DRIVES THE WORLD WITH YOU

长安民生

同行天下

重慶長安民生物流股份有限公司

Changan Minsheng APLL Logistics Co., Ltd.*

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

(Stock Code: 01292)

* *For identification purpose only*

2018 Annual Report

CONTENTS

CORPORATE INFORMATION

Executive Directors
Xie Shikang (Chairman)
Chen Wenbo
William K Villalon
Shi Jinggang

Non-Executive Directors
Chen Xiaodong
Man Hin Wai Paul
Li Xin

Independent Non-Executive Directors
Chong Teck Sin
Poon Chiu Kwok
Jie Jing
Zhang Yun

Supervisors
Wang Huaicheng (Chairman)
Jin Jie
Tang Yizhong
Deng Gang
Deng Li

General Manager
Shi Jinggang

Senior Management
Ren Honglian
Chen Zhigang
Sun Zhigang
Wan Nianyong

Company Secretary
Huang Xuesong

Audit Committee
Zhang Yun (Chairman)
Chong Teck Sin
Poon Chiu Kwok
Jie Jing

Remuneration Committee
Jie Jing (Chairman)
Xie Shikang
Poon Chiu Kwok
Zhang Yun

Nomination Committee
Xie Shikang (Chairman)
Chong Teck Sin
Poon Chiu Kwok
Jie Jing
Zhang Yun

Strategy And Investment Committee
Xie Shikang (Chairman)
Shi Jinggang
Poon Chiu Kwok
Zhang Yun

Authorised Representative
Xie Shikang
Chen Xiaodong

Auditors
Ernst & Young
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central, Hong Kong

Hong Kong Counsellor
Herbert Smith Freehills
23/F., Gloucester Tower
15 Queen’s Road Central, Hong Kong

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

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

Registered Office in the PRC
No. 1881 Jinkai Road, Yubei District,
Chongqing, the PRC

Office and Address of Correspondence
No. 1881 Jinkai Road, Yubei District,
Chongqing, the PRC
Zip Code: 401122

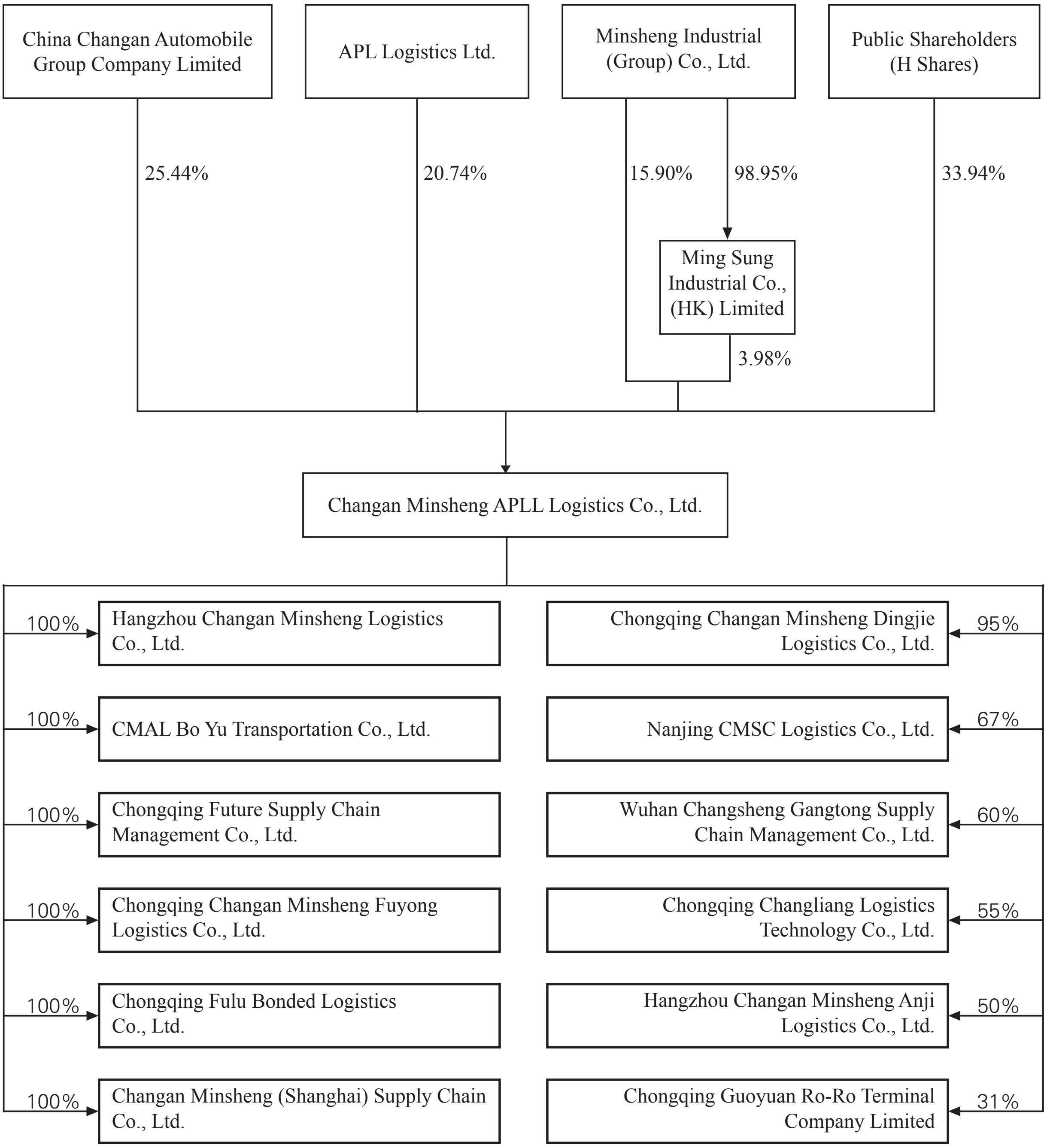
Head Office in Hong Kong
16/F, 144-151 Singga Commercial Centre
Connaught Road West, Hong Kong

Stock Code
01292

Website
http://www.camsl.com

GROUP'S SHAREHOLDING STRUCTURE

As at 31 December 2018, the Group's shareholding structure is as follows:



Note : *On 5 December 2018, the Company, Chongqing Port Logistics Group Co., Ltd. ("Port Group") and SAIC Anji Logistics Co., Ltd.("Anji Logistics") contributed to the capital increase of Chongqing Guoyuan Ro-Ro Terminal Company Limited ("Ro-Ro Company") and restructured it into a joint venture company. Immediately after completion of the capital increase and the restructuring, Ro-Ro Company was owned as to 31% by the Company, as to 39% by Port Group and as to the remaining 30% by Anji Logistics. Please refer to the section headed "Chairman's Statement" of the report for further details.*

Results

Set out below is the summary of the consolidated results of the Group for the five years ended 31 December 2018 (as extracted from the Group's audited consolidated statement of profit or loss and consolidated statement of comprehensive income, which are prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS")):

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	5,112,410	6,614,423	6,822,195	6,056,284	5,344,351
Profit before tax	101,777	218,905	188,583	336,731	304,409
Income tax expense	35,363	57,643	48,946	72,473	61,365
Profit for the year	66,414	161,262	139,637	264,258	243,044
Profit attributable to the following parties:					
Non-controlling interest	20,305	33,963	26,632	26,300	21,080
Owners of the parent	46,109	127,299	113,005	237,958	221,964
	RMB yuan	RMB yuan	RMB yuan	RMB yuan	RMB yuan
Earnings per share attributable to ordinary equity holders of the parent Basic and diluted-for profit for the year *(Note 1)*	0.28	0.79	0.70	1.47	1.37
Dividends per share	0.1 (including tax) *(Note 2)*	0.15 (including tax)	0.1 (including tax)	Nil (including tax)	0.27 (including tax)

Note 1: Earnings per share attributable to ordinary equity holders of the parent is calculated by dividing the profit attributable to the owners of the parent for the years ended 31 December 2014, 2015, 2016, 2017 and 2018 by the weighted average number of shares in issue for the respective years ended 31 December 2014, 2015, 2016, 2017 and 2018 respectively, being 162,064,000, 162,064,000, 162,064,000, 162,064,000 and 162,064,000 shares.

Note 2: This is the final dividend for the year ended 31 December 2018 which the board of directors proposed to distribute, pending approval at the annual general meeting of the Company.

Assets and Liabilities

Set out below is the summary of the Group's balance sheet for the five years ended 31 December 2018 (as extracted from the Group's audited consolidated statement of financial position, which are prepared in accordance with the HKFRS):

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	1,121,682	973,000	992,923	843,002	706,941
Current assets	3,501,435	3,832,318	3,641,866	3,337,623	2,828,438
Total assets	4,623,117	4,805,318	4,634,789	4,180,625	3,535,379
Non-current liabilities	21,990	28,838	12,794	6,422	3,388
Current liabilities	2,509,546	2,697,415	2,663,682	2,349,492	1,922,538
Total liabilities	2,531,536	2,726,253	2,676,476	2,355,914	1,925,926
Non-controlling interest	121,767	127,862	120,299	106,867	85,810
Equity attributable to owners of the parent	1,969,814	1,951,203	1,838,014	1,717,844	1,523,643
Total equity	2,091,581	2,079,065	1,958,313	1,824,711	1,609,453

On behalf of the board (the “Board”) of directors (the “Director(s)”) of the Company, I am pleased to present the audited annual results of the Group for the year ended 31 December 2018 to all shareholders of the Company.

Annual Results

In 2018, internationally, the global landscape underwent a profound change and the trade tension between the US and China has been constantly evolving and escalating. Domestically, the national reform is at a critical stage and the inevitable shock from structural adjustments started to emerge. In the face of the complicated international environment and arduous task of national reform, development and stability, the Chinese government has conquered adversities and difficulties with collective efforts and endeavoured to strengthen macro-economic control, all of which enabled the national economy to realize a healthy growth and maintain steady and improving with better structure, quality and efficiency. The primary economic goal was fulfilled and the national economy has been stably transforming and upgrading, which laid down a solid foundation for building an affluent society. According to the preliminary calculation of the National Bureau of Statistics, the 2018 average annual GDP growth rate was 6.6%, which met the target of 6.5% set at the beginning of the year, but unfortunately went down by approximately 0.2 percentage point from 2017. On a quarterly view, the GDP growth rate was 6.8%, 6.7%, 6.5% and 6.4% respectively in the first, second, third and fourth quarters, which indicated an aggravating economic downturn.

The national economy transitioned into the stage of high-quality development from the previously rapid development in 2018, and is in a critical time of changing development patterns, improving economic structure and switching economic drivers. Guided by the new development ideas, the decisions and arrangements of the Party Central Committee of the People’s Republic of China (the “PRC”) and the State Council of the PRC, and the general principle of progress in stability, the automobile industry has prioritized the supply system reform and aggressively propelled the transformation, upgrading and innovation to the high-quality development of the industry. In 2018, the overall automobile industry was stable, however, affected by national policies and macroeconomic downturn, the automobile production and sales volume fell short of expectation in earlier 2018. The automobile industry was affected by multiple factors such as the withdrawal of automobile purchase tax incentives policy, overall economic recession, trade tension between China and the US, decrease in consumer confidence, tightening of the environmental protection governance, etc. The yearly production and sales volume was only at approximately 27,809,000 vehicles and 28,081,000 vehicles, respectively, representing a decrease of 4.2% and 2.8% respectively, achieving a negative annual growth for the first time.

The Group’s customers are mainly in the automobile industry. The production volume and sales volume of the Group’s major customer, Chongqing Changan Automobile Co., Ltd. (“Changan Automobile”), achieved approximately 2,062,400 vehicles and 2,137,800 vehicles, respectively, representing a decrease of 26.7% and 25.6% as compared with last year.

For the year ended 31 December 2018, the Group’s major customers were more cost-conscious in the competitive automobile market in the hopes of driving up sales volume by slashing procurement costs and producing more low-cost automobiles. This sent the Group’s service rate on an unfavourable trend, which coupled with the overall decline of the automobile industry, especially the substantial decline in the production and sales volume of Changan Automobile, a major customer of the Group, caused the Group’s revenue for the year ended 31 December 2018 to decrease to RMB5,112,410,000 from RMB6,614,423,000 of the same period in 2017, representing a decrease of approximately 22.71%.

For the year ended 31 December 2018, due to the continual increases in the costs of provision of the automobile logistics services as a result of the full implementation of the national policy of “Limits of Dimensions, Axle Load and Mass for Motor Vehicles, Trailers and Combined Vehicles” (GB1589-2016) since 1 July 2018, the profits attributable to the equity holders of the Company dropped to RMB46,109,000, down approximately 63.78% from the same period in 2017. Earnings per share were RMB0.28 for the year ended 31 December 2018 (2017: RMB0.79).

Annual Review

Business development

During 2018, the Company continued to improve its logistics service network and logistics service capability.

Chongqing Terui Transportation Service Co., Ltd. ("Chongqing Terui") was incorporated on 26 September 2006 with a registered capital of RMB20,000,000, 45% of its equity interests held by the Company and the remaining 55% held by Beijing Changjiu Logistics Co., Ltd. ("Beijing Changjiu"). Chongqing Terui is engaged in businesses such as ordinary freight, domestic freight forwarding, storage, logistics management service, technical consultation and etc. In 2018, in order to consolidate businesses and further reduce management costs, the Company transferred all of its shares in Chongqing Terui to Beijing Changjiu. Chongqing Terui has renewed its business license on 8 October 2018, and currently Beijing Changjiu holds 100% of Chongqing Terui's equity interests.

The Shanghai branch of Changan Minsheng APLL Logistics Co., Ltd. ("Shanghai Branch") was established on 17 December 2002 and is primarily engaged in ordinary freight, provision of multiple international freight forwarding services for imports and exports by sea, air and land, including cargo collection, consignment, booking, storage, transfer, customs clearance, customs inspection and insurance. In order to meet the business operation needs of the Company, the business of Shanghai Branch was consolidated into Changan Minsheng (Shanghai) Supply Chain Co., Ltd. ("Shanghai Supply Chain"). As Shanghai Branch was no longer needed, it was deregistered on 1 August 2018.

In order to seize crucial resources such as docks so as to strengthen our control on critical logistics network nodes and further improve the Company's logistics service network, on 5 December 2018, the Company, Port Group, Anji Logistics, and Ro-Ro Company entered into the "Capital Increase and Shareholders Agreement", pursuant to which, the Company, Port Group, and Anji Logistics agreed to contribute to the capital increase of Ro-Ro Company and restructured the Ro-Ro Company into a joint venture company. The Company contributed RMB85,072,038.96 of the capital contribution, while Port Group contributed RMB107,026,113.53 of the capital contribution and Anji Logistics contributed RMB82,327,779.64 of the capital contribution, respectively. Immediately after completion of the capital increase and the restructuring, Ro-Ro Company was owned as to 31% by the Company, as to 39% by Port Group and as to the remaining 30% by Anji Logistics. The total investment and the revised registered capital of Ro-Ro Company are RMB274,425,932.13 and RMB200,000,000, respectively. On 3 February 2019, Ro-Ro Company completed the relevant registration procedures for restructuring and officially became a joint venture of the Company. Ro-Ro Company is mainly engaged in port operation, freight forwarding, shipping agency, storage (other than dangerous goods), logistics management consultation, automobile selling and cleaning, etc.

Awards

In February 2018, the Company received the "*Logistics Technology Innovation Award*" and "*National 5A-grade Logistics Enterprise*" from the China Federation of Logistics & Purchasing; in April 2018, the Company was crowned as "*Exemplary Base for Tripartite Cooperation of Enterprises, Universities and Research Facilities*" by the China Logistics Association; in May 2018, the Company received from the Ministry of Industry and Information Technology of the PRC the "*Credential for the Management System on Integration of Industrialisation and Informationization*", and the "*Best Server in Greater China*" from Schaeffler Greater China; in September 2018, the China Enterprise Confederation and China Enterprise Directors Association jointly crowned the Company as one of the "*Top 500 Enterprise in Service Sector of China*" ; in November 2018, the Company was granted the "*Top 50 Logistics Enterprises in China in 2018*", "*Exemplary Enterprise in Key Performance Indicators of Finished Vehicle Logistics*", "*Exemplary Enterprise in Key Performance Indicators of Automobile After-sales Parts Logistics*", and "*Exemplary Enterprise in Key Performance Indicators of Automobile Parts Inbound Logistics*" by the China Federation of Logistics & Purchasing and the Company received the "*Automobile Logistics Industry Innovation Award in 2018*" at the 2018 annual national automobile logistics industry conference; and in December 2018, the Company was honoured as the "*Outstanding Supplier*" at the 2018 suppliers' conference held by Changan Ford Automobile Company Limited ("Changan Ford").

Outlook and Prospects

The challenges in 2019 are unprecedented. In 2019, the domestic and international environment affecting the Chinese economy are undergoing significant changes and the domestic automobile industry, a pillar of the national economy, is experiencing unparalleled ordeals. As far as the big picture goes, the extensive consequences of the trade war between China and the US as well as the Chinese economy' s transformation from rapid growth to high-quality development are all going to bring significant challenges to the automobile industry.

The opportunities in 2019 are also unprecedented. 2019 will be the crucial year for the automobile industry to push for further reform and opening up. We should cast our eyes on the vast opportunities and potentials instead of blindly focusing solely on the changes and possible risks. The latest related government policies such as more tolerant investment regulations, stepwise relaxation of foreign shareholding in a joint venture, automobile promotion in rural areas, withdrawal of the previous restriction on circulation of used automobiles, and the Belt and Road Initiative will trigger fundamental changes and revitalization to the automobile industry. The Chinese automobile logistics industry will see some new opportunities available to the automobile industry. In 2019, a year in which challenges and opportunities exist side by side, the Company will fight through the severe cold winter of automobile market recession with tenacity, passion and enthusiasm. The Company will explore new ways and opportunities with a creative mind and a charging-ahead spirit, strengthen management to further perfect logistics services with unparalleled professionalism, and cater to customers' needs and provide better services with better efficiency. In the coming year, the Company shall power through all the difficulties and obstacles, seize and take advantage of the opportunities to carry out the transformation and upgrade strategy which takes the cost efficiency as the main goal. The Company will be driven by the two wings of excellent operation and innovation so to accelerate the promotion in information construction, to continuously enhance the building of a lean operation and management system, and improve employees' professional competences, so as to continue to promote the Company to become bigger and stronger.

I would like to take this opportunity to express my heartfelt thanks to the members of the Board and all the staff of the Group for their effective work and strenuous efforts. The Board and I are confident in the Group's future development and we hope to work together with various parties to establish a stronger professional logistics services team, a more extensive logistics services network as well as a more flexible logistics services system. The Group is striving to become a leading logistics enterprise both at home and abroad.

Xie Shikang
Chairman

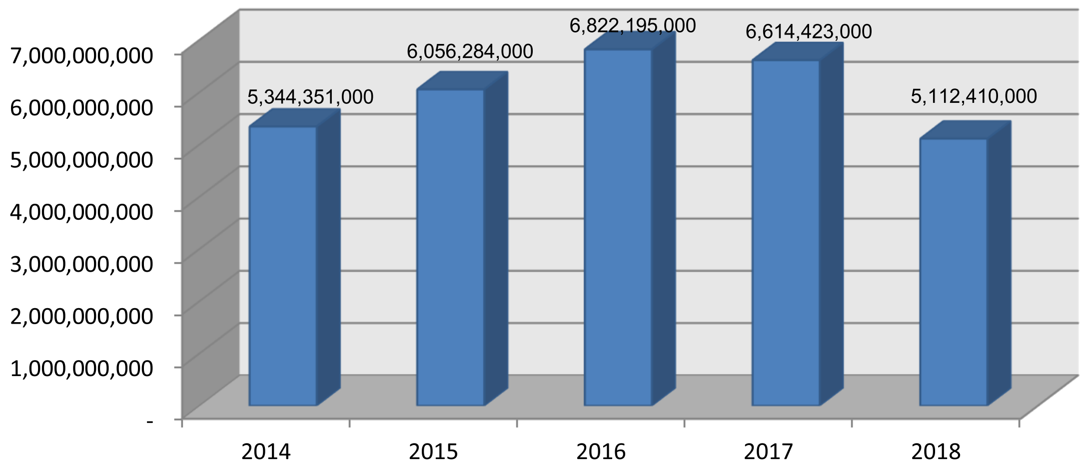
Chongqing, the PRC
25 March 2019

Business Review

The principal businesses of the Group are supply chain management services for automobiles and automobile raw materials, components and parts. Such services include finished vehicle transportation and related logistics services, automobile raw materials and components and parts supply chain management services, tires assembly and after-sales logistics service. Separately, the Group also provides non-automobile commodities transportation services to our customers. The Group's major customers include Changan Automobile, Changan Ford, Changan Mazda Automobile Co., Ltd. ("Changan Mazda"), Hebei Changan Automobile Co., Ltd. ("Hebei Changan"), Nanjing Changan Automobile Co., Ltd. ("Nanjing Changan"), Baoding Changan Bus Manufacture Co., Ltd. and Chongqing Changan International Sales and Services Co., Ltd., etc.

During the reporting period, the production and sales volume of vehicles of Changan Automobile, the Group's major customer, were respectively at approximately 2,062,400 vehicles and 2,137,800 vehicles, each down by 26.7% and 25.6%. Affected by the decline of the automobile production volume and sales volume of the Group's customers, for the year ended 31 December 2018, the revenue of the Group amounted to RMB5,112,410,000, approximately 22.71% down from RMB6,614,423,000 of last year.

Picture 1: Growth in revenue for the five years ended 31 December 2018
(Unit: RMB yuan)



Supply Chain Management Services of Automobiles and Automobile Raw Materials, Components and Parts

1. Transportation of Finished Vehicles

For the year ended 31 December 2018, the revenue of the Group from finished vehicle transportation services was RMB2,210,555,000, down approximately 19.34% from RMB2,740,650,000 of last year.

2. Supply Chain Management Services of Automobile Raw Materials & Components and Parts

During the reporting period, the revenue from supply chain management services of automobile raw materials & components and parts was RMB1,787,954,000, down approximately 2.76% from RMB1,838,764,000 of last year.

Transportation of Non-automobile Commodities and Other Logistics Services

During the reporting period, the revenue of the Group from such logistics services was RMB65,097,000, increased approximately 2.4% from RMB63,573,000 of last year.

Automobile Components & Parts Packaging Sales and Tyres Sub-packaging

During the reporting period, the revenue of the Group from automobile components & parts packaging sales and tires sub-packaging was RMB905,073,000, down approximately 51.93% from RMB1,882,972,000 of last year.

Sales of Vehicles

The enactment of GB1589-2016 has led to the new demand for standard trucks by carriers. The Company took the opportunity and actively explored the relevant business. During the reporting period, the revenue of the Group from sales of automobile transporters is RMB143,731,000.

Logistics Services Network

As at 31 December 2018, the Company had a total of 25 branches, subsidiaries, associated companies and representative offices, which are mainly located in East China, Central China, North China, South China and Southwest China (Picture 2). The continuous enhancement of service network enables the Group to provide logistics services to different parts of the country.

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

Financial Review

Cash Flow and Financial Resources

As at 31 December 2018, the Group's cash and cash equivalents was RMB1,189,749,000 (31 December 2017: RMB1,217,282,000), among which, RMB788,647,000 is attributed to the parent company and RMB401,102,000 is attributed to the subsidiaries of the Group. As at 31 December 2018, the Group's total assets was RMB4,623,117,000 (31 December 2017: RMB4,805,318,000), the source of funds was current liabilities of RMB2,509,546,000 (31 December 2017: RMB2,697,415,000), non-current liabilities of RMB21,990,000 (31 December 2017: RMB28,838,000), equity attributable to owners of the parent company of RMB1,969,814,000 (31 December 2017: RMB1,951,203,000) and non-controlling interests of RMB121,767,000 (31 December 2017: RMB127,862,000).

Cost of Sales and Gross Profit Margin

For the year ended 31 December 2018, the Group's cost of sales was RMB4,764,448,000 (2017: RMB6,127,259,000), down approximately 22.24% from the previous financial year. Facing the adverse factors such as the rising transportation cost and labour cost, and tumbling logistics service price, despite the Group's emphasis on management and continuous strengthening of logistics and internal management cost control, the gross profit margin of the Group decreased to 6.81% (2017: 7.37%).

Distribution Expenses

For the year ended 31 December 2018, the Group's selling and distribution expense was RMB84,266,000, representing approximately 1.65% of the Group's revenue during the period (2017: 1.34%).

During the year, the distribution expenses included salaries and benefits, travelling, business and communication expenses, and market promotion expenses incurred by the Group's sales and marketing department. Such expenses decreased by approximately 4.75% from the previous year.

Administrative Expenses

During the reporting year, the Group's administrative expenses decreased from RMB213,300,000 in 2017 to RMB203,275,000 in 2018, down approximately 4.70% as compared with the corresponding period of previous year.

Finance Costs

The Group's finance costs for the year amounted to RMB1,803,000 (2017: RMB386,000).

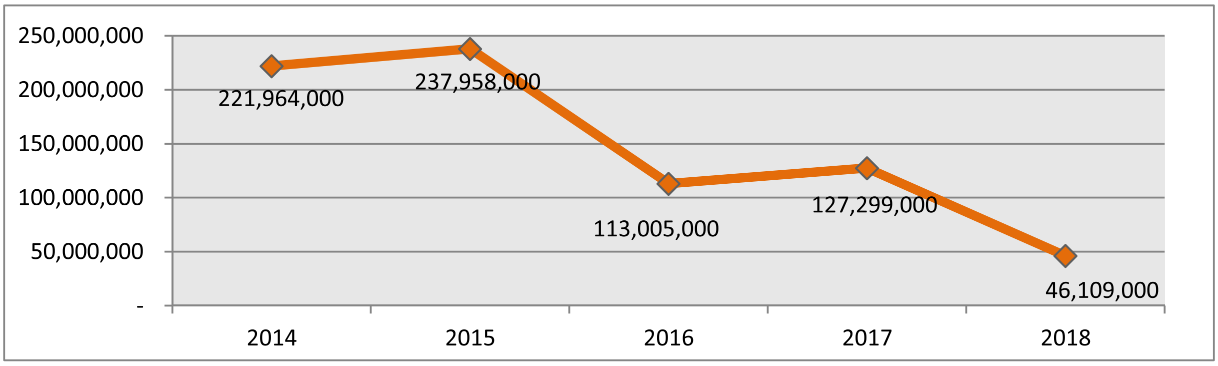
Taxation

For the year ended 31 December 2018, the weighted average applicable tax rate of the Group was 34.75% (2017: 26.33%); and the income tax expense was RMB35,363,000 (2017: RMB57,643,000).

Profit Attributable to Equity Holders of the Company

During the year, the profit attributable to owners of the parent company was RMB46,109,000, down by approximately 63.78% compared to the previous financial year.

Picture 3: Profit attributable to owners of the parent for the five years ended 31 December 2018
(Unit: RMB yuan)



Capital Structure

For the year ended 31 December 2018, there was no change in the Company's share capital.

Loans and Borrowings

As at 31 December 2018, the balance of current interest-bearing bank and other loans of the Group was RMB19,344,000 (31 December 2017: RMB17,130,000). Please refer to note 28 to the financial statements of this report for further details.

Gearing Ratio

As at 31 December 2018, the gearing ratio (net debt divided by the adjusted capital plus net debt) of the Group was approximately 40.48% (31 December 2017: 42.41%).

Pledge of Assets

As at 31 December 2018, the Group had pledged bank deposits of approximately RMB1,809,000 to secure bank acceptance bills.

At the end of 2017, Harbin Branch of Changan Minsheng APLL Logistics Co., Ltd., a branch company of the Company, and Hangzhou Changan Minsheng APLL Logistics Co., Ltd. ("Hangzhou Changan Minsheng"), a subsidiary of the Company, respectively entered into finance leasing and leaseback arrangements with United Prosperity Investment (Shenzhen) Co., Ltd. ("Leasing and Leaseback Arrangements"). The Leasing and Leaseback Arrangements are in nature loans with the tire assembly lines as security and the aggregate principal of the Leasing and Leaseback Arrangements is approximately RMB27,390,000, which bears interest at an effective interest rate of 4.75% per annum with quarterly instalment payments up to the maturity date on 31 December 2020. Please refer to the announcement of the Company dated 1 January 2018 and the note 28 to the financial statements of this report for further details.

Contingent Liabilities

As at 31 December 2018, the Group did not have any significant contingent liabilities.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material at the moment but could turn out to be material in the future.

Market Risks

Market risk is the risk arising from the movement in market price that deteriorates profitability or affects the ability to meet business objectives. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity Risk

Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Reliance Risk

For logistics industry, the alliance between automobile manufacturers and logistics services providers are common in the PRC market. It is typical that a substantial part of the logistics services will be provided by related entity(ies) within the group of companies. The Group is no exception and China Changan Automobile Group Company Limited and its subsidiaries ("Changan Group") has been the Group's long-term client. As the Group is primarily engaged in automobile logistics and relies on the automobile production and sales of Changan Group, the fluctuation of Changan Group's automobile production and sales would undoubtedly impact on the business performance of the Group. Therefore, if Changan Group ceases to use or substantially reduces the use of the Group's logistics services and if the Group is not able to secure new customers with similar sales volume on terms acceptable to the Group, the business scale of the Group will be substantially reduced and the financial performance of the Group will be adversely affected.

Exchange Rate Risks

As the Group had limited transactions denominated in foreign currencies, there is no significant effect on the Group's existing operations.

Capital Commitment

As at 31 December 2018, the Group's capital expenditure at the balance sheet date but not yet incurred was as follows:

	2018 RMB'000	2017 RMB'000
Property, plant and equipment		
Contracted but not provided for	66,959	179,389
Approved but not signed the contract	-	-
	66,959	179,389

Significant Purchase or Sale of Subsidiaries and Associated Companies

On 30 July 2018, the Company entered into an equity transfer contract with Beijing Changjiu. Pursuant to the equity transfer contract, the Company shall sell 45% of the equity interest in Chongqing Terui, an associate of the Company, to Beijing Changjiu for a price of RMB22,609,000. As at the date of the report, the disposal was completed.

On 5 December 2018, the Company, Port Group and Anji Logistics contributed to the capital increase of Ro-Ro Company and restructured it into a joint venture company. Immediately after completion of the capital increase and the restructuring, Ro-Ro Company was owned as to 31% by the Company, as to 39% by Port Group and as to the remaining 30% by Anji Logistics. Please refer to the section headed "Report of the Board" of the report for further details .

Save as disclosed above, during the reporting period, there had been no other significant purchase or sale of subsidiaries and associated companies of the Group.

Substantial Investment

On 7 February 2018, the Company entered into a transfer contract of land use rights with the Land Resources and Housing Management Bureau of Jiangjin District in Chongqing, the PRC, pursuant to which, the Company secured a land plot within the comprehensive bonded area in Luohuang Industrial Park in Jiangjin District of Chongqing, the PRC, with a total site area of approximately 42,404.39 square meters (equivalent to approximately 63.6066 mu) for a transfer price of RMB20,990,200. Please refer to the announcement of the Company dated 7 February 2018.

Save as disclosed above, during the reporting period, there had been no other material investment by the Group.

The Board are pleased to present the report of the Board for the year ended 31 December 2018.

Principal Activities and Business Review

The Group is principally engaged in supply chain management services for automobiles and automobile raw material, components and parts. Such services include finished vehicle transportation and related logistics services, automobile raw materials and components and parts supply chain management services, tires assembly, after sales logistics services, etc. Besides, the Group also provides non-automobile commodities transportation services.

Further discussion and analysis of these activities as required by Schedule 5 of the Companies Ordinance, Chapter 622 of the laws of Hong Kong, including a discussion of the principal risks and uncertainties the Group is facing and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 8 to 13 of this report. This discussion forms part of this Report of the Board.

Major Customers and Suppliers

During the reporting period, the Group's sales to its 5 largest customers in proportion to the Group's total sales are as follows:

	For the year ended 31 December	
	2018	2017
A Changan Ford Automobile Company Limited	42%	55%
B Chongqing Changan Automobile Co., Ltd.	24%	16%
C Changan Mazda Automobile Co., Ltd.	9%	8%
D Baoding Changan Bus Manufacture Co., Ltd.	3%	2%
E Chongqing Ante Import and Export Trading Company Limited	1%	1%
Total of 5 largest customers	79%	82%

According to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all of the 5 largest customers mentioned above are the connected persons of the Company.

During the reporting period, the Group's purchases from the 5 largest suppliers in proportion to the Group's total purchases are as follows:

	For the year ended 31 December	
	2018	2017
A Goodyear Tire Co., Ltd.	5%	6%
B Minsheng Logistics Company Limited	5%	5%
C CITIC Dicastal Co., Ltd.	4%	5%
D Michelin (China) Investment Co., Ltd.	4%	6%
E Maxxis Rubber (China) Co., Ltd.	2%	4%
Total of 5 largest suppliers	20%	26%

Among the 5 largest suppliers, Minsheng Logistics Company Limited is a connected person of the Company pursuant to the requirements of the Listing Rules.

Save as disclosed above, none of the Directors, their respective close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interests in the 5 largest customers and 5 largest suppliers mentioned above.

Results

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income in this report.

Dividend Distribution Policy

On 25 March 2019, the Board approved the dividend distribution policy (the "Policy"), which the Board will follow in drafting dividend distribution plan. The Policy aims to reward shareholders with reasonable dividend payout to the extent possible while maintaining adequate capital reserves for the current business operation and future growth.

The Board may consider distributing the dividend in forms of cash and/or additional shares in drafting dividend distribution plan and normally, cash payout will be the priority. The profit after tax of the previous fiscal year shall be allocated in the order of making up for any loss, allocation to the statutory reserve fund, payment of dividends to shareholders of preference shares (if any), and allocation to the discretionary reserve fund. The surplus of which will serve as the distributable profit of that year. The Board may propose the distribution plan based on the distributable profit and after considering:

(1) all the applicable requirements under the constitutional documents of the Company;

(2) all the applicable laws, regulations and restrictions;

(3) investment and operating requirements of the Group;

(4) any factors that have material impact on the Group.

The Board will continually review the Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Policy at any time.

Dividends

Based on the total number of shares in issue on the record date for implementation of the profit appropriation, the Board recommended the payment of a final dividend of RMB0.1 (including tax) (2017: RMB0.15 (including tax)) per share for the year ended 31 December 2018. The above proposal of profit appropriation is subject to consideration and approval at the 2018 annual general meeting (the "AGM") of the Company. Subject to approval to the Board's proposal being obtained at the AGM, the final dividend is expected to be payable on or around 30 September 2019.

In accordance with the "Enterprise Income Tax Law of the People's Republic of China" and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends to them. Any H shares registered not under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. If holders of H shares intend to change its shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the laws and/or the requirements of the relevant government authority, and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of the Company.

Pursuant to the requirements of "Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax" (Cai Shui Zi No. [1994]020)《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號), individual foreigners exempt from individual income tax on dividend and bonus from foreign-invested enterprises in the PRC. As the Company is a foreign-invested joint stock limited company, the individual shareholders who hold the H shares of the Company and whose names appear in the H-share registrar are not required to pay the individual income tax of PRC.

The record date of the AGM, the last day for trading in the securities with entitlement, the ex-entitlement date and the last registration date of transfer of shares for the purpose of the 2018 final dividend and the period for the closure of register of members will be set out in the notice convening the AGM of the Company to be sent to the shareholders. The Company shall comply with the relevant rules and regulations to withhold and pay the enterprise income tax on behalf of the relevant Shareholders whose names are listed in the register of members of the share of the Company as of the record date for the purpose of the 2018 final dividend.

Share Capital

For the year ended 31 December 2018, there had been no change in the share capital of the Company. Details are set out in note 31 to the financial statements.

Public Float

Based on the public information known to the Company and to the best knowledge of the Directors, as at the date of this report, the Company has meet the public float requirement as stipulated under the Listing Rules.

Reserves

Details of changes in the Company's reserves during the reporting period are set out in the statement of changes in equity and in note 32 to the financial statements.

Property, Plant and Equipment

Details of changes in the Group's property, plant and equipment during the reporting period are set out in note 13 to the financial statements.

Financial Position

A summary which includes the Group's results and its assets and liabilities for the past five financial years is set out in the section headed "Financial Summary" of this report.

Subsidiaries

As at 31 December 2018, the Company had the following subsidiaries:

The registered capital of CMAL Bo Yu transportation Co., Ltd. ("CMAL Bo Yu") is RMB60,000,000 and the Company holds 100% of its equity interests. CMAL Bo Yu's main business includes general freight, storage (storage of dangerous goods not included), and logistics planning and consultation services in the PRC. Please refer to note 1 to the financial statements of this report for further details.

Chongqing Future Supply Chain Management Co., Ltd. ("Chongqing Future") has a registered capital of RMB30,000,000 and the Company holds 100% of its equity interests. Chongqing Future is mainly engaged in general freight, storage (storage of dangerous goods not included), loading and unloading, handling, distribution, package processing (excluding printing), packaging, automobile components and parts sub-packaging, processing (excluding engine processing) and sales, international freight forwarding services (excluding international shipping forwarding) and logistics information consultation and solution design, etc. Please refer to note 1 to the financial statements of this report for further details.

Chongqing Changan Minsheng Fuyong Logistics Co., Ltd. ("Chongqing Fuyong") has a registered capital of RMB5,000,000, and 100% of its equity interests is held by the Company. The Company will explore the electronic information products logistics business and the bonded logistics business in Xiyong Bonded Area in Chongqing through Chongqing Fuyong. Please refer to note 1 to the financial statements of this report for further details.

Hangzhou Changan Minsheng was established on 17 May 2013. After the capital increase of RMB360,000,000 on 12 December 2016, its registered capital reaches to RMB610,000,000 and the Company holds 100% of its equity interests. Hangzhou Changan Minsheng is mainly engaged in dangerous goods road transportation, large objects transportation; freight stowage, forwarding and tally; domestic waterway freight forwarding; processing, producing, assembling, selling finished vehicles, automobile raw materials, parts and parts package materials; developing logistics software and providing logistics technology consultation. Please refer to note 1 to the financial statements of this report for further details.

Nanjing CMSC Logistics Co., Ltd. ("Nanjing CMSC") was established on 26 July 2007 with a registered capital of RMB100,000,000. The Company holds 67% of its equity interests and Sumitomo Corporation ("Sumitomo") holds 33% of its equity interests. Nanjing CMSC is mainly engaged in general freight, domestic freight forwarding, provision of international freight forwarding for cargos transported via sea, air and land; import and export and related services, etc. Please refer to note 1 to the financial statements of this report for further details.

The registered capital of Chongqing Changan Minsheng Dingjie Logistics Co., Ltd. ("Chongqing Dingjie") is RMB50,000,000. The Company holds 95% of its equity interests, Chongqing Dajiang Zhenyue Storage Co., Ltd. holds 2%, Chongqing Weitai Economic & Trade Co., Ltd. holds 2% and Chongqing Lingxin Storage Co., Ltd. holds 1% of its equity interests. Chongqing Dingjie mainly engages in general freight, processing, assembling and selling of automobile parts (engine production not included); producing and selling automobile parts package; storage, distribution and packaging of automobile components and parts; development and logistics software and provision of logistics information; provision of logistics planning, management and consultation, etc. Please refer to note 1 to the financial statements of this report for further details.

On 9 April 2014, Chongqing Fulu Bonded Logistics Co., Ltd. ("Chongqing Fulu Bonded") was established by the Company in Chongqing. Chongqing Fulu Bonded mainly engages in storage services (excluding dangerous goods); loading and unloading, handling; freight forwarding; packaging, distribution; processing and selling automobile parts; import and export of cargos and technology; designing of logistics solution and provision of related information consultation, etc. Please refer to note 1 to the financial statements of this report for further details.

Chongqing Changliang Logistics Technology Co; Ltd. ("Changliang Technology"), previously named Chongqing Changan Minsheng Dongli Packaging Co., Ltd., was established on 16 May 2014 with a registered capital of RMB18,000,000. The Company holds 55% of equity interests of Changliang Logistics and Suzhou Liangcai Technology Logistics Co., Ltd. ("Liangcai Technology") holds the remaining 45% of its equity interests. Changliang Technology is mainly engaged in developing logistics technology, technical services and provision of technology consultation; producing, selling, renting and maintenance of containers; processing and selling of automobile parts; imports and exports; general freight; storage (excluding dangerous goods); international freight forwarding (excluding forwarding cargos transported by waterway and international freight forwarding by vessels); provision of packaging information consultation services, etc. Please refer to note 1 to the financial statements of this report for further details.

Shanghai Supply Chain was established on 5 August 2014. After capital increase of RMB 28,000,000 on 6 May 2015, its registered capital reaches to RMB 30,000,000. The Company holds 100% of its equity interests. The main business of Shanghai Supply Chain is supply chain management, road transportation, import and export of goods and technology, exhibition and display services, development and design of computer software and hardware, storage (excluding dangerous goods), packaging, development of logistics software and information services. Please refer to note 1 to the financial statements of this report for further details.

Wuhan Changsheng Gangtong Supply Chain Management Co., Ltd. ("Changsheng Gangtong"), previously named Wuhan Changsheng Gangtong Automobile Logistics Co., Ltd., was established on 18 August 2010 with a registered capital of RMB23,070,000. On 22 May 2015, the Company acquired 60% of equity shares in Changsheng Gangtong. Changsheng Gangtong's principal activities are port management, storage services, loading, unloading and handling, general freight transport, multimodal transport, cold chain transport, freight forwarding, freight forwarding by waterway and railway, international freight forwarding, etc. Please refer to note 1 to the financial statements of this report for further details.

Capitalized Interests

For the year ended 31 December 2018, no interest had been capitalized by the Company.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors of the Company is currently in force and was in force throughout this year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Relationship with Stakeholders

The Group recognizes that employees are our valuable assets. Thus, our Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration packages of employees and makes necessary adjustments to conform to the market standard. The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. During the reporting period, there was no material and significant dispute between the Group and its business partners or bank enterprises.

Retirement Plan

Details of the Company's retirement pension schemes are set out in note 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES "Pension schemes" to the consolidated financial statements.

Employees

As at 31 December 2018, the Group had 7,925 employees (31 December 2017: 8,530 employees).

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

	As at 31 December	
	2018	2017
Administration	199	198
Specialists	1,603	1702
Operators	6,123	6,630
Total	7,925	8,530

Please refer to note 6 to the financial statements for a breakdown of the employee benefit expense.

Remuneration Policy

The salaries of Company's employees are determined by reference to market rates, performances, qualification and experience of the relevant employees. Discretionary bonus may also be given based on the performance of individual staff during the year in order to award the employees for their contributions to the Company. Other employee benefits include pension insurance, medical insurance, unemployment insurance, personal injury insurance and housing fund, etc.

Training Programme

During the year, the Company has provided the staff with training regarding technology, security and management, etc.

Staff Quarters

During the year, the Company has not provided any staff quarters to the staff (2017: nil). Full time employees are entitled to participate in the government-sponsored housing fund. The Company contributes on a monthly basis to the fund at certain rates of the employees' basic salary.

Directors and Supervisors

The Directors of the fourth session of the Board and supervisors of the fourth session of the supervisory committee (the "Supervisory Committee") of the Company up to the date of this report were as follows:

Executive Directors	
Xie Shikang (Chairman)	(appointed on 30 June 2016)
Chen Wenbo	(appointed on 31 December 2018)
William K Villalon	(appointed on 14 November 2014)
Shi Jinggang	(appointed on 30 June 2016)
Non-executive Directors	
Chen Xiaodong	(appointed on 31 December 2018)
Man Hin Wai Paul	(appointed on 29 June 2018)
Li Xin	(appointed on 30 November 2016)
Independent non-executive Directors	
Chong Teck Sin	(appointed on 14 November 2014)
Poon Chiu Kwok	(appointed on 14 November 2014)
Jie Jing	(appointed on 14 November 2014)
Zhang Yun	(appointed on 14 November 2014)
Supervisors	
Wang Huaicheng	(appointed on 29 June 2018)
Jin Jie	(appointed on 31 December 2018)
Tang Yizhong	(appointed on 30 June 2017)
Deng Gang	(appointed on 14 November 2014)
Deng Li	(appointed on 29 June 2018)

The term of the fourth session of Board and the fourth session of the Supervisory Committee of the Company expired on 14 November 2017. As the nomination of candidates for Directors and supervisors for the new session of the Board and the Supervisory Committee of the Company has not been completed yet, the election of the new session of the Board and Supervisory Committee of the Company has been postponed. The term of office of the Directors and supervisors of the current session has been extended accordingly until the successful election of the Directors and supervisors of the new session of the Board and Supervisory Committee. Please refer to the announcement of the Company dated 15 December 2017.

The Company fully appreciates that the core of good governance relies on an effective and functional Board. The selection of competent Board member candidates requires skills and insightful perspectives of the logistics industry. Therefore relevant candidates are expected to have a comprehensive understanding of the business strategies and objectives of the Group so as to strive for a long term success of the Group. Currently, the nomination of candidates for Directors for a new session of Board of the Company is still in progress. The Company will follow up on the progress of nomination and complete relevant nomination of candidates for Directors and supervisors as soon as possible in accordance with the Procedures for Shareholders to Nominate Candidate(s) for Election as Director(s) or Shareholders' Representative Supervisor(s) established by the Company, the Listing Rules and the Articles of Association of the Company.

Confirmation of Independence

The Company has received the annual confirmation of independence from each of the independent non-executive Directors pursuant to the Listing Rules. The Company considers that the existing independent non-executive Directors are independent of the Company and connected persons of the Company.

Service Contracts of Directors and Supervisors

Each of the Directors and supervisors of the Company has entered into a service contract with the Company. There is no unexpired period of any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and Supervisors' Interests in Contracts

There was no contract of significance to which the Company was a party and in which a Director or supervisor had a material interest, whether directly and indirectly, subsisting at the end of the year or at any time during the year.

Management Contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

Directors, Supervisors and Senior Management

There are no relationships, including financial, business, family or other material/relevant relationships among members of the Board, the Supervisory Committee and the senior management of the Company except for their working relationships within the Company.

Remuneration of Directors and Supervisors

Details of the remuneration of Directors and supervisors are set out in note 8 to the financial statements of this report.

The remuneration provided to Directors and supervisors is determined on, among other things, the relevant experience and responsibility of, and time devoted to the Company by the Director or supervisor.

Interests of Directors, Chief Executive and Supervisors in Shares of the Company and Associated Corporations

As at 31 December 2018, none of the Directors, chief executive and the supervisors of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") in Chapter 571 of Laws of Hong Kong) which (a) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (b) were required, pursuant to the Appendix 10 of Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") to the Listing Rules to be notified to the Company and the Stock Exchange.

As at 31 December 2018, the Directors, chief executive and the supervisors of the Company were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirect, in any assets which have been, since 31 December 2017, made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Substantial Shareholders and Parties Holding Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2018, so far as is known to the Directors, chief executive and the supervisors of the Company, the following persons, other than a Director, supervisor, or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or are required, pursuant to Sections 336 of the SFO, to be entered in the register referred to therein:

Substantial Shareholders and Parties Holding Interests and Short Positions in Shares and Underlying Shares of the Company(Continued)

Name of Shareholders	Capacity	Number of shares	Percentage of domestic shares (non-H foreign shares included)	Percentage of H shares	Percentage of total registered share capital
China South Industries Group Co., Ltd.	Interest of a controlled corporation	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
China Changan Automobile Group Co., Ltd. ("China Changan")	Beneficial owner	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
Kintetsu World Express, Inc.	Interest of a controlled corporation	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%
APL Logistics Ltd. ("APL Logistics")	Beneficial owner	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%
重慶盧作孚股權基金管理有限公司	Interest of a controlled corporation	32,219,200(L) (Domestic Shares and Non-H Foreign Shares)	30.09%	-	19.88%
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial") *(note 1)*	Beneficial owner	25,774,720(L) (Domestic Shares)	24.07%	-	15.90%
Minsheng Industrial	Interest of a controlled corporation	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Ming Sung Industrial Co., (HK) Limited ("Ming Sung (HK)") *(note 1)*	Beneficial owner	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Pemberton Asian Opportunities Fund	Beneficial owner	5,000,000 (L)	-	9.09%	3.09%
788 China Fund Ltd.	Investment manager	4,000,000(L)	-	7.27%	2.47%
Mclntyre Steven *(note 2)*	Interest of a controlled corporation	3,423,000(L)	-	6.22%	2.11%
Braeside Investments, LLC *(note 2)*	Investment manager	3,423,000(L)	-	6.22%	2.11%
Braeside Management, LP *(note 2)*	Investment manager	3,423,000(L)	-	6.22%	2.11%

Substantial Shareholders and Parties Holding Interests and Short Positions in Shares and Underlying Shares of the Company(Continued)

Note 1: Ming Sung (HK) is the subsidiary of Minsheng Industrial. Mr. Lu Xiaozhong, a former Director of the Company, holds 6% of shareholdings of Minsheng Industrial. Mr. Lu Xiaozhong was no longer a Director and in any other positions of the Company since 31 December 2018, details of which can be found in the section headed "Corporate Governance Report" of the report.

Note 2: According to the Corporate Substantial Shareholder Notice filed, Braeside Management, LP is a wholly-owned subsidiary of Braeside Investments, LLC. Mclntyre Steven is the controlling shareholder of Braeside Investments, LLC.

Note 3: China Changan Automobile Group Co., Ltd. was now renamed to China Changan Automobile Group Company Limited.

Note 4: (L) – long position, (S) – short position, (P) - Lending Pool.

Save as disclosed in this report, as at 31 December 2018, so far as is known to the Directors and chief executive of the Company, there is no other person (other than the Directors, supervisors, or chief executive of the Company) who had interests or short positions in the provisions of Divisions 2 and 3 of Part XV of the SFO; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Share Appreciation Right Incentive Scheme

On 6 June 2005, in order to enhance the Company's incentive mechanism, the share appreciation rights incentive scheme (the "Scheme") was approved by the shareholders of the Company at the 2005 second extraordinary general meeting of the Company. The principal terms and conditions of the Scheme are summarized in the section headed "Summary of terms of the Share Appreciation Right Incentive Scheme" in Appendix VII to the Prospectus of the Company issued by the Company on 16 February 2006 ("the Prospectus").

To comply with the regulations of "The Administration of Share Right Incentive for State Holding Listed Company (Overseas)" (State Assets Development Distribution [2006] No. 8 Document), the Remuneration Committee of the Company has approved the amendments to the Scheme on 25 June 2013, stipulating that the specific plans of the Scheme must be submitted to the State Owned Assets Supervision and Administration Department for prior approval for implementation, the vesting period on exercise was extended by one year, and the total number of the share appreciation rights granted within the validity of the Scheme must not accumulatively exceed 10% of the total share capital of the Company. According to the Scheme, it became invalid since 23 February 2016.

Competing Interests

Before the listing of the H shares on the Growth Enterprise Market ("GEM") of the Stock Exchange, the Company's shareholders, APL Logistics, Minsheng Industrial, Ming Sung (HK) and Changan Industry Company (Group) Limited ("Changan Industry Company"), had all entered into non-competition undertakings with the Company in favor of the Company. Please further refer to the Prospectus for details of such undertakings.

Up to the date of this report, the non-competition undertakings given by each of Changan Industry Company and APL Logistics are still effective. As at the end of 2011, the aggregate shareholding in the Company held by Minsheng Industrial and Ming Sung (HK) (together with their respective associates) fell below 20%, the non-competition undertakings signed between the Company and Minsheng Industrial and Ming Sung (HK) became ineffective.

China Changan acquired all the shares in the Company held by Changan Industry Company on 9 March 2016. The obligations under the non-competition undertakings signed by Changan Industry Company will be assumed by China Changan since 9 March 2016.

In February 2019, the Company received the confirmation regarding the above-mentioned non-competition undertakings from each of APL Logistics and China Changan .

Save as disclosed above, during the reporting period, none of the Director(s) or substantial shareholder(s) of the Company had any interest in any business that competes or may compete with the Group.

Continuing Connected Transactions

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

Background of the Continuing Connected Transactions

China Changan holds approximately 25.44% of the issued share capital of the Company and 19.33% of the equity interests of Changan Automobile. In addition, China South Industries Group Co., Ltd. ("CSG") holds 100% equity interests in China Changan and 21.56% equity interests in Changan Automobile. Binqi Zhuangbei Group Financial Limited Liability Company ("Zhuangbei Finance") is a member company of CSG in that CSG holds a 22.9% equity interest in Zhuangbei Finance and China Changan holds a 10.54% equity interest in Zhuangbei Finance. As at the date of this report, the Company holds approximately 0.81% equity interests in Zhuangbei Finance. In addition, Changan Industry Company is a wholly-owned subsidiary of CSG. Changan Industry Company holds 98.49% equity interests of Changan Real Estate Development Company ("Changan Real Estate") and Chongqing Changan Construction Co., Ltd. ("Changan Construction") is a wholly owned subsidiary of Changan Real Estate. Chongqing Changxin Construction Co., Ltd.("Chongqing Changxin") is controlled by Changan Construction. Both of APLL and Minsheng Industrial are the substantial shareholder of the Company, respectively holding approximately 20.74% and approximately 15.90% of the total issued share capital of the Company. Therefore, according to the Listing Rules, the transactions between the Group and each of China Changan, Changan Automobile, APLL, Minsheng Industrial, Chongqing Changxin, Zhuangbei Finance and their respective associates become connected transactions of the Company.

As the Company and Sumitomo hold 67% and 33% of the registered capital of Nanjing CMSC respectively, and Sumitomo holds 49% of the registered capital of Nanjing Baogang Zhushang Metal Products Company Limited ("Baogang Zhushang"). Therefore, according to the Listing Rules, Baogang Zhushang is a connected person of the Company at the subsidiary level and the transactions between Nanjing CMSC and Baogang Zhushang contemplated under such framework agreement constitute continuing connected transactions of the Company.

On 30 October 2017, the Company entered into the following framework agreements, each for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020:

(1) the framework agreement with Changan Automobile, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for automobile raw materials, components and parts) to Changan Automobile and its associates;

(2) the framework agreement with China Changan, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for automobile raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) to China Changan and its associates;

(3) the procurement framework agreement with Minsheng Industrial, pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates;

(4) the framework agreement with Zhuangbei Finance, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services;

(5) the procurement framework agreement with China Changan, pursuant to which the Group shall purchase security and cleaning services, property leasing services and logistics services from China Changan and its associates;

(6) the framework agreement with APLL, pursuant to which the Group shall (i) provide logistics services to APLL and its associates and (ii) purchase logistics services from APLL and its associates;

(7) the framework agreement with Minsheng Industrial, pursuant to which the Group shall provide logistics services to Minsheng Industrial and its associates;

(8) the framework agreement with Chongqing Changxin, pursuant to which the Group shall purchase maintenance services from Chongqing Changxin and its associates; and

(9) the framework agreement with Zhuangbei Finance, pursuant to which the Group shall provide financial logistics services to Zhuangbei Finance and its associates;

(10) the framework agreement signed between Nanjing CMSC and Baogang Zhushang, pursuant to which Nanjing CMSC shall provide logistics services to Baogang Zhushang and its associates.

Please refer to the announcement of the Company dated 30 October 2017, the circular dated 29 November 2017 and the announcement dated 15 December 2017 for further details.

Brief Description and Purpose of the Group's Continuing Connected Transactions

With respect to the logistics services provided by the Group to Changan Automobile and its associates

The Group provides a variety of logistics services mainly for automobile manufacturers and automobile component suppliers in China. As a major customer of the Group, Changan Automobile and its associates have established long-term cooperation relationships with the Group. The Group expects to provide Changan Automobile and its associates with quality logistics services including finished vehicle transportation, tire assembly, and supply chain management for automobile raw materials, components and parts so as to maximize the Group's the revenue generated from such services. In addition, the Directors consider the non-exempt continuing connected transactions with Changan Automobile and its associates to be in conformity with the Group's principal businesses and development strategies. Therefore, the Directors expect the Group to continuously conduct the transactions with Changan Automobile and its associates.

With respect to the logistic services provided by the Group to China Changan and its associates

China Changan officially became one of the substantial shareholders of the Company on 9 March 2016, holding approximately 25.44% of the equity interests of the Company. With closer connection to the member companies of China Changan, the Group's contact with them would be more frequent and the Group will have the opportunity to explore more business so as to expand the Group's business volume.

With respect to the logistic services provided to the Group by Minsheng Industrial and its associates

As the largest logistics service provider of Changan Automobile, the Group needs to purchase huge volume of waterway transportation services from Minsheng Industrial and its associates on a continuing basis so as to satisfy clients' demands. The Company has established long-term cooperation relationships with Minsheng Industrial and its associates. Minsheng Industrial has transacted with the Company previously. In addition, Minsheng Industrial has extensive experience in providing transportation services which meet the needs of the Group. Therefore, the Directors expect the Group to continuously enter into transactions with Minsheng Industrial.

With respect to the transaction between the Group and Zhuangbei Finance

Zhuangbei Finance is a non-banking financial institution in the PRC. With the support of an relatively affluent capital base and renowned credibility among the member companies with CSG, it can provide the Group with more stable replenishment funds. In addition, the major customers of the Group are member companies within CSG and they all have maintained accounts with Zhuangbei Finance. it would be possible for the Company to reduce the time cost and finance cost if the Company deposits and conducts note discounting services with, and/or to obtain loan advancement from, Zhuangbei Finance. The Company has been depositing with Zhuangbei Finance and is rather satisfied with its services, and has established a long-term relationship with Zhuangbei Finance since 2009. The Board considers it to be beneficial to the Company to continue to enter into the Non-exempt Continuing Connected Transactions with Zhuangbei Finance as such transactions have facilitated and will continue to facilitate the operation and growth of the Company's business.

In addition, Zhuangbei Finance's certain financial activities also require logistics services. The potential financial logistics service demand of Zhuangbei Finance is among the financial logistics business that the Company is trying to develop. Therefore, the Group should continue to conduct relevant transactions with Zhuangbei Finance.

With respect to the security and cleaning services, property leasing services, and logistics services provided by China Changan and its associates to the Group

To cope with the increasing demand for security and cleaning services in operational projects of the Group, the Board has resolved to continue to purchase security and cleaning services to ensure the smooth running of the daily operation. China Changan and its associates are able to provide the Group with quality services with more flexible terms in a timely and reliable manner. As a connected person of the Company, China Changan and its associates are more familiar with the Group's demands. China Changan and its associates can provide the relevant services to the Group in a more efficient manner. In addition, the Group is satisfied with the security and cleaning services from China Changan and its associates. The Board is of the view that it is in the interest of the Company and its Shareholders as a whole for the Group to continue to purchase security and cleaning services from China Changan and its associates.

In addition, in order to provide automobile parts distribution services to Changan Automobile, the Group needs to rent warehouses to store finished vehicles and automobile parts and components. China Changan and its associates can provide the Company with property leasing services with more flexible terms. In addition, the Group has purchased property leasing services from China Changan and its associates before and is satisfied with their services. The Board is of the view that it is in the interest of the Company and its Shareholders as a whole for the Group to continue to purchase property leasing services from China Changan and its associates.

As connected persons of the Company, China Changan and its associates are more familiar with the Group's logistics requirements and can give more support to the Group. The Board is of the view that it is in the interest of the Company and its Shareholders as a whole for the Group to conduct the transactions as purchasing logistics services from China Changan and its associates will supplement the Group's transportation capacity to improve the quality of our services so as to maximize the Group's revenue.

With respect to the logistics services provided by the Group to APLL and its associates

As one of the substantial shareholders of the Company, APLL has extensive businesses, whereas the Group has a comparatively strong logistics capacity in mainland China and can provide logistics services with good quality and low cost to our customers. In addition, the Group aims that by cooperating with APLL, the Group could have more chance to explore potential overseas business opportunities. The Board is of the view that cooperating with APLL is in conformity with the development strategy of the Group and ultimately in the interests of the Company and its Shareholders as a whole.

With respect to the logistics services purchased by the Group from APLL and its associates

The Group needs to purchase transportation services from APLL and its associates to cope with the increasing demand of the Group's major customers for international freight forwarding and marine transportation for automobile parts and components. APLL has extensive experiences in transportation services such as customs clearance, marine transportation and international freight forwarding, which meets the requirements of the Group. The Board is of the view that it is in the interest of the Company and its shareholders as a whole for the Group to continue to conduct the transactions as the Group can leverage on APLL's resources and strengths to complement the Group's deficiency to provide quality services to our customers.

With respect to the logistics services provided by the Group to Minsheng Industrial and its associates

Minsheng Industrial's strength is in waterway transportation. Thus, Minsheng Industrial and its associates need to purchase logistics technology services such as OTM (Oracle Transportation Management), station management services, etc. from the Group to ensure a smooth logistics operation. The Board is of the view that it is in the interest of the Company and its shareholders as a whole to conduct the transactions as the cooperation between the Group and Minsheng Industrial can complement each other and seek common progress through resource sharing and optimized resources allocation.

With respect to the maintenance services provided by Chongqing Changxin and its associates to the Group

Chongqing Changxin has extensive experiences in maintenance services, especially in the maintenance of warehouses. Moreover, most of Chongqing Changxin's operation sites are located within the vicinity of the Group's warehouses, which enables it to provide real-time services for the Group. In addition, Chongqing Changxin can provide all-day, all-rounded services to its customers on more flexible terms, which meets the various requirements of the Group. The Board is of the view that it is in the interest of the Company and its shareholders as a whole for the Group to conduct the transactions with Chongqing Changxin and its associates.

With respect to the logistics services provided by Nanjing CMSC to Baogang Zhushang

Baogang Zhushang provides automobile components and parts to Changan Automobile and its associates (especially Nanjing Changan Mazda). Baogang Zhushang needs to purchase steel transportation services, etc. Baogang Zhushang has been conducting businesses with Nanjing CMSC for a considerable period of time and is rather satisfied with the service quality of Nanjing CMSC. The Board is of the view that the transactions between Nanjing CMSC and Baogang Zhushang are in the interest of the Company and its shareholders as a whole.

Pricing of Continuing Connected Transactions

According to the framework agreements signed on 30 October 2017 between the Company and each of Changan Automobile, China Changan, APLL, Minsheng Industrial, Zhuangbei Finance and the framework agreement signed between Nanjing CMSC, the Company's holding subsidiary, and Baogang Zhushang, the prices of the transactions for the services provided by the Group to our customers under such framework agreements are determined in accordance with the principles and order of bidding price, internal compared price and cost-plus price. Please refer to the announcement of the Company dated 30 October 2017, the circular dated 29 November 2017 and the announcement dated 15 December 2017 for further details.

According to the framework agreements signed on 30 October 2017 between the Company and each of Minsheng Industrial, China Changan, APLL, and Chongqing Changxin, the prices of the transactions for the services purchased by the Group under such framework agreements are determined in accordance with the principle and order of bidding price and internal compared price. Please refer to the announcement of the Company dated 30 October 2017, the circular dated 29 November 2017 and the announcement dated 15 December 2017 for further details.

According to the framework agreement signed on 30 October 2017 between the Company and Zhuangbei Finance in regard to settlements, deposits and loans, and note discounting services, the prices of the transaction under such framework agreement are set on normal commercial terms.

The transactions between the Company and the connected persons were on normal commercial terms or on terms no less favorable to the Company than those available from independent third parties under current local market conditions, and the relevant connected transactions were fair and reasonable and in the interests of the Company and its shareholders as a whole.

Total Consideration of the Continuing Connected Transactions

During the reporting period, the Group conducted continuing connected transactions with China Changan, Changan Automobile, APL Logistics, Minsheng Industrial, Zhuangbei Finance, Chongqing Changxin and their respective associates, and Nanjing CMSC also entered into continuing connected transactions with Baogang Zhushang, which constitute related party transactions in accounting during the period. The details are set out in note 38 to the financial statements of the announcement. During the reporting period, the Group had strictly complied with the disclosure requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2018, the total consideration paid to the Group by each of the relevant connected persons for the logistics services is as follows:

	For the year ended 31 December 2018	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:		
- Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for automobile raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product)	61,691	300,000
Changan Automobile and its associates:		
- Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for automobile raw materials, components and parts)	4,187,495	8,500,000
Minsheng Industrial and its associates:		
- logistics services	9,088	20,000
APL Logistics and its associates:		
- logistics services	-	20,000
Baogang Zhushang:		
- logistics services	7,631	30,000
Zhuangbei Finance		
-Financial logistics services	-	30,000

For the year ended 31 December 2018, the total consideration paid by the Group to each of the connected persons for the purchase of transportation services of automobiles and automobile raw materials, components and parts is as follows:

	For the year ended 31 December 2018	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	3,075	30,000
Minsheng Industrial and its associates:	202,450	1,000,000
APL Logistics and its associates:	181	30,000

For the year ended 31 December 2018, the total consideration paid by the Group to each of the connected persons for the purchase of property leasing services is as follows:

	For the year ended 31 December 2018	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	2,519	20,000

For the year ended 31 December 2018, the total consideration paid by the Group to each of the connected persons for the purchase of security and cleaning services is as follows:

	For the year ended 31 December 2018	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	7,305	9,220

For the year ended 31 December 2018, the total consideration paid by the Group to each of the connected persons for the purchase of maintenance services is as follows:

	For the year ended 31 December 2018	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB	RMB
Chongqing Changxin and its associates:	2,504	10,000

For the year ended 31 December 2018, the amount of transactions between the Group and Zhuangbei Finance are as follows:

	For the year ended 31 December 2018	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
The balance of the maximum amount of outstanding of deposit (including interest) on a daily basis	442,985	450,000

In March 2019, the Company received confirmation letters as required under Rule 14A.55 of the Listing Rules from Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun, the independent non-executive Directors of the Company, confirming that the continuing connected transactions of the Company for 2018 were:

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or better; and
3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further, the Company has engaged its external auditor to report on the Company's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with Rule 14A.71 of the Listing Rules, the Board of the Company confirmed that the external auditor of the Company had made a confirmation statement on the issues mentioned in Rule 14A.56 of the Hong Kong Listing Rules. The external auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out above. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Legal Proceedings

As at 31 December 2018, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

Designated Deposits

As at 31 December 2018, the Group had no designated deposits in any financial institutions in and out of the PRC or any overdue fixed deposit which could not be recovered.

Compliance with the relevant Laws and Regulations

As far as the Board of Directors and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Environmental Policies and Performance

The Group is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and wastes reduction.

The Company is preparing the environmental, social and governance report (the "ESG report") for the year ended 31 December 2018 in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange. The Company will publish the ESG report on the Stock Exchange's website and the Company's website as close as possible to, and in any event no later than three months after, the publication of the Company's annual report of 2018.

Donation

During the year, the total amount of donation made by the Company was RMB600,000. (2017: RMB1,000,000).

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

There was no purchase, redemption, sale or cancellation by the Group of the Company's listed securities during the year ended 31 December 2018.

Pre-emptive Rights

There is no provision of pre-emptive rights in the Company's Articles of Association requiring the Company to offer new shares proportionately to its existing shareholders.

Auditors

The consolidated financial statements of the Group enclosed in this report had been audited by Ernst & Young, the Group's auditors. Ernst & Young has been providers for the Company for more than three years.

By the Order of the Board
Xie Shikang
Chairman

Chongqing, the PRC
25 March 2019

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

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

The Supervisory Committee considers that in 2018, the members of the Board, the general manager and other senior management staff of the Company were able to strictly fulfil their fiduciary duties, to act diligently and to exercise their authority faithfully in the best interests of the Company, to carry out work pursuant to the Articles of Association of the Company in standard operation and gradually improve the internal control system. The transactions between the Company and related parties were carried out on fair and reasonable terms and in the interests of the shareholders as a whole. As of the date of this announcement, none of the Directors, general manager and other senior management staff had been found to have abused their authority, prejudiced the interests of the Company and of its shareholders. None of them was found to be in breach of any laws and regulations or the Articles of Association of the Company.

The Supervisory Committee is satisfied with the achievement and efficient work of the Company in 2018 and is confident in the Company's future development.

The Supervisory Committee has conscientiously reviewed and agreed with the report of the Board, the audited consolidated financial statements, which will be submitted by the Board to the AGM.

By order of the Supervisory Committee
Wang Huai Cheng
Chairman

Chongqing, the PRC
25 March 2019

The Board believes that the Company can enhance its corporate governance and transparency by adhering to strict corporate governance practices in the interest of the shareholders of the Company. Since 18 July 2013, the provisions of the Corporate Governance Code ("Code") set out in Appendix 14 of the Listing Rules have been adopted as the Company's corporate governance standards, which coupled with, the experience and circumstances of the Company, help to establish a favorable corporate governance structure of the Group. For the period from 1 January 2018 to 31 December 2018, the Company has complied with the code provisions set out in the Code throughout and adopted the recommended best practice as set out in the Code, except for code provision A.4.2.

Code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's articles of association also stipulates that the directors and supervisors elected at general meeting shall be for a term of three years. As approved by the Company's shareholders at the 2014 first extraordinary general meeting held on 14 November 2014, the term of the fourth session of Board and the fourth session of the Supervisory Committee of the Company expired on 14 November 2017. As the nomination of candidates for Directors and supervisors for the new session of the Board and the Supervisory Committee of the Company has not been completed yet, the election of the new session of the Board and Supervisory Committee of the Company has been postponed. The term of office of the Directors and supervisors of the current session has been be extended accordingly until the successful election of the Directors and supervisors of the new session of the Board and Supervisory Committee. The Company will follow up on Board member nomination progress and complete the relevant election procedures for re-election of members of the Board as soon as possible. Please refer to the section headed the report of the Board of the report.

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

Securities Transactions by the Directors

Since the Transfer of Listing on 18 July 2013, the Company has adopted a code of conduct regarding Directors' securities transactions on terms of the required standard of dealings (the "Code of Conduct") prepared according to the Model Code. After making specific enquiries to all Directors, the Company confirms that the Directors have complied with the Code of Conduct during the period from 1 January 2018 to 31 December 2018.

Board

The Board comprises 11 Directors, including 4 executive Directors, 3 non-executive Directors and 4 independent non-executive Directors. The Board believes that 7 non-executive Directors and independent non-executive Directors maintained a reasonable balance with the number of executive Directors and have participated actively in the formulation of the Company's policies through providing constructive suggestions in the interests of shareholders as a whole. The names of members of the fourth session of the Board are set out in the "Report of the Board".

The Company has 4 independent non-executive Directors, of whom at least one has appropriate professional qualification and financial management expertise. The Company received the relevant independence confirmation letter from each of the independent non-executive Directors in March 2019. There is no relationship between the members of the Board, Supervisory Committee and other senior management staff in finance, business, family and other material or relevant aspects.

Election of Directors and Supervisors and Provision of information in respect of and by directors, supervisors and chief executives required under Rule 13.51B of the Listing Rules

On 29 March 2018, Mr. Danny Goh Yan Nan resigned as the non-executive Director of the fourth session of the Board of the Company due to job relocations. The resignation of Mr. Danny Goh Yan Nan took effect from the conclusion of the 2017 annual general meeting of the Company held on 29 June 2018. Please refer to the announcement of the Company dated 29 March 2018 and 29 June 2018 for further details.

On 29 March 2018, Mr. Chen Jianfeng resigned as the shareholder representative supervisor and the chairman of the fourth session of the Supervisory Committee of the Company due to job relocations and the resignation of Mr. Chen Jianfeng took effect from the conclusion of the 2017 annual general meeting of the Company held on 29 June 2018. Please refer to the announcement of the Company dated 29 March 2018 and 29 June 2018.

At the 2017 annual general meeting of the Company held on 29 June 2018, Mr. Man Hin Wai Paul was elected as the non-executive Director of the fourth session of Board of the Company for a term commencing from the conclusion of the general meeting until the expiry of the term of the fourth session of the Board. Please refer to the announcement of the Company dated 29 June 2018 for further details.

At the 2017 annual general meeting of the Company held on 29 June 2018, Mr. Wang Huaicheng was elected as the shareholder representative supervisor of the fourth session of Supervisory Committee of the Company for a term commencing from the conclusion of the general meeting until the expiry of the term of the fourth session of the Supervisory Committee. Mr. Wang Huaicheng was also elected and appointed as the chairman of the Supervisory Committee at the meeting of the Supervisory Committee held subsequent to the annual general meeting with effect immediately from the conclusion of the meeting of the Supervisory Committee. Please refer to the announcement of the Company dated 29 June 2018 for further details.

Mr. Zhou Zhengli resigned as the employee representative supervisor of the fourth session of the Supervisory Committee of the Company due to job relocations. The resignation of Mr. Zhou Zhengli took effect on 29 June 2018. Please refer to the announcement of the Company dated 29 June 2018 for further details.

On 29 June 2018, Ms. Deng Li was democratically elected as the employee representative supervisor of the fourth session of the Supervisory Committee of the Company for a term commencing from 29 June 2018 until the expiry of the fourth session of the Supervisory Committee of the Company. Please refer to the announcement of the Company dated 29 June 2018 for further details.

On 12 November 2018, Mr. Lu Xiaozhong resigned as the executive Director of the fourth session of the Board and the authorized representative of the Company due to job relocations. The resignation of Mr. Lu Xiaozhong took effect from the conclusion of the 2018 first extraordinary general meeting of the Company held on 31 December 2018. Please refer to the announcement of the Company dated 13 November 2018 and 31 December 2018 for further details.

On 12 November 2018, Mr. Tan Hongbin resigned as the non-executive Director of the fourth session of the Board of the Company due to job relocations. The resignation of Mr. Tan Hongbin took effect from the conclusion of the 2018 first extraordinary general meeting of the Company held on 31 December 2018. Please refer to the announcement of the Company dated 13 November 2018 and 31 December 2018 for further details.

On 12 November 2018, Mr. Steven Ho Kok Keong resigned as the shareholder representative supervisor of the fourth session of the Supervisory Committee of the Company due to job relocations. The resignation of Mr. Steven Ho Kok Keong took effect from the conclusion of the 2018 first extraordinary general meeting of the Company held on 31 December 2018. Please refer to the announcement of the Company dated 13 November 2018 and 31 December 2018 for further details.

At the 2018 first extraordinary general meeting of the Company held on 31 December 2018, Mr. Chen Wenbo was elected as the executive Director of the fourth session of the Board of the Company for a term commencing from the conclusion of the extraordinary general meeting until the expiry of the term of the fourth session of the Board. Please refer to the announcement of the Company dated 13 November 2018 and 31 December 2018 for further details.

At the 2018 first extraordinary general meeting of the Company held on 31 December 2018, Mr. Chen Xiaodong was elected as the non-executive Director of the fourth session of the Board of the Company for a term commencing from the conclusion of the extraordinary general meeting until the expiry of the term of the fourth session of the Board. Mr. Chen Xiaodong was also appointed as the authorized representative of the Company at the Board meeting held subsequent to the extraordinary general meeting with effect immediately from the conclusion of the Board meeting. Please refer to the announcement of the Company dated 13 November 2018 and 31 December 2018 for further details.

At the 2018 first extraordinary general meeting of the Company held on 31 December 2018, Ms. Jin Jie was elected as the shareholder representative supervisor of the fourth session of the Supervisory Committee of the Company for a term commencing from the conclusion of the extraordinary general meeting until the expiry of the term of the fourth session of the Supervisory Committee. Please refer to the announcement of the Company dated 13 November 2018 and 31 December 2018 for further details.

During the reporting period, Mr. Poon Chiu Kwok, an independent non-executive Director of the Company, resigned as the non-executive director of Chong Kin Group Holdings Limited (Listed on the Stock Exchange, Stock Code: 01609) with effect from 6 June 2018.

Directors' Attendance of Regular Meetings

The Board has held four regular meetings in 2018 to discuss and determine the Company's major strategies, key operational issues, financial matters and other matters set out in the Company's Articles of Association. Details of Directors' attendance records at the Board's regular meetings held during the year of 2018 are set out in the following table:

Director's name	Due attendance	Records for personal attendance	Records for attendance by alternate	Individual attendance rate
Executive Director				
Xie Shikang	4	4	0	100%
Lu Xiaozhong[1]	4	2	2	50%
Chen Wenbo [2]	0	0	0	N/A
William K Villalon	4	4	0	100%
Shi Jinggang	4	4	0	100%
Non-executive Director				
Tan Hongbin [3]	4	2	2	50%
Chen Xiaodong [4]	0	0	0	N/A
Danny Goh Yan Nan [5]	2	0	2	0%
Man Hin Wai Paul [6]	2	2	0	100%
Li Xin	4	1	3	25%
Independent non-executive Director				
Chong Teck Sin	4	4	0	100%
Poon Chiu Kwok	4	4	0	100%
Jie Jing	4	4	0	100%
Zhang Yun	4	4	0	100%

Note:

1. Mr. Lu Xiaozhong resigned as the executive Director of the Company on 31 December 2018.
2. Mr. Chen Wenbo was appointed as the executive Director of the Company on 31 December 2018.
3. Mr. Tan Hongbin resigned as the non-executive Director of the Company on 31 December 2018.
4. Mr. Chen Xiaodong was appointed as the non-executive Director of the Company on 31 December 2018.
5. Mr. Danny Goh Yan Nan resigned as the non-executive Director of the Company on 29 June 2018.
6. Mr. Man Hin Wai Paul was appointed as the non-executive Director of the Company on 29 June 2018.

Composition of the Board

Directors (including non-executive Directors) are elected in general meetings of the Company with a term of 3 years and can be re-elected and re-appointed upon the expiry of the term.

The term of all the existing Directors will be ended upon the expiry of the fourth session of the Board. The Directors shall then retire but may be available for re-election.

On diversity, the Board consists of Directors with different backgrounds that are able to provide the Company with professional advice on various aspects. Currently the Board has one female Director. The independent non-executive Directors are independent of management of the Company and have adequate business and financial experience. They provide advice to the Board and the management on the strategic development of the Company and ensure the interests of shareholders and the Company as a whole by implementing measures. As of the date of this report, apart from Mr. Chong Teck Sin, the independent non-executive Director who has continuously been in office for over 9 years, the term of office of each of other 3 existing independent non-executive Directors does not exceed 9 years. Notwithstanding the fact that Mr. Chong Teck Sin has served the Company for more than nine years, there are no circumstances which are likely to affect his independence as an independent non-executive Director. Mr. Chong Teck Sin is not involved in the daily management of the Company nor in any relationships which would interfere with the exercise of the independent judgment. The Board considers Mr. Chong Teck Sin remains independent notwithstanding the length of his service. As regard the re-election of independent non-executive Directors, the Company will ensure compliance with code A.4.3 of the Corporate Governance Code under the Listing Rules.

According to the Listing Rules, the Company received the relevant written independence confirmation letter from each of the independent non-executive Directors for the year 2018. The Company confirmed that all the independent non-executive Directors are independent of the Company.

The Company has provided liability insurances for all Directors and supervisors.

Duties of Directors and Management

Pursuant to the regulations of the Articles of Association of the Company, the duties of Directors are: to be responsible for the convening of and reporting to the shareholders' meeting; to implement the resolutions passed by the shareholders' meeting; to determine the Company's business plans and investment proposals; to formulate the Company's preliminary and final annual financial budgets; to formulate the Company's profit distribution proposal and loss recovery proposal; to make plans for the Company's increasing or decreasing its registered capital and issuing bonds; to formulate plans for the Company's merger, division, changing of forms and dissolution; to decide on the Company's internal management structure; to appoint or remove the Company's general manager and secretary to the Board of Directors, and to engage or remove the Company's deputy general manager, person(s) in charge of the finance department and other senior management according to the nomination of the general manager, and to decide on their remuneration and payment method; to formulate the Company's basic management system; to formulate proposals for any amendment to the Company's Articles of Association; to formulate plans for the Company's acquisition or sale of major assets; in compliance with the relevant laws and regulations, to exercise the Company's right to finance and loan as well as mortgage, rent, contract for or transfer the Company's major assets and authorizing general manager and vice general managers to exercise the foregoing rights within certain scope; to propose at the shareholders' meeting the engagement or replacement of an accounting firm for the audit of the Company's accounts; to listen to the opinions of the Party Committee of the Company before making decisions on material issues of the Company; to exercise any other functions and powers conferred upon by the shareholders' meeting and the Articles of Association of the Company.

Pursuant to the regulations of the Articles of Association of the Company, the duties of management of the Company are: to operate and manage the Company as well as implement resolutions of the Board; to implementing the Company's annual operation and investment plan; to make plans for the structuring of the Company's internal management departments; to formulate the Company's basic management system; to formulate regulations for the Company; to propose to appoint or remove vice general managers and CFO of the Company; to decide to appoint or remove management staff except those that shall be appointed or removed by the Board; to decide the rewards and punishments, promotions, pay raises, appointments, employment, removal and dismissal of the Company's employees; to represent the Company to handle major business as authorized by the Board; to exercise other functions and powers conferred upon by the Articles of Association of the Company and the Board.

During the year, the Directors and management strictly fulfilled their duties according to the requirements in the Articles of Association of the Company. The Board has reviewed its performance during the reporting period, obtained advice from senior management and considered the advice contained in the Report of the Supervisory Committee. The Board believes that it has effectively performed its responsibilities in the interests of the Company and shareholders in the year under review.

Chairman and General Manager

The Company's chairman is Mr. Xie Shikang, and the general manager is Mr. Shi Jinggang. The chairman is responsible for setting the strategic direction of the Company and formulating the business strategies, while the general manager is responsible for overseeing the daily operations of the Company. The chairman is also responsible for leading the Board and ensuring the effective operation of the Board. The chairman encourages all the Directors (including the independent non-executive Directors) to be fully dedicated in carrying out their duties to the Board and its four committees.

Continuing Professional Development of Directors (Training for Directors)

Directors should participate in continuing professional development to develop and refresh their knowledge and skills. This is to ensure that they will remain well informed to make their contribution to the Board.

Below is a summary of the trainings received by the Directors for the period between 1 January 2018 and 31 December 2018 based on the records provided by the Directors and supervisors:

Name	Category of Continuing Professional Development
Directors	
Xie Shikang	A/B
Lu Xiaozhong	A
Chen Wenbo	A
William K Villalon	A/B
Shi Jinggang	A
Tan Hongbin	A
Chen Xiaodong	A
Danny Goh Yan Nan	A
Man Hin Wai Paul	A
Li Xin	A
Chong Teck Sin	A
Poon Chiu Kwok	A/B
Jie Jing	A
Zhang Yun	A
Supervisors	
Chen Jianfeng	A
Wang Huaicheng	A
Steven Ho Kok Keong	A
Jin Jie	A
Tang Yizhong	A
Zhou Zhengli	A
Deng Li	A
Deng Gang	A

A: reading seminar materials and other updated information regarding the amendments to the Listing Rules and other applicable regulations.
B: attending briefing and/or seminars.

Four Committees of the Board

The Company's audit committee, remuneration committee, nomination committee and strategy and investment committee have laid down specific terms of reference, detailing the powers and responsibilities of these committees. All the committees shall report their decisions or submit their proposals to the Board within their authorities, and under certain circumstances, have to request for the Board's approval before taking any actions.

(1) Audit Committee

The Company has set up an audit committee (the "Audit Committee") pursuant to the requirements of the Listing Rules and the "Guidelines for the Establishment of Audit Committees" published by Hong Kong Institute of Certified Public Accountants, and set out its duties, powers and functions with written terms of reference. The major duties of the Audit Committee are:

(a) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) develop and implement policy on engaging an external auditor to supply non-audit services, if any, to ensure that provisions of such services would not impair the independency and objectivity of the external auditors. For this purpose, 'external auditor' includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(d) monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and (if prepared for publication) quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

 (i) any changes in accounting policies and practices;
 (ii) major judgmental areas;
 (iii) significant adjustments resulting from audit;
 (iv) the going concern assumptions and any qualifications;
 (v) compliance with accounting standards; and
 (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

(e) regarding (d) above:

 (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

 (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

(g) discuss the risk management and internal control system with the management to ensure that management has performed its duty to have effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(h) consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(i) where an internal audit function exists, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;

(j) review the group's financial and accounting policies and practices;

(k) review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(l) ensure that the Board provides a timely response to the issues raised in the external auditor's management letter;

(m) report to the Board on the matters in the code provision of Appendix 14 Corporate Governance Code and Corporate Governance Report of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(n) review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up action;

(o) act as the key representative body for overseeing the Company's relations with the external auditor; and

(p) consider other topics, as defined by the Board.

The Audit Committee currently comprises Ms. Zhang Yun, Mr. Chong Teck Sin, Mr. Poon Chiu Kwok and Mr. Jie Jing, who are all independent non-executive Directors. Mr. Poon Chiu Kwok has the requisite financial experience.

During the year, the Audit Committee held 4 regular meetings.

The Audit Committee met on 26 March 2018 to review and discuss the Group's annual results, financial statements; principal accounting policies and internal audit matters for the year ended 31 December 2017, listened to the auditor's suggestions for the Company, and approved such reports.

The Audit Committee met on 23 May 2018 to review the income statement, cash flow statement and balance sheet of the Group for the three months ended 31 March 2018.

The Audit Committee met on 23 August 2018 to review the unaudited interim report of the Group for the six months ended 30 June 2018 and approved such report.

The Audit Committee met on 1 November 2018 to review the income statement, cash flow statement and balance sheet of the Group for the nine months ended 30 September 2018.

Details of Audit Committee members' attendance records at the regular meetings during the year are set out in the following table:

Members of the Audit Committee	Due attendance	Records for personal attendance	Records for attendance by alternate	Individual attendance rate
Chong Teck Sin	4	4	0	100%
Poon Chiu Kwok	4	4	0	100%
Jie Jing	4	4	0	100%
Zhang Yun	4	4	0	100%

The Audit Committee met on 20 March 2019 to review and discuss the Group's annual results, financial statements, principal accounting policies and internal audit matters for the year ended 31 December 2018, listened to the auditor's suggestions for the Company and approved such reports.

In 2018, the Audit Committee has worked actively mainly on the following aspects:

1. reviewed the policies and systems on internal financial supervision & operation, compliance monitoring and risks management, for the purpose of ensuring the effectiveness of the policies and systems on internal financial supervision and operation, compliance monitoring and risks management;

2. monitored the accounts of the relevant reporting period and reviewed the financial statements and all the financial reporting materials which are set out in the report and took the view that all of these were in accordance with the requirements of Chinese Accountant Standard and Hong Kong Accountant Standard and complied with the relevant laws and regulations of PRC and the Listing Rules;

3. made two times of effective communication and discussions with the Group's external auditors with regard to the 2018 conducted annual financial auditing nature and scope;

4. proposed to the Board to appoint Ernst & Young and Ernst & Young Hua Ming LLP as the Company's 2018 annual external auditors.

(2) Remuneration Committee

The remuneration committee (the "Remuneration Committee") currently comprises Mr. Xie Shikang, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun. The majority of the members of the Remuneration Committee are independent non-executive Directors, and the chairman of the Remuneration Committee, Mr. Jie Jing, is an independent non-executive Director.

The major duties of the Remuneration Committee are:

(a) make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) determine, with delegated responsibility the remuneration packages of individual executive Directors and senior management. These should include stock appreciation stimulating plan, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) make recommendations to the Board on the remuneration of non-executive Directors;

(e) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

(f) review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) ensure that no Director or any of his associates is involved in deciding his own remuneration; and

(i) consider other topics, as authorized by the Board.

During the year, the Remuneration Committee of the Company held one regular meeting.

Details of Remuneration Committee members' attendance records at the meeting during the year are set out in the following table:

Members of the Remuneration Committee	**Due attendance**	**Records for personal attendance**	**Records for attendance by alternate**	**Individual attendance rate**
Xie Shikang	1	1	0	100%
Poon Chiu Kwok	1	1	0	100%
Jie Jing	1	1	0	100%
Zhang Yun	1	1	0	100%

In 2018, the Remuneration Committee has worked actively mainly on the following aspects:

1. Submitted suggestions to the Board on the remuneration policy and composition of the Directors and senior managements of the Company in 2018, and suggested the establishment of a normal and transparent remuneration system;

2. Analyzed and continuously refined the procedures of meetings of the Remuneration Committee.

(3) Nomination Committee

The nomination committee (the "Nomination Committee") currently comprises Mr. Xie Shikang, Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun. The majority of the members of the Nomination Committee are independent non-executive Directors. The chairman of the Nomination Committee, Mr. Xie Shikang, is the chairman of the Board.

The major duties of the Nomination Committee are:

(a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) assess the independence of independent non-executive Directors;

(d) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the general manager; and

(e) consider other topics, as authorized by the Board.

In identifying individuals suitably qualified to become Board members, the nomination committee will fully consider if his or her skills, experience and diversity of perspectives is appropriate to the requirements of the Group's business and has a thorough knowledge regarding the candidate's occupation, educational background, professional titles, specific working background, part-time jobs and other background information required under the Listing Rules, Articles of Association of the Company and the relevant PRC authorities (if any). In addition, the Nomination Committee will also take into account the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity and comply with the Procedures for Shareholders to Nominate Candidate(s) for Election as Director(s) or Shareholders' Representative Supervisor(s) established by the Company, and all of the applicable provisions of the Articles of Associations of the Company and the Listing Rules.

During the year, the Nomination Committee of the Company held one regular meeting.

Details of Nomination Committee members' attendance records at the regular meetings during the year are set out in the following table:

Members of the Nomination Committee	Due attendance	Records for personal attendance	Records for attendance by alternate	Individual attendance rate
Xie Shikang	1	1	0	100%
Chong Teck Sin	1	1	0	100%
Poon Chiu Kwok	1	1	0	100%
Jie Jing	1	1	0	100%
Zhang Yun	1	1	0	100%

In 2018, the Nomination Committee has worked actively mainly on the following aspects:

1. Examined and assessed the qualifications of the candidate(s) for Director(s) and supervisor(s);

2. Analyzed the framework and composition of the current Board of the Company;

3. Assessed and reviewed the independent non-executive Directors of the Company, ensuring their independency. The Company shall abide by relevant rules of the Articles of Association of the Company and Listing Rules in selection of the candidate(s) for non-executive Director(s), with reference to his/her character, experience and integrity and competence; and

4. Analyzed and continuously refined the procedures of meetings of the Nomination Committee.

(4) Strategy and Investment Committee

The Board established the strategy and investment committee on 29 June 2018.The strategy and investment committee currently comprises Mr. Xie Shikang, Mr. Shi Jinggang, Mr. Poon Chiu Kwok, and Ms. Zhang Yun. The chairman of the strategy and investment committee, Mr. Xie Shikang, is the chairman of the Board.The strategy and investment committee shall be responsible for the following duties:

(a) study and advise on the Company's development strategy and interim and long-term development plan;

(b) study and advise on the annual business plan, total budget plan, yearly investment program and major investment program subject to the approval of the Board;

(c) study and advise on major financing activities, the disposal of assets, and mergers and acquisitions subject to the approval of the Board;

(d) study and advise on mortgages, pledges of major assets and the provision of security to external party subject to the approval of the Board;

(e) assess and examine the implementation of the above stated activities;

(f) exercise other functions and powers conferred upon by the Board and relevant laws and regulations.

During the reporting period, the strategy and investment committee discussed the development strategy and direction of the Company.

Corporate Governance Responsibility

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Code.

The Board reviewed (i) the Company's corporate governance policies and practices; (ii) the training and continuous professional development of Directors and senior management; (iii) the Company's policies and practices on compliance with legal and regulatory requirements; (iv) the code of conduct applicable to the employees and Directors; and (v) the Company's compliance with the Code and disclosure in this corporate governance report. With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced immediately if it is the subject of a decision; and that the Company's affairs be conducted with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. The Company has been working on developing its own disclosure policy aiming at preventing selective disclosure of material non-public information and providing broad non-exclusive distribution of material information to the public. The Board will continue to review and improve the corporate governance practices and standards of the Company to ensure that their business and decision making processes are regulated in a proper and prudent manner.

During the year of 2018, the Board reviewed the Company's status on compliance with the Code and other rules applicable according to the requirements of the Code, and approved the annual corporate governance report of the Company and its disclosure on the websites of the Stock Exchange and the Company.

Auditors and their Remuneration

Ernst & Young was the Company's international auditor (Ernst & Young Hua Ming LLP was the Company's PRC auditor for 2018) for the year ended 31 December 2018. For three years ended 31 December 2018, the Company did not change its auditor.

The responsibilities of the external auditors in respect of their financial reporting are set out in the independent auditor's report attached to the Company's financial statements for the year ended 31 December 2018.

The remuneration of the auditors for the year ended 31 December 2018 are set out below:

Services provided	Fees (RMB'000)
Audit Services	2,450
Non-audit services	218
Total	2,668

The Directors took the view that they have the responsibilities for preparing the account and have conducted a review of the effectiveness of the internal control system of the Group. The Audit Committee presented their opinions on the appointment of the auditors and approved the above mentioned appointing arrangement.

Company Secretary

During the year of 2018, Mr. Huang Xuesong has received no less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules.

Rights of Shareholders

The Company's shareholders of ordinary shares shall enjoy the following rights:

(1) the right to receive dividends and other distributions proportional to the number of shares held;

(2) the right to attend shareholders' meeting of the Company, either in person or by proxy, and exercise their voting right;

(3) the right to supervise, advise or inquire about the operating activities of the Company;

(4) the right to transfer, bestow, or pledge the shares held according to the laws and regulations and the Articles of Association of the Company;

(5) the right to be provided with relevant information in accordance with provisions of the Articles of Association of the Company, including:

(A) to obtain a copy of the Articles of Association of the Company, subject to payment of a reasonable charge;

(B) to inspect and to make duplicate copies, subject to payment of a reasonable charge, of the following:

(i) all parts of the register of shareholders;

(ii) personal profiles of the Company's Directors, supervisors, general manager and other senior managements including:

(a) their present and former names and aliases;

(b) their principal addresses (residence);

(c) their nationalities;

(d) their full-time and all other part-time occupations and duties;

(e) their identification documents and the numbers thereof.

(iii) report(s) on the Company's share capital;

(iv) report(s) showing the aggregate par value, number, maximum and minimum price paid with respect to each class of shares repurchased by the Company since the end of the last financial year, and the aggregate amount incurred by the Company for this purpose;

(v) minutes of shareholders' meetings; and

(vi) audited financial reports.

(6) the right to receive distribution of the remaining assets proportionate to the number of shares held at the point of the Company's dissolution or liquidation;

(7) other rights conferred by the laws and regulations and the Articles of Association of the Company.

Communications with Shareholders

The Company attaches great importance to the communication with shareholders and investors. The Company uses a number of channels to account for the performance and operations of the Company to shareholders, particularly periodic reports such as annual and interim reports. In addition to delivering circulars, notices and financial reports to our shareholders, the Company also publishes its corporate information on its website (http://www.camsl.com) by electronic means. The annual general meeting provides a good opportunity for the communication between the Board and the shareholders of the Company. The Company regards the AGM as an important event in the year and all Directors, supervisors, senior management and the Chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee should make an effort to attend and answer questions raised by the shareholders. For the year ended 31 December 2018, in responding to investors' enquiries, the Company held conferences and/or conference calls.

The Company encourages the shareholders to be involved in the Company's affair and to discuss the corporate business and prospects directly at the annual general meeting or extraordinary general meeting (the "EGM").

Shareholders individually or jointly holding 10% or more of the shares are conferred with the right to vote at the forthcoming EGM and can sign and submit one or more written requests of the same format and content to the Board to request the convening of an EGM, with the issues to be discussed clearly stated. The Board shall convene an EGM as soon as practicable upon receiving such written request(s). The number of the shares will be calculated as at the date of the submission of the written requests.

If the Board fails to send notification of the meeting within 30 days from the date of the receipt of such a request, the Supervisory Committee shall call and preside over the meeting in a timely manner; if the Supervisory Committee fails to do so as well, the shareholder(s), individually or jointly holding over 10% or more of the voting shares of the Company for more than 90 consecutive days may call the meeting within 4 months of the date of the receipt of such a request by the Board, and the procedures for calling the meeting shall mirror the procedures of the Board to call the meeting to the extent possible.

Enquiries may be made to the Board either by contacting the Company Secretary of the Company through office and address of correspondence (No. 1881 Jinkai Road, Yubei District, Chongqing, the PRC, Zip Code: 401122), directly through questions at the annual general meeting or EGM, or by contacting the Board office of the Company (which is in charge of investor relations, email: dongshihui@camsl.com).

Risk Management and Internal Control

The Company established an audit and legal affairs department to perform internal control assessment, risk management and internal audit. The Company's internal control system was effective and the Company did not have any material operation risks.

(1) Constantly improve on the internal control system

The Company has revised and implemented the protocols in instructive documents such as the "Internal Control Manual", the "Internal Control Assessment Manual", the "Internal Control Assessment Management Workflow", the "Annual Risks Assessment Workflow", the "Regular Risks Assessment Workflow", "Internal Audit Workflow" and other internal control, risk management and internal audit related administrative rules and relevant work instructions to guide the relevant work regarding internal control, risk and audit management.

The Company persistently refines and improves the internal control system, vigorously builds a lean operation and management system to internalize, improve and computerize relevant work processes, and constantly complete the authorization system and internal management system. The Company has also identified risks and how to control them in the flow plan contained in those documents, and has effectively linked the risk control responsibility with individual job description to strengthen the internal control system.

(2) Conduct internal control assessment and risk management and supervision

The Company has conducted a series of assessment and supervision such as annual internal control assessment, internal control deficiency remedy, annual risk assessment, monthly risk status update, regular risk identification and control, special assessment and audit, accountability audit to examine the Company's internal control and risk management status. The internal control deficiencies and risks identified were corrected and follow-up actions were taken to monitor the results. A sound system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance.

(3) Continue to raise risk management and internal control awareness

The Company took various opportunities to provide training to officials, managers and employees regarding risk management, internal control, legal affairs and spread the concept of risk management and control, and lawful operation in an effort to integrate risk management and control into the everyday operation and management of the Company.

One of the duties of the Audit Committee of the Board is to review the adequacy and effectiveness of the Group's financial control, internal audit functions and risk management systems. The Audit Committee examined and reviewed the work of the audit and legal affairs department, the Group's external auditor and the regular reports on internal financial control, operation and compliance control, and risk management policies and systems for the financial year ended 31 December 2018.

As a result of the above review, the Board confirms, and management has also confirmed to the Board, that the Group's risk management and internal control systems are effective and adequate (including the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions are adequate) and have complied with the Code provisions on risk management and internal control throughout the reporting period and up to the date of this report.

General Meetings

On 29 June 2018, the executive Director Mr. Xie Shikang (the chairman of the Board, the chairman of the Nomination Committee and the chairman of the Strategy and Investment Committee of the Company), Mr. William K Villalon, and Mr. Shi Jinggang, the non-executive Director Mr. Tan Hongbin, the independent non-executive Director Mr. Poon Chiu Kwok, Mr.Jie Jing (the chairman of the Remuneration Committee of the Company) and Ms. Zhang Yun (the chairman of the Audit Committee of the Company) attended the 2017 annual general meeting held by the Company.

On 31 December 2018, the executive Director, Mr. Xie Shikang, Mr. Shi Jinggang and the non-executive Directors, Mr. Man Hin Wai Paul, the independent non-executive Director Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun attended the 2018 first EGM held by the Company.

Amendments of Articles of Association

The amendments of the Articles of the Association of the Company was approved at the 2017 annual general meeting held on 29 June 2018. Please refer to the circular dated 14 May 2018 and the constitutional document dated 31 July 2018 of the Company for further details in relation to the amendment.

Executive Directors

Mr. Xie Shikang

Mr. Xie Shikang（謝世康） aged 49, senior economist, currently the secretary of the CPC Committee of the Company, the chairman, an executive director, the chairman of the Strategy and Investment Committee, the chairman of Nomination Committee and the member of Remuneration Committee of the fourth session of the Board, and the Authorized Representative of the Company. Mr. Xie graduated from Chongqing Normal University in 1992. His final academic degree obtained was postgraduate diploma in Master of Business Administration from Chongqing University School of Economics and Business Administration. From July 1992 to August 1998, Mr. Xie worked in China South Industry Group Corporation Southwest Division and after that, he joined the former Changan Automobile (Group) Company Liability Limited and served as the deputy director of Corporate Office, the deputy minister of the Customer Services Department, deputy general manager of the auto parts company, deputy general manager and the Party branch secretary of a joint venture company-Chongqing Changan Visteon Engine Control System Co., Ltd. Since March 2009, Mr. Xie worked in Changan Automobile Co., Ltd. (Listed in Shenzhen Stock Exchange) as the head of the office and Party branch secretary, press spokesperson, the general manager of the High-end Limousine Sales Department, the minister of the High-end Limousine Overall Development Department, the head of the Strategic Planning Department and assistant general manager. From 21 May 2013 to 23 March 2016, Mr. Xie also served as the supervisor of Chongqing Changan Automobile Co., Ltd. Mr. Xie has extensive experience in the strategic development planning, production and operation management and has been in a leadership position in leading enterprises in the automobile industry, thus he has enriched theoretical knowledge and working experiences in enterprise operation management and leading, development planning and customer services.

Mr. Chen Wenbo

Mr. Chen Wenbo（陳文波）, aged 50, currently the executive director of the fourth session of the Board of the Company. Mr. Chen graduated from Kunming Engineering College (now known as Kunming University of Science and Technology) in July 1987. Later on, Mr. Chen Wenbo studied in The Open University of Hong Kong from April 2003 to June 2005 and graduated with master's degree in business administration. Mr. Chen Wenbo joined Minsheng Shipping in December 1989 and has ever since assumed several important roles in Minsheng Shipping and its subsidiaries, including the Deputy General Manager of Minsheng Shipping, the Manager of the Intermodal Department of Minsheng International Freight Forwarding Co., Ltd., and General Manager of Minsheng Logistics Company Limited. Mr. Chen Wenbo is now the Deputy General Manager of Minsheng Shipping and the General Manager of Minsheng Logistics Company Limited. Mr. Chen Wenbo has extensive experience in finished vehicle logistics and enterprise management.

Mr. William K Villalon

Mr. William K Villalon aged 70, an executive director of the fourth session of the Board of the Company. He joined the Company in 2010. He has served for American President Lines/Logistics from 1984 to the present. His most recent appointment is president, APL Logistics on January 1, 2017. He is a seasoned executive with more than 30 years of experience in the global transportation and logistics industry. His immediate past roles were global vertical leader for the Automotive Vertical and Regional Leader for North America. Prior to these, he served in different positions for American President Lines/Logistics, mainly including vice president of Americas' Logistics, vice president of American Consolidation Services, vice president of Global Marketing, vice president of Southeast Asia, vice president of Stacktrain Service and director of Stacktrain Marketing. Mr. William K Villalon served as general manager of Intermodal of Southern Pacific Railroad (subsequently merged into UNION PACIFIC RAILROAD) before 1984. Mr. Villalon holds an MBA in Finance from University of California, Berkeley and has a BA in Political Science from the Washington University, St. Louis.

Mr. Shi Jinggang

Mr. Shi Jinggang（石井崗）aged 52, engineer, currently an executive director and the member of the Strategy and Investment Committee of the fourth session of the Board, the general manager and the deputy secretary of the CPC Committee of the Company. Mr. Shi graduated from Xidian University in 1990. From July 1990 to June 1998, Mr. Shi worked in the Supporting Technology Archives, General Manager Office and the Coordination and Planning Department of former Changan Machinery Factory. From June 1998 to January 2009, Mr. Shi served as the office director of the Enterprise Management Department, director of the Development and Planning Department of former Changan Automobile (Group) Company Liability Limited. After that, he joined the Chongqing Changan Automobile Co., Ltd. and worked as the deputy minister of the Development and Planning Department, Party branch secretary, the director of the Capital Operation Department and the deputy minister of the Strategic Planning Department. From June 2011 to 31 May 2016, Mr. Shi served as the executive vice president of Jiangling Holding Company Limited. Mr. Shi has been engaged in the enterprise development planning, production and operation management and leading positions and hence Mr. Shi has enriched experience in enterprise operation and management.

Non-executive Directors

Mr. Chen Xiaodong

Mr. Chen Xiaodong（陳曉東）, aged 57, an economist, currently a non-executive director of the fourth session of the Board and the Authorized Representative of the Company. Mr. Chen Xiaodong joined Minsheng Industrial in August 1986 and since then served in the roles of the head of the corporate planning department, assistant to the president, and chief economist of Minsheng Industrial. In December 2009, Mr. Chen Xiaodong joined Minsheng Shipping, a subsidiary of Minsheng Industrial and served as the chief economist, board secretary, assistant to the general manager & head of corporate planning department. Mr. Chen Xiaodong is now the director, board secretary & the head of corporate planning department of Minsheng Shipping. Mr. Chen Xiaodong has rich experience in corporate operation and corporate economic management, etc.

Mr. Man Hin Wai Paul

Mr. Man Hin Wai Paul（文顯偉）aged 59, currently a non-executive Director of the fourth session of the Board of the Company. Mr. Man holds a Bachelor's degree in Computer Science from the University of Western Ontario, Canada and a Diploma of Management Studies from Henley Management College in the United Kingdom. He is currently the Regional Vice President, North Asia of APLL, responsible for the APLL's business in mainland China, Hong Kong, Macau, Taiwan, Japan and Korea. Prior to his current appointment, Mr. Man had been in various management roles for APLL across China, including senior director of International Logistics Services, and general manager of APLL in Central & North China. Mr. Man was named by China Federation of Logistics and Purchasing as the supply chain arena's "Top Ten Elite of the Year in China's Logistics". Mr. Man is highly recognized in the industry for having both local expertise and international operation professionalism.

Mr. Li Xin

Mr. Li Xin（李鑫）aged 38, engineer, currently a non-executive director of the fourth session of the Board of the Company. Mr. Li graduated from Shenyang University of Technology and later obtained his Master's Degree at Beijing Institute of Technology, majoring in Software Engineering. From July 2003 (when he started his career) to July 2006, Mr. Li worked in No. 208 Research Institute of China Ordnance Industries. From July 2006 to March 2014, Mr. Li served as assistant project manager, project manager and senior project manager in China Changan Automobile Group Co., Ltd. He was promoted as assistant general manager of the Development Strategy Department in March 2014. From April 2016 to March 2018, Mr. Li first served as the deputy general manager of the Development Strategy Department and then the deputy general manager of the Project Management Department. Mr. Li now is the deputy general manager of the Development Strategy Department of China Changan Automobile Group Co., Ltd. Mr. Li has rich experience in corporate development planning and project management.

Independent Non-executive Directors

Mr. Chong Teck Sin

Mr. Chong Teck Sin（張鐵沁）aged 64, an independent non-executive director, the member of Audit Committee and the member of Nomination Committee of the fourth session of the Board of the Company. Born in 1955, he joined the Company as an independent non-executive director in 2005. Mr. Chong was the group managing director (commercial) of Seksun Corporation Limited (the "Seksun"), which was listed on the Singapore Stock Exchanges (the "SGX"), from 1999 until May 2004. Prior to his appointment at Seksun, he was the strategic development director for China of Glaxo Wellcome Asia Pacific Pte Ltd. and before that, the senior general manager of China-Singapore Suzhou Industrial Park Development Co., Ltd., the Singapore Suzhou Industrial Park developer. He was with the Singapore Economic Development Board from 1986 to 1989. From April 2004 to March 2010, Mr. Chong sat on the Board of the Accounting and Corporate Regulatory Authority (ACRA) of the Ministry of Finance of Singapore. From 2005 to 2013, Mr. Chong sat as independent non-executive director of several public companies listed at SGX and Australian Stock Exchange ("ASX") and also as non-executive director of several private companies including British American Tobacco (Singapore) Pte Ltd. From November 2008 to July 2010, Mr. Chong was also the board member of Singapore's largest charitable organization called National Kidney Foundation Singapore. Currently, Mr. Chong is an independent non-executive director of the following public companies: SGX & ASX-listed Civmec Ltd and its subsidiary Civmec Construction & Engineering Singapore Pte Ltd; Accordia Golf Trust Management Pte Ltd, trustee manager of SGX-listed Accordia Golf Trust, SGX-listed InnoTek Ltd. and AIMS AMP Capital Industrial REIT Management Limited, Manager of the SGX-listed AIMS AMP Capital Industrial REIT. Mr. Chong obtained a bachelor of engineering degree from the University of Tokyo in 1981, and subsequently a Master of Business Administration degree from the National University of Singapore.

Mr. Poon Chiu Kwok

Mr. Poon Chiu Kwok（潘昭國）aged 56, an independent non-executive director, the member of the Strategy and Investment Committee, the member of the Audit Committee, the member of Nomination Committee and the member of Remuneration Committee of the fourth session of the Board of the Company. He was born in 1962, obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. He is a Fellow member of CPA Australia, the Institute of Chartered Secretaries and Administrators, and The Hong Kong Institute of Chartered Secretaries and a member of its Mainland China Focus Group, Audit Committee and Technical Consultation Panel. He is also a Fellow member and an Associate Instructor of Hong Kong Securities and Investment Institute. Mr. Poon now serves as an executive director, vice president and company secretary of Huabao International Holdings Limited (a listed company in Hong Kong Stock Exchange) (Stock Code: 00336), an independent non-executive director of the following Hong Kong listed companies: Yuanda China Holdings Limited (Stock Code: 02789), Sunac China Holdings Limited (Stock Code: 01918), Tonly Electronics Holdings Limited (Stock Code: 01249), Sany Heavy Equipment International Holdings Company Limited (Stock Code: 00631), TUS International Limited (Stock Code: 00872), AUX International Holdings Limited (Stock Code: 02080), and Greentown Service Group Co. Ltd. (Stock Code: 02869), Jinchuan Group International Resources Co., Ltd. (Stock Code:02362), Honghua Group Limited (Stock Code: 00196) and Yanzhou Coal Mining Company Limited (Stock Code: 01171).

Mr. Jie Jing

Mr. Jie Jing（揭京）aged 51, an independent non-executive director, the chairman of Remuneration Committee, the member of Audit Committee and the member of Nomination Committee of the fourth session of the Board of the Company. He was born in 1968, obtained a Bachelor of Engineering degree from Wuhan University of Technology in 1989, a Master of Engineering degree from Chongqing University in 1997 and a Doctor of Psychology degree from Southwest University in 2008. Mr. Jie currently serves as the head of Exploring Department, associate professor of Institute of Finance and Economics of Chongqing Jiaotong University. He is also a member and special grade lecturer of the China Business Manager Association, executive member of Chongqing Economics Association and member of the CPPCC of Nan'an District of Chongqing. Mr. Jie previously served as the general manager and legal representative of Hong Kong Jinhong International Trade Company, the general manager and legal representative of Chongqing Hongda Property Development Company Limited, senior strategic consultant of Chongqing Xiexin Group, senior partner of Xinhuaxin Management Consulting Company and the Assistant GM of Chongqing Jiulong Electric Power Co., Ltd. (a listed company in Shanghai Stock Exchange, Stock Code: 600292). Mr. Jie Jing has rich experience in supply chain management, logistics system optimization and corporate governance, etc.

Ms. Zhang Yun

Ms. Zhang Yun（張運）aged 53, an independent non-executive director, the member of the Strategy and Investment Committee, the chairman of Audit Committee, the member of Nomination Committee and the member of Remuneration Committee of the fourth session of the Board of the Company. She was born in 1966, obtained a Bachelor degree from Chongqing Jiaotong University in 1986 and a Master degree from Chongqing University in 1994. Ms. Zhang now serves as the professor and postgraduate instructor of the Economic and Management School of Chongqing Jiaotong University; drop and pull transportation expert of Ministry of Transport; member of the Academic Degrees Review Panel of the Ministry of Education; strategic decision consultant of road transportation industry of Chongqing Road Transportation Management Office; expert on city distribution of Chongqing Road Transportation Management Office; expert on the self-study examinations in higher education of Chongqing municipal city; expert on evaluation of bid of Chongqing Road Projects Construction; and is among Chongqing's first group of experts on social science and a member of the Express Industry Professional Evaluation Panel of Chongqing municipal city. At the recommendation of the Ministry of Transportation of the PRC and sponsored by Germany government, Ms. Zhang studied logistics theories and practiced them in the TUD university, research organizations including TCAC and HPTI and logistics enterprise named KUEHNE & NAGEL in German. Ms. Zhang had been responsible for so many studies and researches including "Research on Chongqing's Community Infrastructure Guarantee Capacity in Western Development Strategy" and "Optimization of Logistics in City's Development" and had written many thesis. Ms. Zhang has rich experience in logistics theory research, tactics making and personnel training, etc.

Supervisor

Mr. Wang Huaicheng

Mr. Wang Huaicheng（王懷成）, aged 53, a senior engineer, a shareholder representative supervisor and Chairman of the fourth session of the Supervisory Committee of the Company. Mr. Wang holds a Master's degree in industrial engineering of Chongqing University. From August 1989 to January 2000, Mr. Wang worked in Pingshan Machinery Factory, a state-owned enterprise. From January 2000 to December 2000, Mr. Wang served as a Deputy Head of the one of the factories of Chongqing Dajiang Automobile General Factory. From January 2000 to August 2014, Mr. Wang served as the Deputy General Manager, General Manager and Director of Chongqing Dajiang Industry Co., Ltd., and the Deputy General Manager, General Manager and Director of Chongqing Dajiang Xinda Automobile Co., Ltd. From August 2014 to October 2014, Mr. Wang served as the Chairman of the supervisory committee of Chongqing Changfeng Machinery Limited Liability Company. From October 2014 to March 2016, Mr. Wang served as Chairman of the supervisory committee of Hubei Huazhong Precision Instrument Factory. From April 2016 to October 2017, Mr. Wang served as Chairman of the supervisory committee of CDGM Glass Co., Ltd., Supervisor of Chengdu Huachuan Electric Equipment Co., Ltd. and Supervisor of Yunnan Xiyi Industrial Co., Ltd. Mr. Wang is currently the Chairman of the supervisory committee of Wanyou Automobile Investment Co., Ltd. and the Supervisor of Southwest Ordnance Industry Cooperation.

Ms. Jin Jie

Ms. Jin Jie（金潔）, aged 39, graduated from Shanghai University of Finance and Economics in 2001 and is a member of Associated Chartered Certified Accountant of UK. Ms. Jin was appointed Corporate Finance Director of APL Logistics since April 2018. In this role, her primary accountabilities include: consolidating group accounts, reengineered the group's financial system, reviewing and developing product costing structures, group strategy, drive the group's budget and forecast processes, operational risk, information system implementation and overseeing the departments staffing and recruitment activities. Prior to joining APL Logistics, she was working for TNT International Express (headquarter in Amsterdam) from 2005 to 2018 as the Regional Financial Controller with coverage spanning across Asia Pacific to Middle East regions. During her decade long stay in TNT International Express, she was responsible for financial performance reporting, planning, forecasting and budgeting. Ms. Jin is now based in Singapore.

Mr. Tang Yizhong

Mr. Tang Yizhong（唐宜中）aged 56, a senior accountant and a shareholder representative supervisor of the fourth session of the Supervisory Committee of the Company. From July 1987 to May 1992, Mr. Tang worked as ship manager in Minsheng Shipping and deputy director of Finance Department in Shanghai Branch of Minsheng Shipping. From May 1992 to January 1996, Mr Tang served as the deputy director of Finance Department in Guangzhou Branch of Minsheng Industrial. From January 1996 to May 2003, Mr. Tang worked as the deputy manager and director of Planning and Finance Division in Minsheng Industrial. From May 2003 to February 2011, Mr. Tang worked as deputy head and head of Planning and Finance Department in Minsheng Industrial, and the head of Planning and Finance Department in Minsheng Shipping. From March 2011 to March 2012, Mr. Tang worked in Chongqing Vansign Investment Co., Ltd. as a finance director. From March 2012 to March 2017, Mr. Tang served as the deputy general manager & the chief accountant in Chongqing Qianneng Industry (Group) Co., Ltd. and as a director in Heibei Potential Gas Co., Ltd. (a company listed on the National Equities Exchange and Quotations of the PRC, Stock Code: 836116). Since March 2017, Mr. Tang serves as a finance director, chairman and general manager in Minsheng Shipping. Mr. Tang has rich experience in financial management. During the period from 8 December 2004 to 30 September 2011, Mr.Tang served as the shareholder representative supervisor of the Company.

Mr. Deng Gang

Mr. Deng Gang（鄧剛）aged 47, an employee representative supervisor of the fourth session of the Supervisory Committee of the Company. He was born in 1972, graduated from College of Business and Management of Chongqing University, holding a master degree, engineer. Since graduated in July 1992, Mr. Deng served as technical engineer of domestic large automobile group; responsible for joint government affairs in Enterprise & Industry Committee under Chongqing State-owned Assets Supervision and Administration Committee. Since December 2001, Mr. Deng entered into former Changan Automobile (Group) Company Liability Limited and worked in the General Manager Office, holding the post of comprehensive administration assistant, deputy director of Secretary Office, which mainly responsible for the administrative assists for the strategic development planning and international business. Mr. Deng joined the Company in March 2004. From December 2007 to end of 2012, Mr. Deng served as director of Development & Planning Department in the headquarter, taking the lead to make out the developing planning schemes, to establish the market planning system and to improve the Company's operation and management system, and also served as employee representative supervisor of the third session of the Supervisory Committee of the Company and the general manager of Shanghai Supply Chain. Mr. Deng now serves as the head of the Discipline Inspection and Supervision Department/ Audit and Legal Affairs Center.

Ms. Deng Li

Ms. Deng Li（鄧莉）aged 49, accountant, an employee representative supervisor of the fourth session of the Supervisory Committee of the Company. Ms. Deng graduated from Chongqing University with a master's degree. Ms. Deng worked in former Changan Automobile (Group) Company Liability Limited and was responsible for finance services including financial accounting, financial analysis and tax management. In July 2001, Ms. Deng joined the Company and worked as a manager and deputy director of Finance Department. Ms. Deng is now the deputy director of the Discipline Inspection and Supervision Department/ Audit and Legal Affairs Center of the Company, in charge of auditing and internal control, risk management and legal affairs. Ms. Deng has extensive experience in areas of finance management, tax management, auditing and legal affairs.

General Manager and Senior Management

Mr. Shi Jinggang (石井崗), the general manager of the Company. Please refer to the biography details of Mr. Shi in the Executive Directors column.

Ms. Ren Honglian

Ms. Ren Honglian (任紅蓮) aged 52, senior economist, currently the deputy secretary of the CPC Committee of the Company, secretary of the Discipline Inspection Commission of the Company and the Chief Compliance Officer of the Company. Ms. Ren graduated from Sichuan Normal College. From July 1989 to July 1991, Ms. Ren worked at Sichuan Laioyuan Machinery Factory. From July 1991 to May 1996, Ms. Ren worked at Chengdu Xingguang Machinery Factory as a deputy director of the Company Office. From May 1996 to January 1999, Ms. Ren worked in Chengdu Xingguang Moulding Limited Company, first as head of the office and chairman of the labour union. From January 1999 to February 2005, Ms. Ren served as the deputy secretary of the CPC Committee, secretary of the Discipline Inspection Commission, deputy head, and chairman of the labour union in one of the subordinate companies of China South Industries Group Co., Ltd. From February 2005 to January 2010, Ms. Ren worked in China South Industry Group Corporation Southwest Division as the deputy director of the Reform Office. Then, Ms. Ren joined the Wanyou Automobile Investment Co., Ltd. ("Wanyou Automobile") and served as the head of the New Business Department, head of the Discipline Inspection and Supervision Department, deputy secretary of the Discipline Inspection Commission and the head of Department of Party Affairs. Ms. Ren has enriched experiences in corporate clean governance, Party building and compliance management.

Mr. Chen Zhigang

Mr. Chen Zhigang (陳治剛) aged 55, the deputy general manager of the Company. Mr. Chen was born in March 1964, an economic engineer, holding an MBA. Mr. Chen entered into Minsheng Industrial in 1992 and served as deputy director, director of Multi-Transportation Department, assistant general manager & manager of Multi-Transportation Department, deputy general manager and general manager of Minsheng International Cargo Transportation Agent Company Limited; deputy general manager & manager of Logistics Department of Minsheng Logistics Company Limited, etc. At the establishment of the Company, Mr. Chen had served as our deputy general manager and from 7 June 2011, Mr. Chen serves as the deputy general manager of the Company again. Mr. Chen is in charge of procurement supporting center, international freight business of the Company.

Mr. Sun Zhigang

Mr. Sun Zhigang (孫志剛) aged 38, an auditor, the deputy general manager of the Company. Mr. Sun was born in 1981 and graduated from Shanxi University of Finance and Economics as an accounting major in 2005, and his final academic degree obtained was postgraduate diploma in economy management from the Party School of the Central Committee of C. P. C. From July 2005 to July 2010, Mr. Sun served as the section member and the deputy chief section member of the Taiyuan (Shanxi Province) Audit Office of China National Auditing Ministry. From August 2010 to July 2012, he worked in the Transportation Auditing Department under the China National Auditing Ministry as the deputy chief section member and then chief section member. From August 2012 to July 2014, Mr. Sun was the section chief member of the Enterprise Auditing Department under the Taiyuan Audit Office of China National Auditing Ministry. In August 2014, he joined China Changan and served as the assistant general manager of the Auditing and Legal Department as of July 2016. Mr. Sun is now responsible for managing the Strategic Development and Capital Operations Center (Board Office), Financial Operation Department, finished vehicle transportation business and new business of the Company. Mr. Sun has enriched experiences in auditing and enterprise management.

Mr. Wan Nianyong

Mr. Wan Nianyong (萬年勇) aged 43, currently a deputy general manager of the Company. Mr. Wan originally graduated from Shenyang Ligong University majoring in machinery electronic engineering and then obtained a master degree in project management from Chonqqing University. Mr. Wan Changan Automobile in July 2000 and since then he has served for Chngan Automobile in various positions including deputy head of the manufacture logistics department of Changan Automobile, general manager and secretary of the CPC Committee and project supervisor of Heibei Changan Automobile Co., Ltd., a subsidiary of Changan Automobile. Mr. Wan is currently in charge of administrative innovation and IT department, quality safety and lean management department, components business department, supply chain business department of the Company and Hangzhou Changan Misheng Logistics Co., Ltd. Mr. Wan has extensive experiences in enterprise production and operation and project management.

Note: The information regarding Directors, Supervisors and senior management was up to 31 December 2018.

EY 安永

To the shareholders of Changan Minsheng APLL Logistics Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Changan Minsheng APLL Logistics Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 140, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of Changan Minsheng APLL Logistics Co., Ltd.

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets	
As at 31 December 2018, the deferred tax assets recognised in the consolidated statement of financial position amounted to RMB59,851,000. The deferred tax assets were recognised based on the management's estimation of future taxable profits that would be available to utilise the deferred tax assets. As at 31 December 2018, deferred tax assets had not been provided on accumulated tax losses and deductible temporary differences of RMB58,054,000. Significant management judgement was required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, tax regulations, market or economic conditions. Related disclosures are included in notes 3 and 29 to the consolidated financial statements.	Our audit procedures included: • evaluating and testing the management assessment on future available taxable profits by checking the Group's business plans, profit forecasts and historical financial and tax information; • assessing the Group's tax positions and the related assumptions with the assistance of our tax specialists; and • assessing the related disclosures of deferred tax assets, unrecognised tax losses and deductible temporary differences in the consolidated financial statements.
Impairment losses of account receivables	
As at 31 December 2018, trade receivables and amounts due from related parties arising from the rendering of services and the sale of goods represented 41% of total assets of the Group. The determination of the loss allowance for impairment of receivables involved significant management judgement and estimation. The Group had a process for assessing the credit risk and determining the loss allowance for impairment of receivables, by considering the ageing of the balances, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of counterparties. Management also considered forward-looking information that may impact counterparties' ability to repay the outstanding balances in order to estimate the expected credit losses of receivables. Related disclosures are included in notes 3, 23, 38(c) and 42 to the consolidated financial statements.	Our audit procedures included: • checking bank receipts for the settlements made subsequent to the year end and the correctness of the ageing of receivables; • evaluating the methodologies, inputs and assumptions used by the Group in calculating and assessing impairments by collectively considering recent cash collection performance against historical trends, the specific forward-looking factors and the level of impairment losses recognised; and • assessing the disclosures about the Group's exposure to credit risk in the consolidated financial statements.

To the shareholders of Changan Minsheng APLL Logistics Co., Ltd.

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

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

To the shareholders of Changan Minsheng APLL Logistics Co., Ltd.

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Certified Public Accountants
Hong Kong

25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	5,112,410	6,614,423
Cost of sales		(4,764,448)	(6,127,259)
Gross profit		347,962	487,164
Other income and gains	5	44,534	46,084
Selling and distribution expenses		(84,266)	(88,464)
Administrative expenses		(203,275)	(213,300)
Other expenses		(7,323)	(9,793)
Finance costs	7	(1,803)	(386)
Share of profits and losses of:			
Joint venture		1,062	892
Associates		4,886	(3,292)
PROFIT BEFORE TAX	6	101,777	218,905
Income tax expense	10	(35,363)	(57,643)
PROFIT FOR THE YEAR		66,414	161,262
Attributable to:			
Owners of the parent		46,109	127,299
Non-controlling interests		20,305	33,963
		66,414	161,262
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted:			
- For profit for the year	12	RMB0.28	RMB0.79

CONSOLIDATED STATEMENT OF COMPREHENSEIVE INCOME

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR	66,414	161,262
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	66,414	161,262
Attributable to:		
Owners of the parent	46,109	127,299
Non-controlling interests	20,305	33,963
	66,414	161,262

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	599,479	537,428
Investment properties	14	17,500	8,528
Prepaid land lease payments	15	228,416	213,954
Goodwill	16	5,016	5,016
Other intangible assets	17	34,868	22,304
Investment in a joint venture	18	12,723	11,661
Investments in associates	19	84,535	22,452
An equity investment designated at fair value through other comprehensive income	20	28,900	-
An available-for-sale investment	20	-	28,900
Deferred tax assets	29	59,851	54,886
Other non-current assets	21	50,394	67,871
Total non-current assets		1,121,682	973,000
CURRENT ASSETS			
Inventories	22	17,539	37,103
Trade and bills receivables	23	664,211	582,448
Prepayments, other receivables and other assets	24	102,449	88,463
Due from related parties	38	1,525,678	1,849,513
Pledged deposits	25	1,809	29,799
Cash and cash equivalents	25	1,189,749	1,244,992
Total current assets		3,501,435	3,832,318
CURRENT LIABILITIES			
Trade and bills payables	26	1,638,607	1,952,149
Other payables and accruals	27	520,307	527,000
Due to related parties	38	229,145	197,292
Interest-bearing bank and other loans	28	19,344	17,130
Bank advances for discounted bills	40	114,266	-
Tax payable		(12,123)	3,844
Total current liabilities		2,509,546	2,697,415
NET CURRENT ASSETS		991,889	1,134,903
TOTAL ASSETS LESS CURRENT LIABILITIES		2,113,571	2,107,903

continued/…

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,113,571	2,107,903
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	28	9,344	18,260
Deferred tax liabilities	29	3,042	3,191
Deferred income	30	9,604	7,387
Total non-current liabilities		21,990	28,838
Net assets		2,091,581	2,079,065
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	162,064	162,064
Reserves	32	1,807,750	1,789,139
		1,969,814	1,951,203
Non-controlling interests		121,767	127,862
Total equity		2,091,581	2,079,065

Director

Director

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2018

	Attributable to owners of the parent							
	Share capital RMB'000 (note 31)	Share premium account RMB'000	Statutory reserve funds RMB'000 (note 32(a))	Safety fund surplus reserve RMB'000 (note 32(b))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	162,064	66,907	85,867	7,165	1,516,011	1,838,014	120,299	1,958,313
Total comprehensive income for the year	-	-	-	-	127,299	127,299	33,963	161,262
Provision for safety fund surplus reserve	-	-	-	2,534	-	2,534	-	2,534
Utilisation of safety fund surplus reserve	-	-	-	(438)	-	(438)	-	(438)
Final 2016 dividends declared	-	-	-	-	(16,206)	(16,206)	-	(16,206)
Dividends paid to the non-controlling shareholder by a subsidiary	-	-	-	-	-	-	(26,400)	(26,400)
At 31 December 2017	162,064	66,907*	85,867*	9,261*	1,627,104*	1,951,203	127,862	2,079,065

	Attributable to owners of the parent							
	Share capital RMB'000 (note 31)	Share premium account RMB'000	Statutory reserve funds RMB'000 (note 32(a))	Safety fund surplus reserve RMB'000 (note 32(b))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	162,064	66,907	85,867	9,261	1,627,104	1,951,203	127,862	2,079,065
Total comprehensive income for the year	-	-	-	-	46,109	46,109	20,305	66,414
Provision for safety fund surplus reserve	-	-	-	3,484	-	3,484	-	3,484
Utilisation of safety fund surplus reserve	-	-	-	(1,406)	-	(1,406)	-	(1,406)
Final 2017 dividends declared	-	-	-	-	(24,310)	(24,310)	-	(24,310)
Changes in safety fund surplus reserve of an associate	-	-	-	(5,266)	-	(5,266)	-	(5,266)
Dividends paid to the non-controlling shareholder by a subsidiary	-	-	-	-	-	-	(26,400)	(26,400)
At 31 December 2018	162,064	66,907*	85,867*	6,073*	1,648,903*	1,969,814	121,767	2,091,581

* These reserve accounts comprise the consolidated reserves of RMB1,807,750,000 (2017: RMB1,789,139,000) in the consolidated statement of financial position.

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		101,777	218,905
Adjustments for:			
Finance costs	7	1,803	386
Share of profits and losses of a joint venture and associates		(5,948)	2,400
Interest income	6	(13,741)	(12,715)
Dividend income from an equity investment designated at fair value through other comprehensive income	6	(1,680)	-
Dividend income from an available-for-sale investment	6	-	(1,704)
Loss/(gain) on disposal of items of property, plant and equipment	6	175	(886)
Depreciation of property, plant and equipment	13	92,928	91,062
Depreciation of investment properties	14	448	285
Recognition of prepaid land lease payments	15	6,570	5,616
Amortisation of other intangible assets	17	16,365	10,585
Reversal of loss allowances on trade and other receivables	6	(4,809)	(1,058)
Loss allowances/(reversal of loss allowances) on impairment of amounts due from related parties	6	(1,849)	2,172
Provision for impairment of inventories	6	-	250
Impairment of property, plant and equipment	13	5,354	-
Deferred income released to profit or loss	30	(663)	(607)
Unrealised foreign exchange loss/(gains), net		(332)	845
		196,398	315,536
Decrease in inventories		19,564	6,767
Increase in trade and bills receivables		(76,416)	(193,564)
Decrease/(increase) in prepayments and other assets		6,239	(23,537)
Decrease in pledged deposits		27,990	21,337
Increase in deposits and other receivables		(20,285)	(5,842)
Decrease in amounts due from related parties		325,684	160,930
Decrease in trade and bills payables		(313,542)	(22,927)
Increase/(decrease) in other payables and accruals		(59,423)	53,302
Increase in amounts due to related parties		48,044	24,792
Increase in safety fund surplus reserve		2,078	2,096
Cash generated from operations		156,331	338,890
Income taxes paid		(56,444)	(53,387)
Net cash flows from operating activities		99,887	285,503

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Net cash flows from operating activities		99,887	285,503
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		13,908	12,548
Dividends received from an associate	6	-	4,500
Dividends received from unlisted investment	6	1,680	1,704
Purchases of items of property, plant and equipment		(133,648)	(118,510)
Proceeds from disposal of items of property, plant and equipment		259	2,285
Proceeds from disposal of items of other intangible assets		-	28
Receipt of government grants for property, plant and equipment	30	2,880	-
Additions to other intangible assets		(28,929)	(6,422)
Additions to prepaid lease payments		(4,606)	-
Additions to other non-current assets		406	(10,454)
Disposal of an associate		22,609	3,304
Investment in an associate		(85,072)	-
Decrease/(increase) in time deposits with original maturity of more than three months		27,710	(14,710)
Net cash flows used in investing activities		(182,803)	(125,727)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank and other loans		10,000	35,390
Proceeds from bank advances for discounted bills		114,266	-
Repayment of bank and other loans		(16,702)	(8,441)
Dividends paid		(24,310)	(16,206)
Dividends paid to the non-controlling shareholder by a subsidiary	33	(26,400)	(26,400)
Interest paid	7	(1,803)	(386)
Net cash flows from/(used) in financing activities		55,051	(16,043)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(27,865)	143,733
Cash and cash equivalents at beginning of year		1,217,282	1,074,394
Effect of foreign exchange rate changes, net		332	(845)
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,189,749	1,217,282
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		1,189,749	1,217,282
Time deposits	25	-	27,710
Cash and cash equivalents as stated in the statement of financial position		1,189,749	1,244,992
Less: Time deposits with original maturity of more than three months when acquired	25	-	(27,710)
Cash and cash equivalents as stated in the statement of cash flows	25	1,189,749	1,217,282

1. CORPORATE AND GROUP INFORMATION

Changan Minsheng APLL Logistics Co., Ltd. (the "Company") is a limited liability company incorporated in the People's Republic of China (the "PRC") on 27 August 2001. In 2002, the Company was converted to a Sino-foreign equity joint venture. On 31 December 2004, the Company was transformed into a joint stock limited liability company. The H shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") on 23 February 2006, and have been transferred and traded on the Main Board since 18 July 2013. The registered office of the Company is located at No.1881, Jinkai Avenue, Yubei District, Chongqing, the PRC.

The principal activities of the Company and its subsidiaries (together the "Group") are the rendering of transportation services for finished vehicles, supply chain management services for automobile raw materials, components and parts, transportation services for non-automobile commodities, the sale of packaging materials and the processing of tyres.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of operations and date of incorporation/ registration	Paid-in capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
重庆长安民生博宇运输有限公司 CMAL Bo Yu Transportation Co., Ltd. ("CMAL Bo Yu")	PRC/Mainland China 3 November 2005	RMB 60,000,000	100	-	Rendering of logistics service
南京长安民生住久物流有限公司 Nanjing CMSC Logistics Co., Ltd. ("Nanjing CMSC")	PRC/Mainland China 26 July 2007	RMB 100,000,000	67	-	Rendering of logistics service
重庆福集供应链管理有限公司 Chongqing Future Supply Chain Management Co., Ltd.	PRC/Mainland China 18 March 2009	RMB 30,000,000	100	-	Rendering of logistics service and sale of packaging materials
重庆长安民生鼎捷物流有限公司 Chongqing Changan Minsheng Dingjie Logistics Co., Ltd.	PRC/Mainland China 30 April 2010	RMB 50,000,000	95	-	Rendering of logistics service
重庆长安民生福永物流有限公司 Chongqing Changan Minsheng Fuyong Logistics Co., Ltd.	PRC/Mainland China 28 April 2011	RMB 5,000,000	100	-	Rendering of logistics service
杭州长安民生物流有限公司 Hangzhou Changan Minsheng Logistics Co., Ltd. ("Hangzhou Changan Minsheng")	PRC/Mainland China 17 May 2013	RMB 610,000,000	100	-	Rendering of logistics service and the processing of tyres
重庆福路保税物流有限公司 Chongqing Fulu Bonded Logistics Co., Ltd.	PRC/Mainland China 9 April 2014	RMB 3,000,000	100	-	Rendering of logistics service
重庆长良物流科技有限公司 Chongqing Changliang Logistics Technology Co.Ltd. (previously known as Chongqing Changan Minsheng Dongli Packaging Co., Ltd.)	PRC/Mainland China 16 May 2014	RMB 18,000,000	55	-	Sale of packaging materials
长安民生(上海)供应链有限公司 Changan Minsheng (Shanghai) Supply Supply Chain Co., Ltd.	PRC/Mainland China 5 August 2014	RMB 30,000,000	100	-	Rendering of logistics service
武汉长盛港通供应链管理有限公司 Wuhan Changsheng Gangtong Supply Chain Management Co., Ltd. Automobile Logistics Co., Ltd. ("Wuhan Changsheng Gangtong")	PRC/Mainland China 18 August 2010	RMB 23,070,000	60	-	Rendering of logistics service

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangement; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Classification and measurement (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement		Re-	HKFRS 9 measurement	
	Notes	Category	Amount	classification	Amount	Category
			RMB'000	RMB'000	RMB'000	
Financial assets						
An equity investment designated at fair value through other comprehensive income		N/A	-	28,900	28,900	FVOCI[1] (equity)
From: An available-for-sale investment	(i)		28,900			
An available-for-sale investment		AFS[2]	28,900	(28,900)	-	N/A
To: An equity investment designated at fair value through other comprehensive income	(i)			(28,900)		
Trade receivables		L&R[3]	360,674	-	360,674	AC[4]
Bills receivable	(ii)	L&R	221,774	-	221,774	FVOCI (debt)
Due from related parties		L&R	1,849,409	-	1,849,409	AC
Financial assets included in prepayments, other receivables and other assets		L&R	44,168	-	44,168	AC
Pledged deposits		L&R	29,799	-	29,799	AC
Cash and cash equivalents		L&R	1,244,992	-	1,244,992	AC
			3,779,716	-	3,779,716	
Other assets						
Deferred tax assets			54,886	-	54,886	
Total assets			4,805,318	-	4,805,318	
Financial liabilities						
Trade and bills payables		AC	1,952,149	-	1,952,149	AC
Financial liabilities included in other payables and accruals		AC	226,979	-	226,979	AC
Due to related parties		AC	197,289	-	197,289	AC
Interest-bearing bank and and other borrowings		AC	35,390	-	35,390	AC
			2,411,807	-	2,411,807	
Other liabilities						
Deferred tax liabilities			3,191	-	3,191	
Total liabilities			2,726,253	-	2,726,253	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)
Classification and measurement (continued)

[1] FVOCI: Financial assets at fair value through other comprehensive income
[2] AFS: Available-for-sale investments
[3] L&R: Loans and receivables
[4] AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has elected the option to irrevocably designate its previous available-for-sale equity investment as an equity investment at fair value through other comprehensive income.

(ii) As part of the Group's cash flow management, the Group has the practice of endorsing and discounting substantial part of the bills received from its customers before the bills are due for payment. Accordingly, the Group's bills receivable were considered as within the business model to hold to collect contractual cash flows and to sell and reclassified to receivables at fair value through other comprehensive income.

Impairment

The adoption of the ECL model under HKFRS 9 resulted in no material financial impact in opening impairment allowances of the Group's debt instruments recorded at amortised cost or at fair value through other comprehensive income. Further details are disclosed in notes 23, 24 and 38 to the financial statements.

Impact on reserves and retained profits

There was no material financial impact of the transition to HKFRS 9 on the Group's reserve and retained profits at 1 January 2018.

(b) HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 5 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 18 and related interpretations.

There was no material financial impact of the adoption of HKFRS 15 on the Group's retained profits at 1 January 2018. However, upon adoption of HKFRS 15, the Group recognised revenue-related contracts labilities for the unsatisfied performance obligation which were previously recognised as "Advances from customers" under "Other payables and accruals (current)", but no comparative information was restated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of RMB114,646,000 and lease liabilities of RMB113,475,000 will be recognised at 1 January 2019.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
   (i) has control or joint control over the Group;
   (ii) has significant influence over the Group; or
   (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
   (i) the entity and the Group are members of the same group;
   (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
   (iii) the entity and the Group are joint ventures of the same third party;
   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
   (vi) the entity is controlled or jointly controlled by a person identified in (a);
   (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
   (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.2%-19.4%
Plant and machinery	19.4%-24.3%
Office equipment	19.4%-32.3%
Motor vehicles	12.1%-24.3%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)
Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties
Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of investment property to its residual value over its estimated useful life. The principal annual rate used for this purpose is as follows:

Investment property – commercial buildings	4.85%

Subsequent expenditures is charged to the asset's carrying amount only when it is probable that the future economic benefits associated with the item will flow to the Group and the costs can be measured reliably; otherwise, the expenditures are recognised in the statement of profit or loss in the year in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

(b) Software
Acquired software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The software is amortised over its estimated useful life of 3 to 6 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)
(c) Trademark
Acquired trademark is shown at historical cost. Trademark has finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 3 years.

Operating leases
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

When the fair value of unlisted equity investment cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investment is stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group may elect to reclassify these financial assets due to inactive markets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, which are recognised initially at fair value, net of directly attributable transaction costs. After initial recognition, interest-bearing bank loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties, interest-bearing bank and other loans, and bank advances for discounted bills.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions
A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax
Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)
Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

(b) Rendering of services

Revenue from the rendering of services includes rendering of transportation services for finished vehicles, supply chain management services for automobile components, raw materials and parts, and transportation services for non-automobile commodities, is recognised at the point in time when the finished vehicle, automobile components and parts or non-vehicle commodities upon acceptance by the customers. The customers cannot simultaneously receive and consume the benefits provided by the Group's transportation services and supply chain management services as the Group performs, and cannot control any assets during services rendering. The Group also has no enforceable right to payment for the services performed to date. The Group therefore concluded that control of the performance obligation has been transferred to the customers (i.e., service performed) at a point in time when the customers have accepted its services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable from 1 January 2018) (continued)

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the completion basis, as further explained in the accounting policy for "Contracts for services (applicable before 1 January 2018)" below;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contracts for services (applicable before 1 January 2018)

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

According to the service contract, acceptance of the finished vehicle, automobile components and parts or non-vehicle commodities by the customer is a specific act that is much more significant than any other act. Therefore, service revenue is recognised upon the completion of services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs (applicable from 1 January 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Pension schemes

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute 14% to 20% of its payroll cost to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 11 to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the items whose fair value gain or loss are recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)
In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2018 was RMB5,016,000 (2017: RMB5,016,000). Further details are given in note 16 to the financial statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and due from related parties. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and amounts due from related parties is disclosed in notes 23 and 38 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profits will be available against which the unused tax losses and the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, tax regulations, market or economic conditions. Further details are given in note 29 to the financial statements.

Fair value of an unlisted equity investment

The unlisted equity investment has been valued based on a market-based valuation technique as detailed in note 41 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of such investment as Level 3. The fair value of the unlisted equity investment at 31 December 2018 was RMB28,900,000. Further details are included in note 20 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, which engages in the transportation and supply chain management for vehicle commodities, transportation of non-vehicle commodities, processing of tyres and others. Therefore, no analysis by operating segment is presented.

Geographical information

Since the Group solely operates in Mainland China and all of the assets of the Group are located in Mainland China, geographical segment information as required by HKFRS 8 *Operating Segments* is not presented.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2018	2017
	RMB'000	RMB'000
Customer A	2,142,154	3,638,059
Customer B	1,224,107	1,055,968

5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	5,112,410	-
Sale of goods	-	1,971,436
Rendering of logistics services	-	4,642,987
	5,112,410	6,614,423

Revenue from contracts with customers
(i) Disaggregated revenue information

	2018 RMB'000
Sale of goods	1,048,804
Rendering of logistics services	
Transportation of finished vehicles	2,210,555
Supply chain management for vehicle raw materials, components and parts	1,853,051
Total revenue from contracts with customers	5,112,410

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Rendering of services	1,418

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products
The performance obligation is satisfied upon delivery of the products and payment is generally due within 90 days from delivery.

Rendering of services
The performance obligation is satisfied at a point in time when the finished vehicle, automobile components and parts or non-vehicle commodities are accepted by the customers and payment is generally due within 90 days from the acceptance of the finished vehicle, automobile components and parts or non-vehicle commodities.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(b) Other income and gains

	Notes	2018 RMB'000	2017 RMB'000
Bank interest income	6	13,741	12,715
Government grants		10,899	7,499
Penalty on transportation companies		6,891	7,621
Sales of recycled packages of vehicle spare parts		4,713	5,203
Rental income for investment properties		2,009	946
Dividend income from an equity investment designated at fair value through other comprehensive income	6	1,680	-
Dividend income from an available-for-sale investment	6	-	1,704
Gain on disposal of items of property, plant and equipment		103	1,226
Management service		-	6,968
Others		4,498	2,202
		44,534	46,084

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2018 RMB'000	2017 RMB'000
Cost of inventories sold		1,008,848	1,909,591
Cost of logistics services rendered		3,240,924	3,527,361
Depreciation of property, plant and equipment	13	92,928	91,062
Depreciation of investment properties	14	448	285
Amortisation of other intangible assets	17	16,365	10,585
Minimum lease payments under operating leases		67,108	50,213
Amortisation of prepaid land lease payments	15	6,570	5,616
Impairment losses recognised on property, plant and equipment	13	5,354	-
Auditor's remuneration		2,450	2,300
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries and relevant benefits		626,963	675,913
Pension scheme contributions		63,482	69,425
Termination benefits		8,473	13,409
		698,918	758,747
Foreign exchange differences, net		68	762
Impairment of receivables, net		(4,809)	(1,058)
Impairment of amounts due from related parties, net		(1,849)	2,172
Provision for impairment of inventories		-	250
Dividend income from an equity investment designated at fair value through other comprehensive income	5	(1,680)	-
Dividend income from an available-for-sale investment	5	-	(1,704)
Bank interest income	5	(13,741)	(12,715)
Loss/(gain) on disposal of items of property, plant and equipment, net		175	(886)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank and other loans	1,803	386

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 RMB'000	2017 RMB'000
Fees	500	500
Other emoluments:		
Salaries, allowances and benefits in kind	1,275	1,176
Performance related bonuses	744	710
Pension scheme contributions	171	64
	2,190	1,950
	2,690	2,450

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 RMB'000	2017 RMB'000
Chong Teck Sin	125	125
Poon Chiu Kwok	125	125
Jie Jing	125	125
Zhang Yun	125	125
	500	500

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors, supervisors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018				
Executive directors:				
Xie Shi Kang	362	275	43	680
Chen Wen Bo (i)	-	-	-	-
William K. Villalon	-	-	-	-
Lu Xiao Zhong (ii)	-	-	-	-
Shi Jing Gang	348	275	43	666
Non-executive directors:				
Chen Xiao Dong (iii)	-	-	-	-
Li Xin	-	-	-	-
Man Hin Wai Paul (iv)	-	-	-	-
Tan Hong Bin (v)	-	-	-	-
Danny Goh Yan Nan (vi)	-	-	-	-
Supervisors:				
Wang Huai Cheng (vii)	-	-	-	-
Steven Ho Kok Keong (viii)	-	-	-	-
Chen Jian Feng (ix)	-	-	-	-
Tang Yi Zhong	-	-	-	-
Jin Jie (x)	-	-	-	-
Zhou Zheng Li (xi)	121	37	21	179
Deng Li (xii)	134	43	21	198
Deng Gang	310	114	43	467
	1,275	744	171	2,190
2017				
Executive directors:				
Xie Shi Kang	333	250	16	599
Lu Xiao Zhong	-	-	-	-
William K. Villalon	-	-	-	-
Shi Jing Gang	328	250	16	594
Non-executive directors:				
Tan Hong Bin	-	-	-	-
Danny Goh Yan Nan	-	-	-	-
Li Xin	-	-	-	-
Wu Xiao Hua	-	-	-	-
Supervisors:				
Chen Jian Feng	-	-	-	-
Steven Ho Kok Keong	-	-	-	-
Tang Yi Zhong	-	-	-	-
Zhang Tian Ming	-	-	-	-
Zhou Zheng Li	242	60	16	318
Deng Gang	273	150	16	439
	1,176	710	64	1,950

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors, supervisors and the chief executive (continued)

(i) Mr. Chen Wen Bo was appointed as an executive director on 31 December 2018.
(ii) Mr. Lu Xiao Zhong was appointed as an executive director on 14 November 2014 and resigned in December 2018.
(iii) Mr. Chen Xiao Dong was appointed as a non-executive director on 31 December 2018.
(iv) Mr. Man Hin Wai Paul was appointed as a non-executive director on 29 June 2018.
(v) Mr. Tan Hong Bin was appointed as a non-executive director on 30 June 2017 and resigned in December 2018.
(vi) Mr. Danny Goh Yan Nan was appointed as a non-executive director on 14 November 2014 and resigned in June 2018.
(vii) Mr. Wang Huai Cheng was appointed as a supervisor on 29 June 2018.
(viii) Mr. Steven Ho Kok Keong was appointed as a supervisor on 14 November 2014 and resigned in December 2018.
(ix) Mr. Chen Jian Feng was appointed as a supervisor on 30 November 2016 and resigned in June 2018.
(x) Ms. Jin Jie was appointed as a supervisor on 31 December 2018.
(xi) Mr. Zhou Zheng Li was appointed as a supervisor on 14 November 2014 and resigned in June 2018.
(xii) Ms. Deng li was appointed as a supervisor on 29 June 2018.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2017: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2017: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2017: three) highest paid employees who are neither directors nor supervisors nor the chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	918	803
Performance related bonuses	553	640
Pension scheme contributions	137	47
	1,608	1,490

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell with in the following band is as follows:

	Numer of employees	
	2018	2017
Nil to HK$1,000,000	3	3

10. INCOME TAX

The Company and its subsidiaries are registered in the PRC and only have operations in Mainland China. They are subject to PRC corporate income tax ("CIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

	2018 RMB'000	2017 RMB'000
Current - Mainland China		
Charge for the year	40,477	55,389
Deferred tax (note 29)	(5,114)	2,254
Total tax charge for the year	35,363	57,643

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

		2018		2017	
	Notes	RMB'000	%	RMB'000	%
Profit before tax		101,777		218,905	
Tax at the statutory tax rate		25,444	25.0	54,726	25.0
Lower tax rate for specific entities	i	(301)	(0.3)	(1,678)	(0.7)
Adjustments in respect of current tax of previous years		(596)	(0.6)	(1,118)	(0.5)
Income not subject to tax	ii	(352)	(0.3)	(584)	(0.3)
Expenses not deductible for tax		3,003	2.9	6,889	3.1
Tax losses utilised from previous years		(117)	(0.1)	(456)	(0.2)
Tax losses and deductible temporary differences not recognised		8,282	8.1	(136)	(0.1)
Tax charge at the Group's effective tax rate		35,363	34.7	57,643	26.3

(i) According to Caishui (2011) No. 58 jointly issued by the Ministry of Finance, General Administration of Customs and State Administration of Taxation ("SAT") on 27 July 2011, the enterprises in encouraged industries in Western China are eligible for a preferential CIT rate of 15% for the period from 1 January 2011 to 31 December 2020. Pursuant to the Public Notice [2014] No.15 issued by National Development and Reform Commission on 20 August 2014, the Company and its subsidiary, CMAL Bo Yu, satisfy the conditions of tax incentive, and the applicable CIT rate of both of them is 15%.

(ii) The share of tax attributable to a joint venture and associates amounting to RMB84,000 (2017: RMB310,000) is included in "Share of profits and losses of a joint venture and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Proposed final – RMB0.10 (2017: RMB0.15) per ordinary share	16,206	24,310

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 162,064,000 (2017: 162,064,000) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

The calculation of basic earnings per share is based on:

	2018 RMB'000	2017 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	46,109	127,299
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	162,064,000	162,064,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018						
Cost:						
At 1 January 2018	570,675	121,146	57,284	251,385	47,673	1,048,163
Additions	71	6,543	11,388	5,357	137,408	160,767
Disposals	(5,605)	(1,890)	(1,482)	(5,305)	-	(14,282)
Transfers	21,538	408	136	30,568	(52,650)	-
At 31 December 2018	586,679	126,207	67,326	282,005	132,431	1,194,648
Accumulated depreciation:						
At 1 January 2018	(224,178)	(73,944)	(33,557)	(179,056)	-	(510,735)
Depreciation provided during the year (note 6)	(26,431)	(15,731)	(9,936)	(40,830)	-	(92,928)
Disposals	5,437	1,843	1,422	5,146	-	13,848
At 31 December 2018	(245,172)	(87,832)	(42,071)	(214,740)	-	(589,815)
Impairment:						
At 1 January 2018	-	-	-	-	-	-
Impairment provided during the year (note 6)	-	-	-	(5,354)	-	(5,354)
At 31 December 2018	-	-	-	(5,354)	-	(5,354)
Net carrying amount:						
At 1 January 2018	346,497	47,202	23,727	72,329	47,673	537,428
At 31 December 2018	341,507	38,375	25,255	61,911	132,431	599,479
31 December 2017						
Cost:						
At 1 January 2017	569,310	103,613	42,359	266,008	9,962	991,252
Additions	-	3,286	16,274	9,869	56,388	85,817
Disposals	(461)	(628)	(2,089)	(25,728)	-	(28,906)
Transfers	1,826	14,875	740	1,236	(18,677)	-
At 31 December 2017	570,675	121,146	57,284	251,385	47,673	1,048,163
Accumulated depreciation:						
At 1 January 2017	(197,875)	(57,820)	(27,807)	(163,678)	-	(447,180)
Depreciation provided during the year (note 6)	(26,380)	(16,711)	(7,753)	(40,218)	-	(91,062)
Disposals	77	587	2,003	24,840	-	27,507
At 31 December 2017	(224,178)	(73,944)	(33,557)	(179,056)	-	(510,735)
Net carrying amount:						
At 1 January 2017	371,435	45,793	14,552	102,330	9,962	544,072
At 31 December 2017	346,497	47,202	23,727	72,329	47,673	537,428

As at 31 December 2018, certain of the Group's machineries with a net carrying amount of approximately RMB16,090,000 (2017: certain machineries amounting to RMB22,847,000) were pledged to secure other loans granted to the Group (note 28).

14. INVESTMENT PROPERTIES

	2018	2017
	RMB'000	RMB'000
Cost:		
At 1 January	8,813	9,705
Additions (from acquisition)	9,420	-
Adjustment	-	(892)
At 31 December	18,233	8,813
Accumulated depreciation:		
At 1 January	(285)	-
Depreciation provided during the year (note 6)	(448)	(285)
At 31 December	(733)	(285)
Net carrying amount		
At 1 January	8,528	9,705
At 31 December	17,500	8,528

The Group's investment properties consist of seven commercial properties in China. As at 31 December 2018, the fair value of the investment properties was estimated to be approximately RMB17,770,000 (2017: RMB8,788,000). The valuation was performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer. Selection criteria including market knowledge, reputation, independence and whether professional standards are maintained are considered to appoint the external valuer. The valuation was determined with reference to market prices and estimated future market rental of similar properties in the respective areas. The fair value measurement hierarchy of the investment properties requires certain significant unobservable inputs (Level 3).

The investment properties are leased to the third party under operating leases or held for rent or for capital appreciation.

15. PREPAID LAND LEASE PAYMENTS

	2018	2017
	RMB'000	RMB'000
Cost:		
At 1 January	267,077	267,077
Additions	21,677	-
At 31 December	288,754	267,077
Accumulated depreciation:		
At 1 January	(48,454)	(42,838)
Amortisation charge for the year (note 6)	(6,570)	(5,616)
At 31 December	(55,024)	(48,454)
Carrying amount at 31 December	233,730	218,623
Current portion included in prepayments, other receivables and other assets	(5,314)	(4,669)
Non-current portion at 31 December	228,416	213,954

16. GOODWILL

	Cash-generating units		
	Transportation services for finished vehicle RMB'000	Storage management services RMB'000	Total RMB'000
31 December 2018 and 31 December 2017			
Cost:			
At 1 January and 31 December 2018 and 2017	5,016	2,441	7,457
Accumulated impairment:			
At 1 January and 31 December 2018 and 2017	-	(2,441)	(2,441)
Net carrying amount:			
At 1 January and 31 December 2018 and 2017	5,016	-	5,016

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Transportation services for finished vehicle cash-generating unit; and
- Storage management services cash-generating unit.

The recoverable amount of each CGU has been determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, adjusted by management expectations for the market condition.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit. The discount rate applied to the cash flow projections is 17.0% (2017: 17.0%).

Growth rate – The growth rate used to extrapolate the cash flows beyond the five-year period is 2.0% (2017: 2.0%), which is based on the estimated growth rate of each unit, taking into account the industry growth rate, past experience and the medium or long term growth target.

The values assigned to the key assumptions on market condition and the discount rate are consistent with external information sources. In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount as at 31 December 2018.

17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Customer relationships RMB'000	Trademark RMB'000	Wharf lease right RMB'000	Total RMB'000
31 December 2018					
Cost:					
At 1 January 2018	44,242	4,174	107	7,200	55,723
Additions	28,929	-	-	-	28,929
At 31 December 2018	73,171	4,174	107	7,200	84,652
Accumulated amortisation:					
At 1 January 2018	(27,503)	(3,532)	(107)	(1,635)	(32,777)
Amortisation provided during the year (note 6)	(16,139)	-	-	(226)	(16,365)
At 31 December 2018	(43,642)	(3,532)	(107)	(1,861)	(49,142)
Accumulated impairment:					
At 1 January and 31 December 2018	-	(642)	-	-	(642)
Net carrying amount:					
At 1 January 2018	16,739	-	-	5,565	22,304
At 31 December 2018	29,529	-	-	5,339	34,868
31 December 2017					
Cost:					
At 1 January 2017	35,914	4,174	107	7,200	47,395
Additions	8,388	-	-	-	8,388
Disposal	(60)	-	-	-	(60)
At 31 December 2017	44,242	4,174	107	7,200	55,723
Accumulated amortisation:					
At 1 January 2017	(17,696)	(3,532)	(107)	(889)	(22,224)
Amortisation provided during the year (note 6)	(9,839)	-	-	(746)	(10,585)
Disposals	32	-	-	-	32
At 31 December 2017	(27,503)	(3,532)	(107)	(1,635)	(32,777)
Accumulated impairment:					
At 1 January and 31 December 2017	-	(642)	-	-	(642)
Net carrying amount:					
At 1 January 2017	18,218	-	-	6,311	24,529
At 31 December 2017	16,739	-	-	5,565	22,304

18. INVESTMENT IN A JOINT VENTURE

	2018 RMB'000	2017 RMB'000
Share of net assets	12,723	11,661

The Group's trade receivable balances due from the joint venture are disclosed in note 38 to the financial statements.

Particulars of the Company's joint venture are as follows:

			Percentage of			
Name	**Particulars of issued shares held**	**Place of registration and business**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
Hangzhou Changan Minsheng Anji Logistics Co., Ltd. ("Hangzhou Anji")	Ordinary shares	PRC/ Mainland China	50	50	50	Providing logistics services in Mainland China

The above investment is directly held by the Company.

The following table illustrates the financial information of the Hangzhou Anji:

	2018 RMB'000	2017 RMB'000
Share of the joint venture's profit for the year	1,062	892
Share of the joint venture's total comprehensive income	1,062	892
Carrying amount of the Group's investment in the joint venture	12,723	11,661

19. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	84,535	22,452

As at 31 December 2018, particulars of the Company's associate are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Chongqing Guoyuan Ro-Ro Terminal Company Limited ("Chongqing Guoyuangang")	Ordinary shares	PRC/Mainland China	31	Providing port operation, freight forwarding and logistics services in Mainland China

In December 2018, the Group acquired 31% equity interests of Chongqing Guoyuangang by capital contribution of RMB85,072,000 in cash.

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

In October 2018, the Group disposed all of its equity interests in Chongqing Terui Transportation Service Company Limited to an independent third party at consideration of RMB22,609,000.

The Group's shareholdings in the associates all comprise equity shares held by the Company.

The following table illustrates the aggregate financial information of the Group's associates:

	2018 RMB'000	2017 RMB'000
Share of the associates' profit/(loss) for the year	4,886	(3,292)
Share of the associates' total comprehensive income/(loss)	4,886	(3,292)
Aggregate carrying amount of the Group's investments in the associates	84,535	22,452

20. AN EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AN AVAILABLE-FOR-SALE INVESTMENT

	2018 RMB'000	2017 RMB'000
An equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
China South Industries Group Finance Co., Ltd. ("Zhuangbei Finance")	28,900	-
An available-for-sale investment		
Unlisted equity investment, at cost	-	28,900

The above equity investment was irrevocably designated at fair value through other comprehensive income since 1 January 2018 as the Group considers the investment to be strategic in nature.

During the year ended 31 December 2018, the Group received dividends in the amount of RMB1,680,000 from Zhuangbei Finance.

21. OTHER NON-CURRENT ASSETS

	Note	2018 RMB'000	2017 RMB'000
Prepayment for a land use right	(i)	39,029	56,100
Prepayment for purchases of other intangible assets		11,365	11,771
		50,394	67,871

(i) The prepayment was made for the land use right, for which the total consideration was RMB78,010,000.

22. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	1,397	1,933
Work in progress	187	2,571
Finished goods	16,205	32,849
Impairment	(250)	(250)
	17,539	37,103

23. TRADE AND BILLS RECEIVABLES

	2018 RMB'000	2017 RMB'000
Bills receivable	377,270	221,774
Trade receivables	332,840	411,957
Impairment	(45,899)	(51,283)
	664,211	582,448

The Group's trading terms with its customers are mainly on credit. The credit period ranges from cash upon acceptance to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's bills receivable were all aged within six months and were neither past due nor impaired.

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2018, no bills receivable (2017: RMB1,930,000) were pledged by the Group to secure bank acceptance bills.

An ageing analysis of the trade receivables as at the end of the reporting period, net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	175,156	316,711
3 to 6 months	77,150	23,940
6 months to 1 year	28,929	15,907
Over 1 year	5,706	4,116
	286,941	360,674

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	51,283	52,215
Impairment losses, net (note 6)	(5,347)	(906)
Amount written off as uncollectible	(37)	(26)
At end of year	45,899	51,283

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	Less than 3 month	4 to 9 months	Over 9 months	Total
Expected credit loss rate	1.99%	6.12%	8.74%	71.21%	13.79%
Gross carrying amount (RMB'000)	175,156	77,232	31,383	49,069	332,840
Expected credit losses (RMB'000)	3,486	4,727	2,743	34,943	45,899

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually and collectively impaired trade receivables of RMB51,283,000 with a carrying amount before provision of RMB71,560,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	316,487
Less than 3 month past due	23,910
	340,397

Receivables that were neither past due nor impaired related to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Prepayments	38,056	44,295
Interest receivables	-	167
Deposits and other receivables	66,456	46,130
Impairment allowance	(2,063)	(2,129)
	102,449	88,463

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

The movements in the loss allowance for impairment of deposits and other receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	2,129	2,299
Impairment losses (note 6)	538	(152)
Amount written off as uncollectible	(604)	(18)
At end of year	2,063	2,129

Deposits and other receivables mainly represent rental deposits and deposits with suppliers or clients. Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 ranged from 0.5% to 10%.

25. CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash and bank balances	1,191,558	1,247,081
Time deposits	-	27,710
	1,191,558	1,274,791
Less:		
Bank balances pledged for bank acceptance bills, letter of credit and bank letters of guarantee	(1,809)	(29,799)
Time deposits with original maturity of more than three months when acquired	-	(27,710)
Cash and cash equivalents	1,189,749	1,217,282

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,181,916,000 (2017: RMB1,238,018,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	1,306,626	1,609,033
3 to 6 months	312,490	323,703
6 months to 1 year	8,868	9,032
1 to 2 years	5,937	7,603
2 to 3 years	3,126	793
Over 3 years	1,560	1,985
	1,638,607	1,952,149

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

As at 31 December 2018, bills payable with an aggregate amount of approximately RMB16,588,000 (2017: RMB137,848,000) were secured by the pledge deposits of RMB1,809,000 (2017: pledge deposits of RMB19,799,000 and bills receivable of RMB1,930,000).

27. OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Advances from customers	-	2,548
Contract liabilities	4,793	-
Other payables	272,712	226,979
Other taxes	3,883	22,754
Accruals for payroll and welfare	238,919	274,719
	520,307	527,000

Other payables are non-interest-bearing and repayable on demand.

28. INTEREST-BEARING BANK AND OTHER LOANS

	2018			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Unsecured loans*	5.30-5.50	2019	10,000	5.00	2018	8,000
Other secured loans**	4.75	2019	9,344	4.75	2018	9,130
			19,344			17,130
Non-current						
Other secured loans**	4.75	2020	9,344	4.75	2020	18,260
			28,688			35,390

	2018 RMB'000	2017 RMB'000
Analysed into:		
Loans repayable:		
Within one year	19,344	17,130
Loans repayable:		
Beyond one year	9,344	18,260
	28,688	35,390

* As at 31 December 2018, the Group's interest-bearing loans from a financial institution bore interest from 5.3% to 5.5% per annum and were repayable in 2019.

** In 2017, the Company and its subsidiary Hangzhou Changan Minsheng entered into a sale-leaseback arrangement with a related party to sell and leaseback their two production lines for processing of tyres. Based on the substance of the sale-leaseback arrangements, the leaseback arrangements were finance leases, whereby the lessor provided finance to the Company and Hangzhou Changan Minsheng, with the production lines as security to the loans.

The sale-leaseback principal of the finance lease was RMB27,390,000 bearing effective interest at a rate of 4.75% per annum. Pursuant to the terms of the sale-leaseback arrangements, the loans are repayable on 31 December 2020. At the end of the lease term, the lessor is obliged to transfer the ownership of the above assets to the Company and Hangzhou Changan Minsheng at a nominal consideration of RMB100, respectively.

Other loans were secured by mortgages over the Group's production lines, which had an aggregate carrying amount as at 31 December 2018 of approximately RMB16,090,000 (2017: RMB22,847,000) (note 13).

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2018 RMB'000	2017 RMB'000
Fair value adjustments arising from acquisition of a subsidiary		
At 1 January	3,191	3,340
Deferred tax credited to profit or loss during the year (note 10)	(149)	(149)
Gross deferred tax liabilities at 31 December	3,042	3,191

29. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Depreciation allowance in excess of related depreciation and amortisation RMB'000	Impairment of financial assets RMB'000	Provision for impairment of inventories RMB'000	Deferred income RMB'000	Accruals RMB'000	Payroll payable RMB'000	Total RMB'000
At 1 January 2018	16,231	13,367	63	1,047	3,979	20,199	54,886
Deferred tax credited/(charged) to profit or loss during the year (note 10)	1,933	(472)	-	338	2,366	800	4,965
Gross deferred tax assets at 31 December 2018	18,164	12,895	63	1,385	6,345	20,999	59,851

29. DEFERRED TAX (CONTINUED)

Deferred tax assets (Continued)

	Depreciation allowance in excess of related depreciation and amortisation RMB'000	Provision for impairment of receivables RMB'000	Provision for impairment of inventories RMB'000	Deferred income RMB'000	Accruals RMB'000	Payroll payable RMB'000	Total RMB'000
At 1 January 2017	15,475	13,133	-	1,138	4,723	22,820	57,289
Deferred tax credited/(charged) to profit or loss during the year (note 10)	756	234	63	(91)	(744)	(2,621)	(2,403)
Gross deferred tax assets at 31 December 2017	16,231	13,367	63	1,047	3,979	20,199	54,886

29. DEFERRED TAX (CONTINUED)

Deferred tax assets (continued)

Deferred tax assets have not been recognised in respect of the following items:

	2018 RMB'000	2017 RMB'000
Tax losses	55,934	15,537
Deductible temporary differences	2,120	3,053
	58,054	18,590

The above tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

30. DEFERRED INCOME

	2018 RMB'000	2017 RMB'000
Government grants		
At 1 January	7,387	7,994
Addition	2,880	-
Released during the year	(663)	(607)
At 31 December	9,604	7,387

Deferred income represented government grants received by the Group in respect of items of property, plant and equipment. The deferred income is released to profit or loss at the annual instalment to match with the expected useful lives of the relevant assets.

31. SHARE CAPITAL

Shares

	2018 RMB'000	2017 RMB'000
Authorised:		
162,064,000 (2017: 162,064,000) ordinary shares of RMB1.00 each	162,064	162,064
Issued and fully paid:		
162,064,000 (2017: 162,064,000) ordinary shares of RMB1.00 each	162,064	162,064

During the year, there was no movement in the Company's issued share capital:

	Number of shares in issue	Issued capital RMB'000
At 1 January 2018 and 31 December 2018	162,064,000	162,064

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 62 of the financial statements.

(a) Statutory reserves of the PRC subsidiaries

In accordance with the Company Law of the PRC and the respective articles of association of the Company and its subsidiaries, each of the Company and its PRC subsidiaries is required to allocate 10% of its profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve until such reserve reaches 50% of its registered capital.

(b) Safety fund surplus reserve

Pursuant to a Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the Group is required to establish a safety fund surplus reserve. The safety fund can only be used to offset the specific reserve as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of a subsidiary, Nanjing CMSC, that has material non-controlling interests are set out below:

	2018 RMB'000	2017 RMB'000
Percentage of equity interest held by non-controlling interests	33%	33%
Profit for the year allocated to non-controlling interests	19,258	33,001
Dividends paid to non-controlling interests	26,400	26,400
Accumulated balances of non-controlling interests at the reporting date	101,545	108,687

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Nanjing CMSC	
	2018 RMB'000	2017 RMB'000
Revenue	511,118	607,791
Total expenses	(452,761)	(507,787)
Profit for the year	58,357	100,004
Total comprehensive income for the year	58,357	100,004
Current assets	440,427	488,008
Non-current assets	51,809	46,677
Current liabilities	(184,523)	(205,329)
Non-current liabilities	-	-
Net cash flows from operating activities	10,660	159,372
Net cash flows used in investing activities	(3,250)	(4,456)
Net cash flows used in financing activities	(80,000)	(80,000)
Effect of foreign exchange rate changes, net	46	(171)
Net increase/(decrease) in cash and cash equivalents	(72,544)	74,745

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Interest-bearing bank and other loans RMB'000	Bank advances for discounted bills RMB'000	Total RMB'000
At 1 January 2018	35,390	-	35,390
Changes from financing cash flows	(6,702)	114,266	107,564
At 31 December 2018	28,688	114,266	142,954

	Interest-bearing bank and other loans RMB'000
At 1 January 2017	8,441
Changes from financing cash flows	26,949
At 31 December 2017	35,390

35. PLEDGE OF ASSETS

Details of the Group's bank acceptance bills and interest-bearing bank and other loans, which are secured by the assets of the Group, are included in notes 13, 23 and 25, respectively, to the financial statements.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessee

The Group leases certain of its office properties and equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	71,420	42,873
In the second to fifth years, inclusive	65,808	43,645
After five years	40,781	53,874
	178,009	140,392

36. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with lease term from one to ten years. As at 31 December 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	3,621	1,355
In the second to fifth years, inclusive	1,823	2,080
After five years	357	653
	5,801	4,088

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Plant and machinery	66,959	179,389

38. RELATED PARTY TRANSACTIONS

(a) For the years ended 31 December 2018 and 2017, related parties, other than the subsidiaries, and their relationship with the Group are as follows:

Name of related party	Relationship
China Changan Automobile Group Company Limited ("China Changan") (previously known as China Changan Automobile Group Co., Ltd.)	Shareholder
APL Logistics Ltd. ("APL Logistics")	Shareholder
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial")	Shareholder
APL Logistics (China) Co., Ltd. ("APLLC")	Controlled by APL Logistics
APL Logistics Storage (Shanghai) Co., Ltd. ("APLL Shanghai")	Controlled by APL Logistics
China South Industries Group Co.,Ltd. ("CSI Group")	Parent company of China Changan
Hubei Huazhong Maruili Automobile Lighting Co., Ltd. ("Hubei Huazhong Maruili")	Ultimately controlled by CSI Group
Chongqing Dajiang Industry Group Xingchen Logistics Co., Ltd. ("Dajiang Xingchen") (previously known as Chongqing Dajiang Industry Group Yanxing Logistics Co., Ltd.)	Ultimately controlled by CSI Group
Chongqing Naishite Steering System Co., Ltd. ("Chongqing Naishite")	Ultimately controlled by CSI Group
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd. ("Lingchuan Tank")	Ultimately controlled by CSI Group
Chongqing Jianshe Automobile Air-Conditioner Co., Ltd. ("Chongqing Jianshe Auto-Air")	Ultimately controlled by CSI Group
Chengdu Wanyou Filter Co., Ltd. ("Chengdu Wanyou")	Ultimately controlled by CSI Group
Hubei Xiaogan Huazhong Automotive Lighting Co., Ltd. ("Hubei Xiaogan")	Ultimately controlled by CSI Group
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd. ("Dajiang Xinda")	Ultimately controlled by CSI Group
Chongqing Changfeng Jiquan Machinery Co., Ltd. ("Changfeng Jiquan")	Ultimately controlled by CSI Group

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) For the years ended 31 December 2018 and 2017, related parties, other than the subsidiaries, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Yunnan Xiyi Industrial Co., Ltd. ("Yunnan Xiyi")	Ultimately controlled by CSI Group
Chongqing Shangfang Automobile Fittings Co., Ltd. ("Shangfang Fitting")	Ultimately controlled by CSI Group
Sichuan Hongguang Machinery and Electrics Co., Ltd. ("Sichuan Hongguang")	Ultimately controlled by CSI Group
Chongqing Changan Industry Company (Group) Limited ("Changan Industry Company")	Ultimately controlled by CSI Group
Tiannake Lingchuan Chongqing Exhaust System Co., Ltd. ("Tiannake Lingchuan")	Ultimately controlled by CSI Group
Sichuan Huaqing Machinery Co., Ltd. ("Sichuan Huaqing")	Ultimately controlled by CSI Group
Chongqing Yihong Engineering Plastic Products Co., Ltd. ("Yihong Plastic")	Ultimately controlled by CSI Group
Chongqing Changrong Machinery Co., Ltd. ("Changrong Machinery")	Ultimately controlled by CSI Group
Chongqing Dajiang Jiexin Forging Co., Ltd. ("Dajiang Jiexin")	Ultimately controlled by CSI Group
Chongqing Changjiang Electric Industry Group Co., Ltd. ("Chongqing Changjiang Electric")	Ultimately controlled by CSI Group
Chengdu Lingchuan Special Industrial Co., Ltd. ("Lingchuan Industrial")	Ultimately controlled by CSI Group
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd. ("Chengdu Jialing Huaxi")	Ultimately controlled by CSI Group
Chengdu Ningxing Automobile Spring Co., Ltd. ("Chengdu Ningxing")	Ultimately controlled by CSI Group
Chongqing Jianshe Industrial (Group) Co., Ltd. ("Jianshe Industrial")	Ultimately controlled by CSI Group
Chongqing Changan Property Management Co., Ltd. ("Changan Property")	Ultimately controlled by CSI Group
Chongqing Changxin Construction Co., Ltd. ("Chongqing Changxin")	Ultimately controlled by CSI Group
Chongqing Changan Construction Co., Ltd. ("Chongqing Changan Construction")	Ultimately controlled by CSI Group
China South Industries Group Finance Co., Ltd. ("Zhuangbei Finance")	Ultimately controlled by CSI Group
Chongqing Changan Automobile Co., Ltd. ("Changan Automobile")	Controlled by China Changan
Chongqing Anfu Automobile Co.,Ltd. ("Chongqing Anfu")	Controlled by China Changan
Harbin Dongan Automotive Engine Manufacturing Co., Ltd. ("Harbin DAE")	Controlled by China Changan
Nanning Wanyou Auto Sales and Service Co.,Ltd. ("Nanning Wanyou")	Controlled by China Changan
Harbin Dongan Automotive Power Co., Ltd. ("Harbin DAP")	Controlled by China Changan
Guangxi Wanyou Auto Sales and Service Co.,Ltd. ("Guangxi Wanyou")	Controlled by China Changan
Chongqing Wanyou Economic Development Co., Ltd. ("Wanyou Economic")	Controlled by China Changan
CSGC TRW Chassia Systems Co., Ltd. ("CTCS")	Controlled by China Changan
China Changan Automobile Group Ningbo Dongxiang Sales Co., Ltd. ("Ningbo Dongxiang")	Controlled by China Changan
Anhui Jian'an Chassis System Co., Ltd. ("Anhui Jian'an")	Controlled by China Changan
Chengdu Huachuan Electric Equipment Co., Ltd. ("Chengdu Huachuan")	Controlled by China Changan
Chengdu Ningjiang Showa Autoparts Co., Ltd. ("Ningjiang Showa")	Controlled by China Changan
South Inter Air-Conditioner Co., Ltd. ("South Air")	Controlled by China Changan
Sichuan Ningjiang Shanchuan Machinery Co., Ltd. ("Ningjiang Shock")	Controlled by China Changan
Zhonghui Futong Finance Lease (Shenzhen) Co., Ltd. ("Zhonghui Futong")	Controlled by China Changan
China Changan Automobile Group Hangzhou Investment Co., Ltd.("Hangzhou Investment")	Controlled by China Changan
Hafei Automobile Co., Ltd. ("Hafei Automobile")	Controlled by China Changan
Harbin Hafei Automobile Industry Group Co., Ltd. ("Hafei Industry")	Controlled by China Changan
Sichuan Jian'an Industrial Co., Ltd. ("Sichuan Jian'an")	Controlled by China Changan
Chongqing Wanyou Longrui Auto Sales and Service Co., Ltd.("Wanyou Longrui")	Controlled by China Changan
Yunnan Wanyou Auto Sales and Service Co.,Ltd. ("Yunnan Wanyou")	Controlled by China Changan
Dehong Wanfu Automobile Sales & Service Co., Ltd. ("Dehong Wanfu")	Controlled by China Changan
Liupanshui Wanfu Automobile Sales & Service Co., Ltd.("Liupanshui Wanfu")	Controlled by China Changan
Wanyou Automobile Investment Co.,Ltd. ("Wanyou Investment")	Controlled by China Changan

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) For the years ended 31 December 2018 and 2017, related parties, other than the subsidiaries, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Minsheng Logistics Co., Ltd. ("Minsheng Logistics")	Ultimately controlled by Minsheng Industrial
Minsheng International Container Transportation Co.,Ltd. ("Minsheng International Container")	Ultimately controlled by Minsheng Industrial
Minsheng International Freight Co., Ltd. ("Minsheng International Freight")	Ultimately controlled by Minsheng Industrial
Tianjin Minsheng International Shipping Agencies Co., Ltd. ("Tianjin Minsheng Shipping")	Ultimately controlled by Minsheng Industrial
Shanghai Minsheng International Freight Co., Ltd. ("Shanghai Minsheng International Freight")	Ultimately controlled by Minsheng Industrial
Hubei Minsheng International Freight Co., Ltd. ("Hubei Minsheng International Freight")	Ultimately controlled by Minsheng Industrial
Shanghai Minsheng Shipping Co., Ltd. ("Shanghai Minsheng Shipping")	Controlled by Minsheng Industrial
Ming Sung Industrial Co., (HK) Ltd. ("Ming Sung (HK) ")	Controlled by Minsheng Industrial
Minsheng Shipping Co., Ltd. ("Minsheng Shipping")	Controlled by Minsheng Industrial
Baoding Changan Bus Manufacture Co., Ltd. ("Changan Bus")	Controlled by Changan Automobile
Chongqing Changan Special Automobile Sales Co., Ltd. ("Changan Special")	Controlled by Changan Automobile
Chongqing Changan Connected Car Technology Co., Ltd. ("Changan Connected")	Controlled by Changan Automobile
Hefei Changan Yixing Technology Co.,Ltd. ("Hefei Changan Yixing")	Controlled by Changan Automobile
Hebei Changan Automobile Co., Ltd. ("Hebei Changan")	Controlled by Changan Automobile
Nanjing Changan Automobile Co., Ltd. ("Nanjing Changan")	Controlled by Changan Automobile
Hefei Changan Automobile Co., Ltd. ("Hefei Changan")	Controlled by Changan Automobile
Chongqing Changan International Sales and Services Co., Ltd. ("Changan International Sales")	Controlled by Changan Automobile
Chongqing Changan Automobile Supporting Service Co., Ltd. ("Changan Service")	Controlled by Changan Automobile
Chongqing Changan New Energy Vehicle Co., Ltd. ("Changan New Energy")	Controlled by Changan Automobile
Chongqing Changan Automobile Sales Co., Ltd. ("Changan Sales")	Controlled by Changan Automobile
Chongqing Changan Suzuki Automobile Co., Ltd. ("Changan Suzuki")	Controlled by Changan Automobile
Changan Ford Automobile Co., Ltd. ("Changan Ford")	Joint venture of Changan Automobile
Changan Mazda Automobile Co., Ltd. ("Changan Mazda")	Joint venture of Changan Automobile
Jiangling Holding Co., Ltd. ("Jiangling Holding")	Joint venture of Changan Automobile
Changan Mazda Engine Co., Ltd. ("Changan Mazda Engine") (previously known as Changan Ford Mazda Engine Co., Ltd.)	Joint venture of Changan Automobile
Changan Automobile Finance Co.,Ltd.("Changan Automobile Finance")	Associate of Changan Automobile
Nanjing Chelai Travel Technology Co.,Ltd. ("Nanjing Chelai")	Associate of Changan Automobile
Chongqing Changan Kuayue Automobile Co., Ltd. ("Changan Kuayue")	Associate of Changan Automobile
Chongqing Ante Import and Export Trading Co., Ltd. ("Chongqing Ante")	Subsidiary of Changan Ford
Hangzhou Anji	Joint venture of the Company
Chongqing Terui	Former Associate of the Company

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

Transactions with a joint venture:

(i) Revenue from the rendering of supply chain management services for automobile raw materials, components and parts:

	2018 RMB'000	2017 RMB'000
Hangzhou Anji	62,623	47,691

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

(ii) Revenue from the management services:

	2018 RMB'000	2017 RMB'000
Hangzhou Anji	-	6,968

(iii) Income from the leasing services:

	2018 RMB'000	2017 RMB'000
Hangzhou Anji	300	405

(iv) Transportation services provided by a joint venture:

	2018 RMB'000	2017 RMB'000
Hangzhou Anji	-	3,976

Transactions with an associate:

(i) Revenue from the rendering of transportation services for finished vehicles:

	2018 RMB'000	2017 RMB'000
Chongqing Terui*	226	227

(ii) Transportation services provided by an associate:

	2018 RMB'000	2017 RMB'000
Chongqing Terui*	361	1,422

* The Group disposed all of its interests in Chongqing Terui in October 2018.

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

Transactions with other related parties:

(i) Revenue from the rendering of transportation services for finished vehicles:

	2018 RMB'000	2017 RMB'000
Changan Automobile	917,284	842,404
Changan Ford	737,625	1,247,629
Changan Mazda	255,308	307,953
Changan Bus	144,450	115,572
Minsheng Logistics	8,885	4,030
Dajiang Xingchen	653	35
Changan Special	592	-
Sichuan Jian'an	348	-
Changan Connected	257	717
Hefei Changan Yixing	252	-
Chongqing Anfu	220	-
Hebei Changan	161	790
Nanjing Changan	129	28
Harbin DAE	98	-
Nanning Wanyou	62	-
Harbin DAP	31	-
Changan Suzuki	13	35
Changan Automobile Finance	7	-
Guangxi Wanyou	6	-
Wanyou Economic	-	136
Hefei Changan	-	100
Chongqing Naishite	-	47
Lingchuan Tank	-	5
CTCS	-	4
Chongqing Jianshe Auto-Air	-	3
Changan Mazda Engine	-	1
	2,066,381	2,519,489

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

Transactions with other related parties: (continued)

(ii) Revenue from the rendering of supply chain management services for automobile raw materials, components and parts:

	2018 RMB'000	2017 RMB'000
Changan Ford	555,902	539,661
Changan Automobile	257,833	163,814
Changan Mazda	207,764	233,634
Changan International Sales	71,106	34,449
Chongqing Ante	63,685	52,999
Sichuan Jian'an	33,230	18,015
Hefei Changan	16,670	18,323
Changan Mazda Engine	13,904	19,841
Changan Service	11,341	6,302
Changan Bus	8,552	1,198
Jiangling Holding	6,441	-
Hebei Changan	6,084	4,553
Changan Suzuki	5,228	10,297
Harbin DAE	4,470	6,499
CTCS	3,311	7,083
Nanjing Changan	2,729	6,054
Anhui Jian'an	2,363	-
China Changan	2,300	1,332
Harbin DAP	2,217	2,638
Chengdu Huachuan	1,953	1,447
Chengdu Wanyou	1,948	947
Ningjiang Showa	1,818	2,514
South Air	1,137	283
Hubei Xiaogan	1,063	1,573
Dajiang Xinda	790	279
Ningjiang Shock	622	1,243
Chongqing Jianshe Auto-Air	563	1,115
Changfeng Jiquan	522	622
Hubei Huazhong Maruili	504	433
Yunnan Xiyi	330	408
Chongqing Naishite	254	606
Minsheng Logistics	203	64
Shangfang Fitting	130	637
Sichuan Hongguang	129	72
Changan Industry Company	115	739
Tiannake Lingchuan	107	20
Sichuan Huaqing	92	100
Yihong Plastic	89	189
Lingchuan Tank	75	443
Changrong Machinery	64	176
Dajiang Jiexin	29	42
Chongqing Changjiang Electric	25	34
Lingchuan Industrial	17	129
Nanjing Chelai	8	-
Chengdu Jialing Huaxi	6	15
Changan New Energy	-	44
Chengdu Ningxing	-	57
Minsheng International Container	-	37
Zhonghui Futong	-	39
	1,287,723	1,140,999

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

Transactions with other related parties: (continued)

(iii) Revenue from the sale of packaging materials and the processing of tyres and others:

	2018 RMB'000	2017 RMB'000
Changan Ford	848,627	1,850,769
Changan Automobile	48,990	49,750
Hebei Changan	2,980	199
Changan New Energy	1,634	297
Changan Bus	1,266	592
Changan Suzuki	589	1,081
Changan International Sales	84	1,671
Changan Industry Company	-	3,632
Jianshe Industrial	-	1,578
	904,170	1,909,569

(iv) Income from the leasing services:

	2018 RMB'000	2017 RMB'000
Hangzhou Investment	-	142

(v) Purchases of transportation services:

	2018 RMB'000	2017 RMB'000
Minsheng Logistics	163,228	296,491
Minsheng International Freight	20,562	8,331
Shanghai Minsheng Shipping	11,321	23,465
Minsheng International Container	7,032	14,489
Changan Mazda	1,298	-
Sichuan Jian'an	920	-
Dajiang Xingchen	829	6,702
Tianjin Minsheng Shipping	202	385
APLLC	135	3,215
Shanghai Minsheng International Freight	71	305
APLL Shanghai	46	2,126
Hubei Minsheng International Freight	34	1,074
Changan Property	28	-
Changan Special	-	375
Hafei Automobile	-	122
	205,706	357,080

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

Transactions with other related parties: (continued)

(vi) Purchases of construction services:

	2018 RMB'000	2017 RMB'000
Chongqing Changxin	2,504	1,488
Chongqing Changan Construction	-	951
	2,504	2,439

(vii) Purchases of security and cleaning services:

	2018 RMB'000	2017 RMB'000
Changan Property	7,305	9,028
Hafei Industry	-	230
	7,305	9,258

(viii) Operating leases - warehouse and venue:

	2018 RMB'000	2017 RMB'000
Changan Special	1,332	2,168
Hefei Changan	857	-
Dajiang Xingchen	225	900
Hebei Changan	105	-
Nanjing Changan	-	189
	2,519	3,257

(ix) Loans from related parties:

	2018 RMB'000	2017 RMB'000
Zhonghui Futong	-	27,390
Zhuangbei Finance	10,000	8,000
	10,000	35,390

The interest rates range from 5.30% to 5.50% per annum (2017: 4.75% to 5.00%).

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2018 and 2017, the related party balances were as follows:

Due from related parties:

	2018 RMB'000	2017 RMB'000
Balances from the rendering of services and the sale of goods		
Changan Automobile	588,262	452,773
Changan Ford	467,922	1,008,705
Changan Mazda	172,019	149,043
Changan Bus	66,795	47,304
Chongqing Ante	46,937	63,930
Dajiang Xingchen	34,562	358
Jiangling Holding	33,359	-
Hangzhou Anji	30,405	36,843
Hafei Automobile	28,097	28,097
Changan Mazda Engine	17,310	12,928
Sichuan Jian'an	11,278	16,338
Minsheng Logistics	7,402	4,476
Changan International Sales	5,054	11,210
Hefei Changan	4,779	7,333
Changan Service	4,341	3,846
Jianshe Industrial	4,009	340
Hebei Changan	2,523	2,637
Anhui Jian'an	2,099	-
CTCS	1,929	2,749
Changan Suzuki	1,491	4,719
Nanjing Changan	1,390	1,173
Hubei Xiaogan	1,133	1,186
Changan New Energy	791	142
Ningjiang Showa	704	773
Changan Special	627	-
Harbin DAE	604	1,302
Chengdu Huachuan	544	102
Harbin DAP	462	120
Chengdu Wanyou	390	216
Dajiang Xinda	386	340
Chongqing Naishite	354	319
Changrong Machinery	308	411
Hubei Huazhong Maruili	290	120
Ningjiang Shock	279	212
Changan Connected	279	26
Shangfang Fitting	179	422
Changfeng Jiquan	169	489
Yihong Plastic	125	115
Changan Kuayue	93	93
Sichuan Hongguang	85	5
China Changan	76	32
Dajiang Jiexin	70	76
Lingchuan Tank	53	224
South Air	24	45
Chongqing Jianshe Auto-Air	21	31
Yunnan Xiyi	14	7
Chongqing Changjiang Electric	10	10
Sichuan Huaqing	7	19
Wanyou Longrui	5	5
Tiannake Lingchuan	3	-
Yunnan Wanyou	2	-
Dehong Wanfu	1	-
Liupanshui Wanfu	1	-
Ningbo Dongxiang	1	1
Chengdu Ningxing	-	22
Lingchuan Industrial	-	6
Changan Industry Company	-	12,039
	1,540,053	1,873,712

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2018 and 2017, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

	2018 RMB'000	2017 RMB'000
Deposits and other receivables		
Hangzhou Anji	4,669	-
Changan Ford	3,007	3,164
Changan Suzuki	2,807	2,806
Zhonghui Futong	2,739	-
Changan Mazda	1,611	1,030
Changan Automobile	957	973
Hafei Automobile	621	618
Hebei Changan	612	607
Changan Bus	304	300
Changan Special	200	200
Ming Sung (HK)	94	211
Chongqing Ante	83	83
Chongqing Changan Construction	82	82
Hefei Changan	75	75
Changan Mazda Engine	13	13
Chengdu Huachuan	10	10
Changan Industry Company	5	55
Minsheng Shipping	2	-
Minsheng International Freight	1	1
Jianshe Industrial	1	1
CTCS	-	100
Minsheng Logistics	-	3
	17,893	10,332
Prepayments		
Hefei Changan	225	-
Changan Ford	175	90
Shanghai Minsheng International Freight	84	-
Minsheng Shipping	33	-
Changan Automobile	1	-
Chongqing Changxin	-	8
Changan Service	-	6
	518	104
Less: Loss allowance for impairment of amounts due from related parties	(32,786)	(34,635)
	1,525,678	1,849,513

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2018 and 2017, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

(i) Balances from the rendering of services and the sale of goods

An ageing analysis of the amounts from the rendering of services and the sale of goods due from related parties as at the end of the reporting period, net of impairment losses, is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	1,439,560	1,817,198
3 to 6 months	34,641	10,624
6 months to 1 year	34,628	13,996
Over 1 year	546	300
	1,509,375	1,842,118

The movements in the loss allowance for impairment of amounts due from related parties are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	31,594	30,559
Impairment losses recognised	(916)	1,035
	30,678	31,594

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, amounts due from related parties from the rendering of services and the sale of goods are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's amounts due from related parties from the rendering of services and the sale of goods using a provision matrix:

As at 31 December 2018

		Past due			
	Current	Less than 3 month	4 to 9 months	Over 9 months	Total
Expected credit loss rate	0.07%	0.16%	0.54%	97.25%	1.99%
Gross carrying amount (RMB'000)	1,439,560	34,641	35,597	30,255	1,540,053
Expected credit losses (RMB'000)	1,008	55	192	29,423	30,678

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2018 and 2017, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

(i) Balances from the rendering of services and the sale of goods (continued)

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of amounts due from related parties, which was measured based on incurred credit losses under HKAS 39, a s at 31 December 2017 was a provision for individually and collectively impaired trade receivables of RMB31,594,000 with a carrying amount before provision of RMB45,890,000.

The ageing analysis of the amounts due from related parties from the rendering of services and the sale of goods as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	1,817,198
Less than 3 month past due	10,624
	1,827,822

Receivables that were neither past due nor impaired relate to a number of related parties for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of related parties that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(ii) Deposits and other receivables

	2018 RMB'000	2017 RMB'000
Deposits and other receivables	17,893	10,332
Impairment allowance	(2,108)	(3,041)
	15,785	7,291

Deposits and other receivables mainly represent rental deposits and deposits with suppliers or clients. Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 ranged from 0.2% to 17%.

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2018 and 2017, the related party balances were shown as follows: (continued)

Due to related parties:

	2018 RMB'000	2017 RMB'000
Balances from transportation services provided by related parties		
Minsheng Logistics	174,421	143,970
Changan Automobile	29,617	-
Minsheng International Freight	5,401	1,398
Shanghai Minsheng Shipping	3,640	11,686
Dajiang Xingchen	1,743	2,113
Hafei Automobile	1,173	1,197
Minsheng International Container	1,101	271
Sichuan Jian'an	1,030	-
APLLC	408	1,021
Chongqing Terui	257	217
Hafei Industry	115	115
Changan Industry Company	21	21
Changan Mazda	10	-
Minsheng Shipping	5	76
APLL Shanghai	5	1
Hangzhou Anji	-	3,976
Hubei Minsheng International Freight	-	330
Shanghai Minsheng International Freight	-	85
	218,947	166,477

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2018 and 2017, the related party balances were shown as follows: (continued)

Due to related parties: (continued)

	2018 RMB'000	2017 RMB'000
Other payables		
Minsheng Logistics	2,045	2,195
Chongqing Changxin	1,938	1,649
Changan Industry Company	1,551	1,453
Changan Property	1,195	4,675
Dajiang Xingchen	1,000	1,000
Changan Automobile	604	577
Changan Special	381	-
Sichuan Jian'an	216	-
Zhonghui Futong	143	-
Hafei Industry	115	115
Nanjing Changan	86	29
Ningjiang Shock	86	86
Hafei Automobile	83	83
Chongqing Changan Construction	79	16,446
China Changan	69	5
Shanghai Minsheng Shipping	66	-
Changan Mazda Engine	60	60
Minsheng Industrial	55	56
Minsheng International Freight	47	-
APLLC	44	100
Changan Mazda	32	32
Wanyou Investment	27	-
Jiangling Holding	20	20
Changan Bus	11	-
Changan Service	9	-
Chengdu Huachuan	8	-
Minsheng Shipping	1	1
South Air	1	1
Wanyou Economic	1	-
Changan Ford	-	1,196
Chongqing Terui	-	1,002
Hefei Changan	-	31
	9,973	30,812
Contract liabilities/Advances from customers		
Changan Suzuki	109	-
Hubei Xiaogan	50	-
Changan Industry Company	63	-
Changan Automobile	3	-
Changan Sales	-	3
	225	3
	229,145	197,292

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2018 and 2017, the related party balances were shown as follows: (continued)

Due to related parties: (continued)

An ageing analysis of the amounts from transportation services provided by related parties as at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	217,574	165,485
3 to 6 months	735	910
6 months to 1 year	85	59
1 to 2 years	530	-
Over 2 years	23	23
	218,947	166,477

The amounts from transportation services provided by related parties are non-interest-bearing and are normally settled on 90-day terms.

As at 31 December 2018 and 2017, all related party balances above were unsecured.

The carrying values of amounts due from and due to a related party approximate to their fair values due to the short term maturity.

Deposits	2018 RMB'000	2017 RMB'000
Zhuangbei Finance	442,985	244,856

The interest rates range from 0.46% to 1.89% per annum (2017: 0.46% to 1.76%).

Loans	2018 RMB'000	2017 RMB'000
Zhonghui Futong (note 28)	18,688	27,390
Zhuangbei Finance (note 28)	10,000	8,000
	28,688	35,390

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2018

Financial assets

		Financial assets at fair value through other comprehensive income		
	Financial assets at amortised cost RMB'000	Equity investments RMB'000	Debt investments RMB'000	Total RMB'000
An equity investment designated at fair value through other comprehensive income	-	28,900	-	28,900
Trade and bills receivables	286,941	-	377,270	664,211
Financial assets included in prepayments, other receivables and other assets	64,393	-	-	64,393
Due from related parties	1,525,160	-	-	1,525,160
Pledged deposits	1,809	-	-	1,809
Cash and cash equivalents	1,189,749	-	-	1,189,749
	3,068,052	28,900	377,270	3,474,222

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,638,607
Financial liabilities included in other payables and accruals	272,712
Due to related parties	228,920
Bank advances for discounted bills	114,266
Interest-bearing bank and other loans	28,688
	2,283,193

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

31 December 2017

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial investment RMB'000	Total RMB'000
An available-for-sale investment	-	28,900	28,900
Trade and bills receivables	582,448	-	582,448
Financial assets included in prepayments, other receivables and other assets	44,168	-	44,168
Due from related parties	1,849,409	-	1,849,409
Pledged deposits	29,799	-	29,799
Cash and cash equivalents	1,244,992	-	1,244,992
	3,750,816	28,900	3,779,716

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,952,149
Financial liabilities included in other payables and accruals	226,979
Due to related parties	197,289
Interest-bearing bank and other loans	35,390
	2,411,807

40. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are not derecognised in their entirety

At 31 December 2018, the Group discounted certain bills (notes) receivable accepted by Changan Ford (the "Discounted Bills") with a carrying amount of RMB114,266,000 (2017: Nil) to Zhuangbei Finance and received cash back (the "Discounting"). The Discounted Bills have a maturity of six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in Mainland China, the holders of the Discounted Bills have a right of recourse against the Group if Changan Ford default (the "Continuing Involvement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the respective bank loans. Subsequent to the Discounting, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank loans recognised due to the Discounted Bills was RMB114,266,000 (2017: Nil) as at 31 December 2018.

40. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Financial assets that are derecognised in their entirety

As at 31 December 2018, the Group endorsed certain bills (notes) receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB19,487,000 (2017: RMB17,717,000) (the "Endorsement"). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in Mainland China, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from/to related parties, and the current portion of interest-bearing bank and other loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of interest-bearing bank and other loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying amounts.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At the end of each reporting period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of unlisted equity investment designated at fair value through other comprehensive income, which was previously classified as an available-for-sale equity investment, has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates a price to book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, which were previously classified as an available-for-sale equity investment, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Bills receivable measured at fair value through other comprehensive income	-	377,270	-	377,270
An equity investment designated at fair value through other comprehensive income	-	-	28,900	28,900
	-	377,270	28,900	406,170

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank and other loans, bank advances for discounted bills and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, deposits and other receivables, trade and bills payables, other payables and accruals, and amounts due from/to related parties which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rates and terms of repayment of interest-bearing bank and other loans are disclosed in note 28. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any significant long term receivables and loans which are subject to floating interest rates.

Foreign currency risk

The Group's principal businesses are located in the Mainland China and most of the transactions are conducted in RMB. During the year of 2018 and 2017, almost all of the Group's sales and costs were denominated in RMB, the Group's functional currencies. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents that are denominated in US$ and other currencies.

The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rates between US$, other currencies and RMB as a reasonable possible change of 5% in RMB against US$ and other currencies would have no significant financial impact on the Group's profit.

Credit risk

The Group trades only with recognised and creditworthy related parties and third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances including amounts due from related parties are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2018 (continued)

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	-	-	-	332,840	332,840
Bills receivable	377,270	-	-	-	377,270
Financial assets included in due from related parties:					
(i) Balances from the rendering of services and the sale of goods*	-	-	-	1,540,053	1,540,053
(ii) Deposits and other receivables					
- Normal**	15,794	-	-	-	15,794
- Doubtful**	-	-	2,099	-	2,099
Financial assets included in prepayments, other receivables and other assets					
- Normal**	64,622	-	-	-	64,622
- Doubtful**	-	-	1,834	-	1,834
Pledged deposits					
- Not yet past due	1,809	-	-	-	1,809
Cash and cash equivalents					
- Not yet past due	1,189,749	-	-	-	1,189,749
	1,649,244	-	3,933	1,872,893	3,526,070

* For trade receivables and amounts due from related parties to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 38 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy related partied and third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 25% (2017: 44%) and 69% (2017: 75%) of the Group's receivables arising from rendering services and sales of goods (including trade receivables and amounts due from related parties) were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and amounts due from related parties are disclosed in notes 23 and 38 to the financial statements.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the settlement from customers and the payment to vendors. Same as 2017, almost all the Group's debts would mature in less than one year as at 31 December 2018 based on the carrying value of loans reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2018

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	115,627	1,449,723	73,257	-	-	1,638,607
Financial liabilities included in other payables and accruals	272,712	-	-	-	-	272,712
Due to related parties	11,346	217,574	-	-	-	228,920
Interest-bearing bank and other loans	-	2,596	17,534	9,850	-	29,980
	399,685	1,669,893	90,791	9,850	-	2,170,219

2017

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	83,744	1,796,374	72,031	-	-	1,952,149
Financial liabilities included in other payables and accruals	226,979	-	-	-	-	226,979
Due to related parties	197,289	-	-	-	-	197,289
Interest-bearing bank and other loans	-	2,562	15,451	19,700	-	37,713
	508,012	1,798,936	87,482	19,700	-	2,414,130

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other loans, bank advances for discounted bills, amounts due to related parties, trade and bills payables and other payables and accruals, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2018 RMB'000	2017 RMB'000
Interest-bearing bank and other loans	28,688	35,390
Bank advances for discounted bills	114,266	-
Trade and bills payables	1,638,607	1,952,149
Other payables and accruals	520,307	527,000
Due to related parties	229,145	197,292
Less: Cash and cash equivalents	(1,189,749)	(1,244,992)
Pledged deposits	(1,809)	(29,799)
Net debt	1,339,455	1,437,040
Equity attributable to owners of the parent	1,969,814	1,951,203
Adjusted capital and net debt	3,309,269	3,388,243
Gearing ratio	40%	42%

43. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the financial statements, the Group had no significant events after the reporting period that need to be disclosed.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	268,118	271,575
Investment properties	17,500	8,528
Prepaid land lease payments	119,170	101,655
Goodwill	2,222	2,222
Other intangible assets	25,920	12,827
Investments in subsidiaries	900,613	900,613
Investment in a joint venture	10,000	10,000
Investments in associates	85,072	9,000
An equity investment designated at fair value through other comprehensive income	28,900	-
An available-for-sale investment	-	28,900
Deferred tax assets	48,936	48,722
Other non-current assets	45,119	65,015
Total non-current assets	1,551,570	1,459,057
CURRENT ASSETS		
Inventories	8,989	24,116
Trade and bills receivables	500,853	342,340
Prepayments, other receivables and other assets	47,036	27,447
Due from related parties	1,385,192	1,652,872
Pledged deposits	1,509	23,859
Cash and cash equivalents	788,647	520,143
Total current assets	2,732,226	2,590,777
CURRENT LIABILITIES		
Trade and bills payables	986,588	1,451,305
Other payables and accruals	411,596	402,429
Due to related parties	994,657	485,480
Interest-bearing loans	4,242	4,145
Bank advances for discounted bills	114,266	-
Tax credit	(21,250)	(17,353)
Total current liabilities	2,490,099	2,326,006
NET CURRENT ASSETS	242,127	264,771
TOTAL ASSETS LESS CURRENT LIABILITIES	1,793,697	1,723,828

continued/…

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	31 December 2018 RMB'000	31 December 2017 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	1,793,697	1,723,828
NON-CURRENT LIABILITIES		
Interset-bearing loans	4,242	8,291
Deferred income	9,235	6,977
Total non-current liabilities	13,477	15,268
Net assets	1,780,220	1,708,560
EQUITY		
Share capital	162,064	162,064
Reserves (note)	1,618,156	1,546,496
Total equity	1,780,220	1,708,560

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2017	75,150	85,867	1,333,305	1,494,322
Total comprehensive income for the year	-	-	68,380	68,380
Dividend declared to shareholders	-	-	(16,206)	(16,206)
At 31 December 2017	75,150	85,867	1,385,479	1,546,496
Total comprehensive income for the year	-	-	95,970	95,970
Dividend declared to shareholders	-	-	(24,310)	(24,310)
At 31 December 2018	75,150	85,867	1,457,139	1,618,156

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note (continued):

Statutory reserves

In accordance with the PRC Company Law, the Company and its subsidiaries are required to appropriate 10% of its annual statutory net profit, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve before distributing the net profit to shareholders. When the balance of the statutory surplus reserve reaches 50% of a company's registered capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory surplus reserve after such issue is not less than 25% of registered capital.

As the balance of the statutory surplus reserve amounting to RMB81,032,000 reached 50% of the Company's registered capital, no amount was appropriated to the statutory surplus reserve from net profit for the year ended 31 December 2018 (2017: Nil).

Discretionary surplus reserve

Pursuant to the Articles of Association of the Company, the Company has the discretion to appropriate its annual statutory net profit to the discretionary surplus reserve after the appropriation of statutory surplus reserve upon the approval by shareholders. The discretionary surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital. As at 31 December 2018, the balance of the discretionary surplus reserve was RMB4,835,000 (2017: RMB4,835,000).

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2019.