary surplus reserve**

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

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

14. **Expenses by nature**

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

15. **Due from and due to related parties**

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

Due from related parties:

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

Note:

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

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

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

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

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

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

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

Due to related parties:

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

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

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

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

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

CHAIRMAN'S STATEMENT

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

ANNUAL RESULTS

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

ANNUAL REVIEW

Listing in Hong Kong

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

Market Expansion

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

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

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

Strengthening infrastructure of information technology and improving the level of governance

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

Awards

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

OUTLOOK AND PROSPECTS

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

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

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

Chairman
Yin Jiaxu

Chongqing, China
28 March 2007

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

FINANCIAL REVIEW

Turnover

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

Cost of sales and gross profit margin

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

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

Distribution Expenses

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

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

Administrative Expenses

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

Finance Costs

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

Taxation

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

Profit Attributable to Shareholders

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

Dividends

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

Liquidity and Financial Resources

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

Capital Structure

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

Loans and Borrowings

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

Gearing Ratio

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

Pledge of Assets

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

Exchange Rate Risks

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

Contingent Liabilities

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

Capital Commitment

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

Substantial Investment

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

Significant Purchase, Sale and Future Investment Plans

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

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

USE OF PROCEEDS FROM SHARE OFFER

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

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

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

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

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

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

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

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL PROGRESS

Business objectives disclosed in the Prospectus for the six months ended 31 December 2006	The actual progress for the six months ended 31 December 2006
Business development	
1. To secure the transportation of finished vehicles business from Jiangxi Jiangling Holding Limited (about 50,000 units).	As the return of project is less satisfactory than expected, the Company did not proceed with this project.
2. To secure the business of supply chain management of car components and parts from Changan Suzuki	The Company has secured part of the international freight forwarding business from Changan Suzuki; it has started the supply chain management of car components and parts business with Changan Suzuki.
3. To secure the supply chain management of car components and parts project from Changan Zijin factory, Nanjing	The Company has started to provide supply chain management services including warehousing services to Changan Zijin factory.
4. To expand logistics business for non-vehicle commodities	During this year, the Company recorded a significant increase in bulk transportation services for such commodities as steel and wirings.
5. To consolidate and expand business volume from existing customers, especially car manufacturers.	The Company strengthened the relationship with our existing clients and our turnover generated from vehicle logistics business achieved an increasing growth.
Service facilities	
Construct car components and parts distribution center for Changan Suzuki (about 8,000 sq.m) or establish a joint venture to invest in distribution center.	Changan Suzuki has yet to contract out its car components and parts distribution business.
Customers	
600	573. The Company believed that consolidation of our existing customer base is more important than tapping new customers. Accordingly, the growth in the number of customers slowed down.
Human resources	
2,485	2,285. The Company put more emphasis on the staff training. Hence the staff number is less than expected.

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

OTHER CORPORATION INFORMATION

Competing Interests

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

Continuing Connected Transactions

On 18 January 2006, the Company entered into connected transactions framework agreements with Changan Co., Changan Automobile, Changan Ford Mazda, Changan Hebei and Changan Nanjing. Please refer to the Prospectus for more details.

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

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

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

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

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

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

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

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

Corporate Governance Report

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

Audit Committee

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

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

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

Code for Securities Transactions by Directors

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

Purchase, Sale and Redemption of the Company's Listed Securities

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

Closure of Register of Members

The Company's register of members will be closed from 1 May 2007 to 30 May 2007 (both days inclusive), during which period no transfer of H shares will be registered. In order to qualify for receiving the final dividend, all instruments of transfer together with the relevant share certificates must be lodged with the Companny's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4 p.m. on 30 April 2007.

By order of the Board
CMA Logistics Co., Ltd.
Yin Jia Xu
Chairman

Chongqing, the PRC, 28 March, 2007

As at the date of this announcement, the executive directors of the Company are Mr. Yin Jia Xu, Mr. Huang Zhang Yun, Mr. Lu Xiao Zhong, Mr. Shi Chao Chun and Mr. James H McAdam; the non-executive directors of the Company are Mr. Lu Guo Ji, Mr. Daniel C. Ryan, Mr. Zhang Bao Lin, Ms. Cao Dong Ping, Mr. Wu Xiao Hua and Ms. Lau Man Yee, Vanessa; and the independent non-executive directors of the Company are Ms. Wang Xu, Mr. Peng Qi Fa and Mr. Chong Teck Sin

This announcement, for which the directors of CMA Logistics Co., Ltd. collectively and individually accept full responsibility, 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 for the purpose of giving information with regard to CMA Logistics Co., Ltd. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting.

* *For identification only*