



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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

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

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The directors of CMA Logistics Co., Ltd collectively and individually accept full responsibility of this announcement. 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, 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.

CHAIRMAN'S STATEMENT

I am pleased to present the annual report for the year ended 31 December, 2005 of CMA Logistics Co., Ltd. (the "Company") and its subsidiary (hereinafter referred to as "the Group") to all shareholders.

Annual Results

The Group's core business, vehicle logistics services, has performed well in 2005 and achieved a steady growth in profitability. As at 31 December, 2005, the Group's turnover was RMB882.2 million, up 7.1% from the same period in 2004. Both of our two major business categories, transportation of finished vehicles and supply chain management services for car components and parts, recorded continued growth in turnover during the year. Profits attributable to shareholders were RMB57.9 million, up 35.9% from the same period in 2004.

Annual Review

In 2005, China continued to implement macro-economic austerity measures. The Group's major business, vehicle logistics business, was also impacted by the fact that the overall development of the automotive industry in China was slower than expected. However, through the joint efforts of all our staff, the Group still achieved a steady growth in turnover and profitability and further improvement in the domestic service network. In order to keep pace with the continued development of the automotive industry in China and to increase its standard of services and competitiveness, the Company made a series of preparations during the year before its listing and the Company's governance structure was enhanced. The listing of the Company's H shares in Hong Kong was also approved by the China Securities Regulatory Committee. Looking back on the year, the Company believes it has achieved its objectives satisfactorily, laying a solid foundation for realizing sustained development.

Outlook and prospects

We believe that the economy in the PRC will continue to grow steadily in 2006. With the expansion of the automotive industry in China, we believe the prospects for the future development of the vehicle logistics market in China are bright. The Company is very optimistic about developing the vehicle logistics business which is at the high end of the logistics industry. The Company will seek to continue to strengthen its relationship with vehicle manufacturers and will be committed to developing new customers. The Company will also seek to take advantage of every opportunity to achieve scale development so as to strengthen our business and customer bases.

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 of directors and all 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

24 March, 2006

MANAGEMENT DISCUSSIONS AND ANALYSES

Business Review

Overview

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 Automobile Corporation Ltd. ("Changan Ford"), Chongqing Changan Suzuki Automobile Co., Ltd. ("Changan Suzuki"), Hebei Changan Automobile Co., Ltd. ("Changan Hebei"), Nanjing Changan Automobile Produce Company Limited ("Changan Nanjing"), Qingdao Haier Logistics Company Limited and Chengdu Baogang West Trade Company Limited.

The growth of the automobile market in China has slowed down in 2005. However, benefiting from an increase in the business volume from customers with a faster growth in vehicle production and sales, in particular Changan Ford, Changan Hebei and Changan Nanjing, and a growth in the number of vehicle parts manufacturer customers, the Group recorded a turnover of approximately RMB882.2 million for the year ended 31 December, 2005, up 7.1% from RMB823.5 million for the last year. For the year of 2005, income generated from finished vehicle transportation services of the Group was approximately RMB594.2 million (2004: RMB540.8 million). Income generated from car components and parts supply chain management services for 2005 was approximately RMB278.1 million (2004: RMB267.0 million). Income generated from non-finished vehicle logistics services for 2005 was approximately RMB9.9 million (2004: RMB15.7 million). Profits attributable to shareholders of the Company were approximately RMB57.9 million, up 35.9% from RMB42.6 million for the last year.

During the year, we continued to provide logistics services to more than 500 customers. For the year ended 31 December, 2005, income generated from providing logistics services to related customers including Changan Automobile was approximately RMB824.0 million, representing approximately 93.41% of the annual turnover of the Group.

Strategic Development

During the year, the Company established a subsidiary, CMAL Gang Cheng Co., Ltd, with a view to expanding its facilities and capacities in the Cuntan region in Chongqing to further develop its automotive logistics business. It also contributed capital in Wuhan Changan Minfutong Logistics Company Limited which is engaged in the provision of finished vehicle, transportation, warehousing, cargo agency and logistics planning and consultation services.

Financial Review

Turnover

The Group's turnover for the year ended 31 December, 2005 was approximately RMB882.2 million (2004: RMB823.5 million), up 7.1% from the previous financial year. The increase was mainly attributable to a faster growth in the car production and sales of our key customers, namely Changan Ford, Changan Heibei and Changan Nanjing, resulting in increased demand for logistics services by such customers.

The following table sets out the turnover classified by business categories for the two years ended 31 December, 2005:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Transportation of finished vehicles	594,209	540,803
Supply chain management relating to car components and parts	278,059	266,956
Transportation of non-vehicle commodities	9,908	15,745

During the year, the Company achieved improved sales in transportation of finished vehicles and car components and parts supply chain management services as a result of, among other things, growth in our customers' businesses that led to increased demand for the Company's services.

Turnover from transportation of non-vehicle commodities fell 36.9% from RMB15.7 million in 2004 to RMB 9.9 million this year as we scaled down this business category given the rising fuel costs in 2005 that impacted our profit margin. Furthermore, one of our major customers for transportation of non-vehicle commodities has reduced its production volume in 2005.

Cost of sales and gross profit margin

For the year ended 31 December, 2005, the Group's gross profit margin for transportation of finished vehicles increased from 7.6% to 10.2% mainly because the Company increased the use of Wuhan as a transportation hub for finished vehicles and the use of river transportation, both of which carried lower transportation costs. The gross profit margin for supply chain management of car components and parts improved notably from 10.7% to 18.2% mainly due to additional revenue booked in 2005 as a result of adjusted sales prices of supply chain management services rendered to one of the Group's major customers in 2004. Please refer to the note 4(a) to the annual results on page 17 for details of the adjustment to sales in 2005.

Compared to the gross profit margins for the two other business categories, the gross profit margin for transportation of non-vehicle commodities declined from 14.6% to 11.8% because the Group recorded lower sales from transportation of non-vehicle commodities, which used to command a higher gross profit margin, for one of the customers of the Group.

Distribution expenses

The Group total distribution expenses of RMB20.3 million for the year ended 31 December, 2005 remained stable and represented some 2.3% of the Group turnover during the year (2004: 1.5%)

Included in distribution expenses were salaries and benefits, travelling, business and communication expenses of the Group's sales and marketing department that rose 77.3% during the year due to increase in the Group's headcount for supporting its business development.

Administrative expenses

Administrative expenses increased from RMB11.4 million in 2004 to RMB20.8 million in 2005 because of a significant increase in salaries and benefits, travelling, business and communication expenses in conjunction with the Group's business expansion, especially in Nanjing and Hebei regions.

Employee benefit expense

The Group had 1,899 employees as at 31 December, 2005 (31 December 2004: 1,242 employees). Total employee benefit expense increased significantly from RMB19.6 million for the year ended 31 December, 2004 to RMB44.7 million for the year ended 31 December, 2005 mainly due to increase in salaries, staff and workers' bonus and welfare fund as a result of the substantial growth in the number of employees during the year. In particular, more managerial staff were recruited in 2005 and this led to a higher average monthly salary per employee.

Please refer to note 7 to the annual results on page 18 for a breakdown of the employee benefit expense.

Finance costs

The Group finance costs for the year amounted to RMB2.0 million (2004: RMB2.0 million). The Group continued to reduce its reliance on external borrowings and had no outstanding bank borrowings payable as at 31 December, 2005.

Taxation expenses

The Company was entitled to a 50% tax reduction for the year 2005. The applicable tax rate was 7.5% and the provision for income tax for the year amounted to RMB5.8 million.

Profit attributable to shareholders

During the year, profits attributable to shareholders of the Company were approximately RMB57,861,000, up approximately 35.9% from the previous financial year.

Dividends

The directors declared and recommended the payment of a final dividend of RMB0.11 (including tax) (2004: RMB0.25 (including tax)) per share for the year ended 31 December, 2005 to shareholders registered in the register of members of the Company on 24 May, 2006. The final dividend will be paid before 24 August, 2006 upon approval of the directors' proposal by shareholders at the annual general meeting.

Liquidity and Financial Resources

For the year ended 31 December, 2005, the Group maintained sound financial position. As at 31 December, 2005, the aggregate amount of the Group cash and bank deposit was RMB40.4 million (31 December 2004: RMB33.3 million) and there was no bank borrowing. As at 31 December, 2005, total assets of the Group amounted to approximately RMB467.1 million (31 December 2004: RMB395.5 million). Capital resources were current liabilities of RMB306.9 million (31 December 2004: RMB248.4 million), shareholders' interests of RMB160.2 million (31 December 2004: RMB147.1 million), minority interests of approximately RMB50,000 (31 December 2004: nil).

Capital Structure

There was no change in the capital structure of the Group as at 31 December, 2005 as compared with 31 December, 2004.

Loans and borrowings

As at 31 December, 2005, the Group had no bank loans and borrowings.

Gearing Ratio

As at 31 December, 2005, the gearing ratio (total liabilities as a percentage of total assets) of the Group was 65.7% (31 December 2004: 62.8%). The ratio of total liabilities to net assets of the Group was 1.92:1 (31 December 2004: 1.69: 1).

Pledge of Assets

As at 31 December, 2005, no assets of the Group were utilized to secure any sums.

Exchange Rate Risks

During the year, most transactions of the Group were denominated in RMB. The Group did not face any significant exchange rate risks.

Contingent Liabilities

As at 31 December, 2005, the Group did not have any significant contingent liabilities.

Capital Commitment

As at 31 December, 2005, the Group had capital commitment of approximately RMB5.6 million. This was mainly related to uncompleted capital commitment projects in respect of regional distribution centres and facilities constructed to meet the needs for business growth. The contracts for the construction and acquisition of these buildings and facilities were signed during the year ended 31 December, 2005.

Connected transactions

In 2005, the Company was not yet listed, and no compliance with the GEM Listing Rules on any connected transaction was required.

Corporate Governance

The Stock Exchange has issued “Code of Corporate Governance Practices” (“Code”) as set out in Appendix 15 of the GEM Listing Rules, which is effective for accounting periods commencing on or after 1 January, 2005. Pursuant to the GEM Listing Rules, listed companies are required to include in their annual report a report on their corporate governance practices during the accounting period, including compliance with the Code.

As the Company was listed on 23 February, 2006, the directors consider that the Company was not required to comply with the requirements under the Code or the continuing obligations requirements of a listed company pursuant to the GEM Listing Rules for the year ended 31 December, 2005. As such, the directors consider that the requirement to include a corporate governance report in respect of such period similarly does not apply to the Company as the Company was not a listed company during the relevant period.

Nevertheless, the directors and senior management are aware that the Code is a guideline for corporate governance “best practices”, and intend to comply with the requirements under the Code.

As part of the preparations for listing, the Company had enhanced its corporate governance practices to comply with the GEM Listing Rules requirements. The Company will prepare a full corporate governance report for the year ending 31 December, 2006 in respect of the period following its listing.

Audit Committee

The Audit Committee has met on 23 March, 2006 to review the Group's annual financial results for the year ended 31 December 2005 and other matters.

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

During the year, the Company's H Shares were yet not been listed, so there were no purchase, sale or redemption of any of the Company's listed securities.

ANNUAL RESULTS

Consolidated Income Statement

For the year ended 31 December 2005

		2005	2004
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Turnover	4	882,176	823,504
Cost of sales		<u>(776,599)</u>	<u>(755,851)</u>
Gross profit		105,577	67,653
Other gains	5	1,137	766
Distribution costs		(20,280)	(12,412)
Administrative expenses		<u>(20,786)</u>	<u>(11,438)</u>
Operating profit		65,648	44,569
Finance costs	8	<u>(1,988)</u>	<u>(1,974)</u>
Profit before tax		63,660	42,595
Income tax expense	9	<u>(5,799)</u>	<u>—</u>
Profit attributable to shareholders of the Company	10	<u>57,861</u>	<u>42,595</u>
Dividends	11	<u>31,275</u>	<u>28,016</u>
Basic and diluted earnings per share	12	<u>RMB0.52</u>	<u>RMB0.40</u>

Balance Sheet

As at 31 December 2005

		Group	Company	
		As at 31	As at 31 December	
		December	2005	2004
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment		84,555	84,555	65,046
Prepaid lease payments		50,673	50,673	45,135
Intangible assets		2,730	2,730	3,221
Investment in subsidiaries		—	4,950	—
Investment in an associate		3,100	3,100	—
Deferred income tax assets		501	501	—
		<hr/>	<hr/>	<hr/>
Total non-current assets		141,559	146,509	113,402
		<hr/>	<hr/>	<hr/>
Current assets				
Trade receivables	14	22,655	22,655	35,013
Prepayment and other receivables		12,430	12,430	7,602
Due from related parties	16(c)	250,055	250,055	206,127
Cash and cash equivalents		40,425	39,414	33,329
		<hr/>	<hr/>	<hr/>
Total current assets		325,565	324,554	282,071
		<hr/>	<hr/>	<hr/>
Total assets		467,124	471,063	395,473
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
EQUITY				
Capital and reserves attributable to shareholders of the Company				
Share capital		112,064	112,064	112,064
Other reserves		9,756	9,756	(1,379)
Retained earnings		38,310	38,314	36,418
		<hr/>	<hr/>	<hr/>
		160,130	160,134	147,103
Minority interest		50	—	—
		<hr/>	<hr/>	<hr/>
Total equity		160,180	160,134	147,103
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

		Group	Company	
		As at 31	As at 31 December	
		December	2005	2004
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES				
Current liabilities				
Trade and other payables	15	223,279	227,264	197,789
Due to related parties	16(c)	39,468	39,468	33,021
Dividends payable		40,727	40,727	—
Current portion of long-term liabilities		—	—	17,560
Current income tax liabilities		3,470	3,470	—
		<hr/>	<hr/>	<hr/>
Total current liabilities		306,944	310,929	248,370
		<hr/>	<hr/>	<hr/>
Total liabilities		306,944	310,929	248,370
		<hr/>	<hr/>	<hr/>
Total equity and liabilities		467,124	471,063	395,473
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net current assets		18,621	13,625	33,701
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		160,180	160,134	147,103
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Attributable to shareholders of the Company				Total RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Minority interest RMB'000	
	Balance at 1 January 2004	77,500	406	20,531	
Capital injection	22,500	—	—	—	22,500
Capitalisation of reserves	12,064	(2,149)	(9,915)	—	—
Addition of capital surplus	—	14	—	—	14
Share issue costs	—	(1,379)	—	—	(1,379)
Profit for the year	—	—	42,595	—	42,595
Dividends	—	—	(15,064)	—	(15,064)
Appropriation	—	1,729	(1,729)	—	—
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2004	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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2005	<u>112,064</u>	<u>9,756</u>	<u>38,310</u>	<u>50</u>	<u>160,180</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2005

1 General information

The Company, formerly known as Chongqing Changan Minsheng Logistics Company Limited, was incorporated in 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 and was renamed as CMA Logistics Co., Ltd. The H Shares of the Company have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in February 2006.

The address of the Company's registered office is 4/F, Shi Ji Zhong Huan Building, No. 26, Li Yu Er Cun, Jiang Bei District, Chongqing, the PRC.

The principal activities of the Group are the rendering of transportation of finished vehicles, supply chain management for automobile components and parts and transportation of non-vehicle commodities services.

These consolidated financial statements have been approved for issue by the Board of directors on 24 March 2006.

2 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 3 below.

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. The adoption of such Standards or Interpretations will not result in substantial changes to the Company's accounting policies.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 3	Emission Rights
HKFRS-Int 4	Determining whether an Arrangement contains A Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

3 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to 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.

(i) 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.

(ii) 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.

(b) 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.

4 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 2005 are as follows:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover		
Related party transactions (<i>Note 16(b)</i>)		
Transportation of finished vehicles	588,202	540,803
Supply chain management for automobile components and parts (<i>Note (a)</i>)	235,797	226,610
Subtotal	<u>823,999</u>	<u>767,413</u>
Transactions with unrelated parties		
Transportation of finished vehicles	6,007	—
Supply chain management for automobile components and parts	42,262	40,346
Transportation of non-vehicle commodities	9,908	15,745
Subtotal	<u>58,177</u>	<u>56,091</u>
Total	<u><u>882,176</u></u>	<u><u>823,504</u></u>

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 consider that its primary reporting format of its segment information is its business segment.

No geographical segment information is presented as all 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.

5 Other gains

	2005	2004
	RMB'000	RMB'000
Interest income	1,137	766

6 Expenses by nature

	2005	2004
	RMB'000	RMB'000
Transportation fee	731,815	730,525
Business tax	6,834	4,572
Employee benefit expense (Note 7)	44,687	19,579
Auditors' remuneration	949	354
Provision for impairment of receivables	56	—
Provision for impairment of due from related parties	731	—
Depreciation of property, plant and equipment	8,941	6,591
Amortisation of prepaid lease payments	1,013	531
Amortisation of intangible assets	491	492
Operating lease rentals for office premises and distribution center	2,120	718
Loss on disposal of property, plant and equipment	28	28
Entertainment expense	2,609	2,137
Travelling expense	2,425	1,917
Other expenses	14,966	12,257
Total cost of sales, distribution costs and administrative expenses	817,665	779,701

7 Employee benefit expense

Employee benefit expense includes emoluments of the directors and supervisors.

	2005	2004
	RMB'000	RMB'000
Wages and salaries	33,952	15,051
Pension costs-defined contribution plans	2,643	988
Staff and workers' bonus and welfare fund	3,268	500
Welfare and other expenses	4,824	3,040
Total employee benefit expense	44,687	19,579

8 Finance costs

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	1,050	1,445
Interest on other long-term payable wholly repayable within five years	59	153
Finance charges on discounted bills with banks	448	114
Others	431	262
	<u>1,988</u>	<u>1,974</u>

9 Income tax expense

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Current PRC enterprise income tax (“EIT”)	6,300	—
Deferred tax	(501)	—
	<u>5,799</u>	<u>—</u>

As a foreign investment joint stock limited company established in the Chongqing Technological Economic Development Zone, the applicable EIT rate of the Company is 15%. 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. For the year ended 31 December 2005, the applicable tax rate is 7.5%. As Chongqing Changan Automobile Fayun Company Limited and CMAL Gang Cheng Co., Ltd., the Company’s subsidiaries incurred losses during 2004 and 2005, 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 2005 (2004: 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:

	2005	2004
	RMB'000	<i>RMB'000</i>
Profit before tax	63,660	42,595
Tax at the statutory tax rate of 15%	9,549	6,389
EIT exemption	(4,775)	(6,389)
Expenses not deductible for tax purposes	1,025	—
Tax charge	5,799	—

The effective tax rate for year ended 31 December 2005 was 9.1%.

10 Profit attributable to shareholders of the Company

For the year ended 31 December 2005, the profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB57,865,000 (2004: approximately RMB41,198,000).

11 Dividends

During the Board of directors' meeting on 20 February 2004, the directors resolved to declare dividends of approximately RMB15,064,000 for the year ended 31 December 2003. This dividend was reflected as an appropriation of retained earnings for the year ended 31 December 2004. The rates of dividend and the number of shares ranking for dividends are not presented as the capital of the Company was not divided into shares.

During the Board of directors' meeting on 22 February 2005, the directors resolved to declare dividends of RMB28,016,000, the dividend per ordinary share was approximately RMB0.25, for the period from 1 April 2004 to 31 December 2004, which was approved by 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 resolved to declare dividends of RMB13,448,000, the dividend per ordinary share was approximately RMB0.12, for the period from 1 January 2005 to 30 April 2005, which was approved by the General Meeting of shareholders on 15 September 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 was based on the number of shares in issue of 112,064,000 as at 30 April 2005.

Pursuant to the resolution of the Board of directors dated 24 March 2006, the directors of the Company proposed to declare final dividend of RMB0.11 per share, totalling RMB17,827,000. The proposal dividend is subject to approval at the Annual General Meeting in May 2006 and will be accounted for as an appropriation of retained earnings for the year ended 31 December 2006.

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.

12 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 2005. In determining the weighted average number of shares in issue for the year ended 31 December 2005, the capitalisation of reserves of RMB12,064,000 were deemed to have occurred at the beginning of the earliest period presented.

	2005	2004
	RMB'000	RMB'000
Group's profit attributable to shareholders of the Company	57,861	42,595
Weighted average number of ordinary shares in issue (in thousands)	112,064	106,439
Basic earnings per share (RMB per share)	0.52	0.40

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

13 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors for the year ended 31 December 2005 are as follows:

	2005	2004
	RMB'000	RMB'000
Basic salaries and allowances	129	—
Discretionary bonuses	80	—
Retirement benefit contributions	9	—
	218	—

The emoluments of the directors for the year ended 31 December 2005 are analysed as follows:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Shi Chaochun	218	—
Yin Jiayu	—	—
Huang Zhangyun	—	—
Lu Xiaozhong	—	—
James H McAdam	—	—
Lu Guoji	—	—
Zhang Baolin	—	—
Koay Peng Yen	—	—
Cao Dongping	—	—
Wu Xiaohua	—	—
Lau Man Yee	—	—
Wang Xu	—	—
Peng Qifa	—	—
Chong Teck Sin	—	—
Xiang Mingqiang	—	—
Rick Moradian	—	—
Li Zhengqi	—	—
Quek Keng Ngak	—	—
Hans Hickler	—	—
Sung Sio Ma	—	—
	<u>218</u>	<u>—</u>

For the year ended 31 December 2005, no emolument was paid to independent non-executive directors.

No director waived or agreed to waive any remuneration for the year ended 31 December 2005.

(b) Supervisor's emoluments

The aggregate amounts of emoluments payable to the supervisors for the year ended 31 December 2005 are as follows:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries and allowances	145	—
Discretionary bonuses	60	—
Retirement benefit contributions	16	—
	<u>221</u>	<u>—</u>

The emoluments of the supervisors for the year ended 31 December 2005 are analysed as follows:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Chen Haihong	84	—
Ye Guangrong	137	—
Hua Zhanbiao	—	—
Tang Yizhong	—	—
Yvonne Lee	—	—
Ren Qiang	—	—
Liu Yangchun	—	—
	<u>221</u>	<u>—</u>

No supervisor waived or agreed to waive any remuneration for the year ended 31 December 2005.

(c) Five highest paid individuals

The emoluments payable to the five highest paid individuals are as follows. One of the five highest paid individuals of the Company for the year ended 31 December 2005 was also a director of the Company and the emolument was reflected in the analysis presented in Note (a) above. The emoluments payable to the remaining four individuals for the year ended 31 December 2005 are as follows:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries and allowances	373	410
Discretionary bonuses	180	190
Retirement benefit contributions	35	35
	<u>588</u>	<u>635</u>

The emoluments of the four/five highest paid individuals for the year ended 31 December 2005 are analysed as follows:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Shi Chaochun	—	177
Individual A	177	137
Individual B	137	107
Individual C	137	107
Individual D	137	107
	<u>588</u>	<u>635</u>

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

	Number of individuals	
	2005	2004
Nil to HKD1,000,000 (equivalent of RMB1,040,000)	<u>4</u>	<u>5</u>

For the year ended 31 December 2005, no emoluments were paid by the Group and the Company to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14 Trade receivables

	Company and	
	Group	Company
	2005	2004
	RMB'000	RMB'000
Accounts receivable (<i>Note (a)</i>)	18,606	16,208
Bills receivable (<i>Note (b)</i>)	<u>4,049</u>	<u>18,805</u>
	<u>22,655</u>	<u>35,013</u>

Notes:

- (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 2005 was as follows:

	Company and	
	Group	Company
	2005	2004
	RMB'000	RMB'000
0 to 90 days	12,139	12,659
91 to 180 days	3,071	1,707
181 to 365 days	2,341	1,732
Over 1 year	<u>1,111</u>	<u>110</u>
	18,662	16,208
Less: provision for impairment of receivables	<u>(56)</u>	<u>—</u>
	<u>18,606</u>	<u>16,208</u>

(b) Ageing analysis of bills receivable at 31 December 2005 was as follows:

	Company and Group 2005 RMB'000	Company 2004 RMB'000
0-180 days	<u>4,049</u>	<u>18,805</u>

The Company has recognised a loss of approximately RMB56,000 for the impairment of its accounts receivable for the year ended 31 December 2005. The loss has been included in 'administrative expenses' in the income statement.

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 5.22% (2004: 5.04%) for the year ended 31 December 2005.

As at 31 December 2005, approximately 90% (2004: approximately 83%) 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.

There is no interest rate risk with respect to trade receivables, as the interest rate is almost stable for the year ended 31 December 2005.

15 Trade and other payables

	Group 2005 RMB'000	Company 2005 RMB'000	2004 RMB'000
Accountants payable (<i>Note (a)</i>)	161,572	161,572	166,168
Bill payable	20,000	20,000	—
Other payables	38,699	42,684	29,924
Other taxes	2,208	2,208	1,697
Accruals	800	800	—
	<u>223,279</u>	<u>227,264</u>	<u>197,789</u>

Note:

(a) Ageing analysis of accounts payable at 31 December 2005 was as follows:

	Company and Group 2005 RMB'000	Company 2004 RMB'000
0 to 90 days	156,412	159,033
91 to 180 days	4,278	5,436
181 to 365 days	448	1,610
Over 1 year	434	89
	<hr/>	<hr/>
	161,572	166,168
	<hr/> <hr/>	<hr/> <hr/>

16 Related party transactions

- (a) For the year ended 31 December 2005, related parties, other than subsidiaries, and their relationship with the Group are as follows:

Name of related party	Relationship
Changan Automobile (Group) Company Limited ("Changan Co.")	Shareholder
APL Logistics Limited ("APLL")	Shareholder
Minsheng Industrial (Group) Company Limited ("Minsheng Industrial")	Shareholder
APL Logistics (China) Co., Ltd. ("APLLC")	Subsidiary of APLL
China South Industries Group Corporation ("CSI Group")	Parent company of Changan Co.
Chongqing Changan Automobile Company Limited ("Changan Automobile")	Subsidiary of Changan Co.
Chongqing Changan Jinling Automobile Parts Liability Company Limited ("Changan Jinling")	Subsidiary of Changan Co.
Chongqing Changan Transportation Company Limited ("Changan Transportation")	Subsidiary of Changan Co.
Chongqing Changan Yuanda Transportation Company Limited ("Changan Yuanda")	Subsidiary of Changan Co.
Chongqing Changan Property Management Company Limited ("Changan Property Management")	Subsidiary of Changan Co.
Chongqing Changan Lingyun Automobile Parts Company Limited ("Changan Lingyun")	Subsidiary of Changan Co.
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 Import and Export Company Limited ("Changan Import and Export")	Subsidiary of Changan Automobile
Hebei Changan Automobile Company Limited ("Changan Hebei")	Subsidiary of Changan Automobile
Nanjing Changan Automobile Company Limited ("Changan Nanjing")	Subsidiary of Changan Automobile
Chongqing Changan Suzuki Automobile Company Limited ("Changan Suzuki")	Subsidiary of Changan Automobile
Jiangxi Jiangling Holding Company Limited ("Jiangling Holding")	Subsidiary of Changan Automobile
Chongqing Changan Ford Automobile Company Limited ("Changan Ford")	Jointly controlled entity of Changan Automobile
Chongqing Tsingshan Industries Company Limited ("Chongqing Tsingshan")	Subsidiary of CSI Group

(b) For the year ended 31 December 2005, the directors of the Company were of the view that the following related party transactions were carried out in the normal course of business of the Group. The pricing policy of each related party is based on the negotiation between each related party and the Company.

(i) *Turnover from rendering of transportation of finished vehicles services*

	2005	2004
	RMB'000	RMB'000
Changan Automobile	321,080	358,117
Changan Ford	123,801	120,372
Changan Hebei	101,697	55,170
Changan Nanjing	39,447	7,144
Changan Suzuki	2,177	—
	<u>588,202</u>	<u>540,803</u>

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

	2005	2004
	RMB'000	RMB'000
Changan Ford	164,517	139,906
Changan Hebei	20,759	26,527
Changan Automobile	18,459	34,123
Changan Nanjing	15,812	13,862
Changan Jinling	4,945	2,171
Changan Import and Export	4,325	2,545
Changan Suzuki	3,952	3,565
Jiangling Holding	1,871	—
Chongqing Tsingshan	678	989
Changan Co.	467	378
Changan Lingyun	12	2,544
	<u>235,797</u>	<u>226,610</u>

(iii) *Transportation services provided by related parties*

	2005	2004
	RMB'000	RMB'000
Minsheng International Freight	64,055	98,292
Minsheng Logistics	83,985	92,803
Minsheng Shipping	22,230	8,376
Changan Transportation	3,484	2,157
	<u>173,754</u>	<u>201,628</u>

(iv) *Compensation fees paid by the Group*

	2005	2004
	RMB'000	RMB'000
Changan Automobile	250	—

As at 31 December 2005, amount due from Changan Automobile of approximately RMB25,000,000 from rendering of services (with ageing within 90 days) has been pledged against certain bills payable of approximately RMB20,000,000. Changan Automobile signed an agreement to settle the RMB25,000,000 before its due date. The Company has recorded a compensation fee of RMB250,000, to be payable to Changan Automobile.

(v) *Payment of rentals by the Group*

	2005	2004
	RMB'000	RMB'000
Chongqing Yuanda	784	—
Changan Property Management	189	177
	<u>973</u>	<u>177</u>

(vi) *Payment of management fees by the Group*

	2005	2004
	RMB'000	RMB'000
APLLC	692	830

The basis of management fee is on the negotiation between APLLC and the Company.

(vii) *Guarantee from shareholders*

Pursuant to a tax indemnity agreement signed by Changan Co., APLL, Minsheng Industrial, Ming Sung (HK) and Changan Sanchan on 21 February 2005, the shareholders have undertaken to indemnify the Company in respect of, among others, any additional taxes, charges and penalties incurred by the Company resulting from and arising out of any alteration or amendment of any tax preferential treatment, in accordance with their respective actual shareholdings in the Company since the establishment of the Company up to the initial listing date of the H Shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(c) As at 31 December 2005, the related party balances were shown as follows:

Due from related parties:

	Company and Group 2005 RMB'000	Company 2004 RMB'000
Balance from rendering of services		
Changan Automobile	85,605	94,074
Changan Ford	74,722	65,868
Changan Hebei	51,270	28,564
Changan Nanjing	26,913	4,415
Chongqing Tsingshan	1,667	989
Changan Lingyun	8	1,695
Changan Suzuki	635	1,014
Changan Import and Export	137	69
Changan Co.	64	446
Jiangling Holding	984	—
Changan Jinling	1,780	1,270
	<hr/>	<hr/>
	243,785	198,404
Less: provision for impairment of due from related parties (<i>Note a</i>)	(731)	—
	<hr/>	<hr/>
Subtotal	243,054	198,404
	<hr/>	<hr/>
Balance of deposits for service quality guarantee (<i>Note b</i>)		
Changan Ford	3,044	2,005
Changan Automobile	3,350	5,718
Changan Hebei	600	—
Changan Suzuki	7	—
	<hr/>	<hr/>
Subtotal	7,001	7,723
	<hr/>	<hr/>
Total	250,055	206,127
	<hr/> <hr/>	<hr/> <hr/>

Note:

(a) The Company made the provision for impairment on the balances due from related parties as the turnover rates slowed down and collection was delayed. The directors are of the opinion that provision as at 31 December 2005 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 2005, approximately 90% (2004: approximately 83%) 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 2005 was as follows:

	Company and Group 2005 RMB'000	Company 2004 RMB'000
0 to 90 days	238,422	195,940
91 to 180 days	4,047	439
181 to 365 days	327	2,025
Over 1 year	989	—
Total	<u>243,785</u>	<u>198,404</u>

Due to related parties:

	Company and Group 2005 RMB'000	Company 2004 RMB'000
Balance from transportation services provided by related parties		
Minsheng Logistics	21,581	14,944
Minsheng International Freight	14,071	13,233
Minsheng Shipping	2,458	4,349
Changan Transportation	985	495
Subtotal	<u>39,095</u>	<u>33,021</u>
Balance from office premises lease services provided by related party		
Changan Yuanda	123	—
Balance from compensation fees payable to related party		
Changan Automobile	250	—
Total	<u>39,468</u>	<u>33,021</u>

(c) Ageing analysis of due to related parties at 31 December 2005 was as follows:

	Company and Group 2005 RMB'000	Company 2004 RMB'000
0 to 90 days	39,060	32,803
91 to 180 days	41	218
181 to 365 days	367	—
	<u>39,468</u>	<u>33,021</u>

As at 31 December 2005, except for the balance mentioned in above Note (b) (iv), all the other 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 the date of this announcement, the directors of the Company are:

Executive directors:

Yin Jiaxu
Huang Zhangyun
Lu Xiaozhong
Shi Chaochun
James H McAdam

Non-executive directors:

Lu Guoji
Koay Peng Yen
Zhang Baolin
Cao Dongping
Wu Xiaohua
Lau Man Yee, Vanessa

Independent non-executive directors:

Wang Xu
Peng Qifa
Chong Teck Sin

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