Changan Minsheng APLL Logistics Co., Ltd.*

20th Anniversary

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

* For identification purpose only

Stock Code: 01292

2021 Annual Report

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CORPORATE INFORMATION

Executive Directors
Xie Shikang (Chairman)
Chen Wenbo
Wan Nianyong

Non-Executive Directors
Che Dexi
Man Hin Wai Paul
Xia Lijun

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

Supervisors
Wang Huaicheng (Chairman)
Jin Jie
Yang Gang
Deng Li
Yang Xunping

General Manager
Wan Nianyong

Senior Management
Ren Fei
Ren Honglian
Chen Zhigang
Wang Xiaofeng

Company Secretary
Huang Xuesong

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

Remuneration Committee
Jie Jing (Chairman)
Chong Teck Sin
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)
Chong Teck Sin
Jie Jing
Zhang Yun

Authorised Representative
Xie Shikang
Chen Wenbo

Auditors
PKF Hong Kong Limited
26/F, Citicorp Centre,
18 Whitfield Road, Causeway Bay, Hong Kong

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

Principal Bankers
Industrial and Commercial Bank of China 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, 17M Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

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

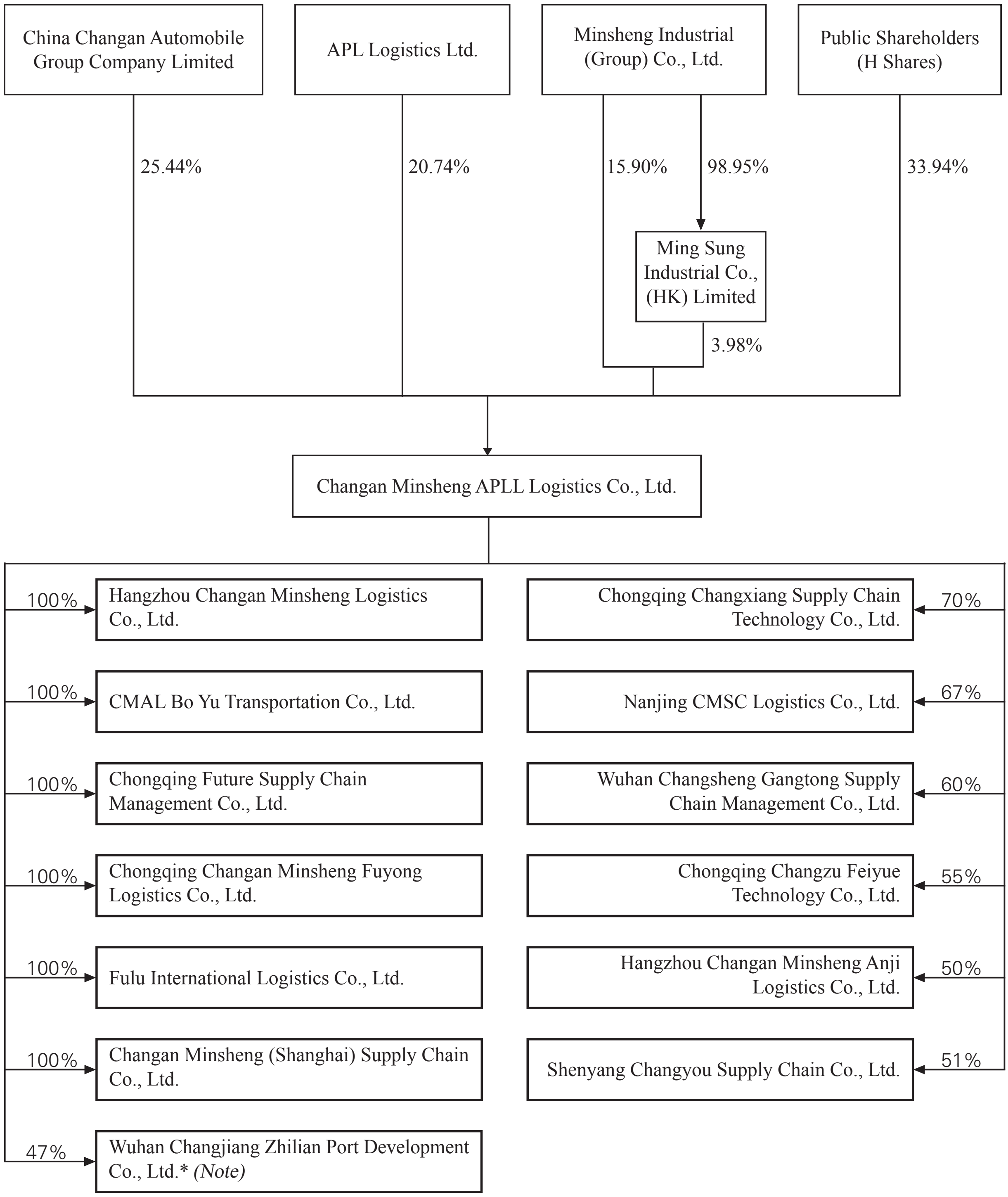
Office and Address of Correspondence
No. 1881 Jinkai Road, Yubei District,
Chongqing, the PRC
Zip Code: 401122

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

As at 31 December 2021, the Group's shareholding structure is as follows:



Note: The Company entered into an Acting-in-Concert Agreement with Wuhan Changxin Hengyuan Group Co., Ltd. on the general meeting of shareholders and Board meeting, and in respect of which the Company shall exert huge influence on Changjiang Zhilian.

Results

Set out below is the summary of the consolidated results of the Group for the five years ended 31 December 2021 (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				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	6,020,899	4,685,655	4,341,585	5,112,410	6,614,423
Profit/(loss) before tax	58,843	23,241	(36,697)	101,777	218,905
Income tax expense	16,734	9,451	7,840	35,363	57,643
Profit/(loss) for the year	42,109	13,790	(44,537)	66,414	161,262
Profit attributable to the following parties:					
Non-controlling interest	12,961	13,369	11,430	20,305	33,963
Owners of the Company	29,148	421	(55,967)	46,109	127,299
	RMB yuan	RMB yuan	RMB yuan	RMB yuan	RMB yuan
Earnings per share attributable to ordinary equity holders of the Company Basic and diluted-for profit for the year (Note 1)	0.18	0.00	(0.35)	0.28	0.79
Dividends per share	0.05 (including tax) *(Note 2)*	Nil (including tax)	Nil (including tax)	0.1 (including tax)	0.15 (including tax)

Note 1: Earnings per share attributable to ordinary equity holders of the Company is calculated by dividing the profit attributable to the owners of the Company for the years ended 31 December 2017, 2018, 2019, 2020 and 2021 by the weighted average number of shares in issue for the respective years ended 31 December 2017, 2018, 2019, 2020 and 2021 respectively, being 162,064,000, 162,064,000, 162,064,000, 162,064,000 and 162,064,000 shares.

Note 2: The Board recommends the payment of the final dividend for the year ended 31 December 2021, which is subject to the approval of the Company's annual general meeting.

Assets and Liabilities

Set out below is the summary of the Group's balance sheet for the five years ended 31 December 2021 (as extracted from the Group's audited consolidated statement of financial position, which are prepared in accordance with the HKFRS):

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	1,259,073	1,225,005	1,285,021	1,121,682	973,000
Current assets	2,917,203	3,169,621	3,274,565	3,501,435	3,832,318
Total assets	4,176,276	4,394,626	4,559,586	4,623,117	4,805,318
Non-current liabilities	111,349	61,387	108,163	21,990	28,838
Current liabilities	1,968,854	2,292,740	2,412,669	2,509,546	2,697,415
Total liabilities	2,080,203	2,354,127	2,520,832	2,531,536	2,726,253
Non-controlling interest	144,382	122,167	121,259	121,767	127,862
Equity attributable to owners of the Company	1,951,691	1,918,332	1,917,495	1,969,814	1,951,203
Total equity	2,096,073	2,040,499	2,038,754	2,091,581	2,079,065

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 2021 to all shareholders of the Company.

Annual Results

The year of 2021 marked the centenary of the Communist Party of China ("CPC"). It is a year of milestone significance in the stride of the CPC and China. The Chinese government coordinated the epidemic prevention and control in a scientific manner, implemented tax and fee cuts policies and continuously boosted the dynamism of market entities. As a result, the national economy sustained its recovery and development, and the gross domestic product (the "GDP") increased by 8.1% year on year.

The year of 2021 witnessed a positive growth of production volume and sales volume in domestic automobile industry, putting the decline in three consecutive years since 2018 to an end. Domestic automobile production and sales continued to top the world with each closing at 26,082,000 vehicles and 26,275,000 vehicles in 2021, representing a year-on-year increase of approximately 3.4% and 3.8%, respectively. When the automobile industry is picking up, Chongqing Changan Automobile Co., Ltd. ("Changan Automobile"), the Group's major customer, outperformed the industry's average in growth margin with each of the production volume and sales volume mounting to 2,290,100 vehicles and 2,300,500 vehicles in 2021, representing a year-on-year growth of 12.64% and 14.82%, respectively.

Thanks to the sales growth in Changan Automobile and its associates, the Group undertook more logistics services projects. In addition, the Group effectively expanded the market and reduced logistics costs and increased efficiency. The Group's revenue reached RMB6,020,899,000 in 2021, up by 28.5% as compared with RMB4,685,655,000 of last year. The profit attributable to equity holders of the Company was up to RMB29,148,000, representing an increase of RMB28,727,000 as compared with RMB421,000 of last year. The basic earnings per share was RMB0.18 (2020: RMB0.00).

Annual Review

In 2021, the Company worked hard with remarkable outcomes in scientific and technological capacity, reform and development, logistics cost cuts and efficiency improvement, lean management, etc. Meanwhile, the Company made concerted efforts in expanding its business with the share of non-connected transactions to the total sales of the Group up to a record-high of 30%, which laid a foundation for the Company's sustainable development. With approval of shareholders at the general meeting in 2021, the Company has implemented the share appreciation rights incentive scheme for the first time since its listing, resulting in a preliminary resolution of the middle-and-long term incentives for the management and core staff and the management of stronger motivation.

Awards

The Company was given the 2021 Logistics Technology Innovation Award in April 2021, the 2021 National Modern Logistics Science and Technology Award in September 2021, the Year of Outstanding Innovation Case in Automobiles Logistics, the Year of Finished Automobiles Logistics KPI Exemplary Enterprise, the Year of Automobile After-sales Service Spare Parts Logistics KPI Exemplary Enterprise , the Year of Automobile Parts and Components Inbound Logistics KPI Exemplary Enterprise in December 2021. Mr. Xie Shikang, the chairman of the Board, was recognised as the Year of Entreprenuer with Outstanding Contribution in Logistics Industry by the China Federation of Logistics & Purchasing. The Company also received 2021 Top 50 Logistics and Supply Chain (China's) Resolutions in November 2021 from China Logistics Times and Global Trade and International Logistics Summit Committee. In addition, the Company was recogniezed as the Excellent Supplier of Changan Ford Automobile Co., Ltd.

Outlook and Prospects

The year of 2022 is witnessing dramatic international changes. The Russia-Ukraine war has led to soaring commodity prices, which posed a severe challenge to global supply chain system. Besides, the shrinkage of the balance sheet, rate hike expectations, the continuous spread of the pandemic and an acute shortage of auto chips will exert a profound influence on the development of auto industry and accelerate the rise of logistics costs. In summary, this year will be a year full of challenges and the Company will be fully prepared to face them.

The Company will make concerted efforts to make decisive progress in the "five critical battles" to lay a foundation for transformation and upgrading and quality development.

Win the battle to gain "high technology" by developing science and technology as its core capacity and completing its digital transformation. Win the battle to gain "high vitality" by increasing its dynamics, promoting development with reforms, initiatively taking, studying and carrying out reforms and shifting from "being asked to reform" to "asking to reform". Win the battle to gain "high efficiency" by increasing its efficiency to gain development and sticking to "value creation" philosophy and to improve management efficiency, and adhering to the development direction of creating values, being standard, being electronic, formulating process and being lean. Win the battle to gain "high-end branding" by improving its brand reputation and adhering to the "customer-oriented" ethos to enhance its market capacity, service quality and brand image. Further thoroughly implementing the "service-first strategy" and taking strengthened brand image management as the basis, the Company will promote its brand. Win the battle to gain "high quality" by improving its operation quality, continuously cutting cost from supplier's side, strengthening lean management and making improvements in inter-storage projects so as to improve the quality of operations.

I would like to express my heartfelt thanks to my Board colleagues and all employees of the Company for their fruitful work and tireless efforts. Though the year of 2022 is presented with challenges, the Board and I are still confident in the future of the Group, and will continue to strive for the great vision of "innovating logistics services, creating a better life, and striving to become a world-class green and intelligent supply chain logistics technology company".

Xie Shikang
Chairman

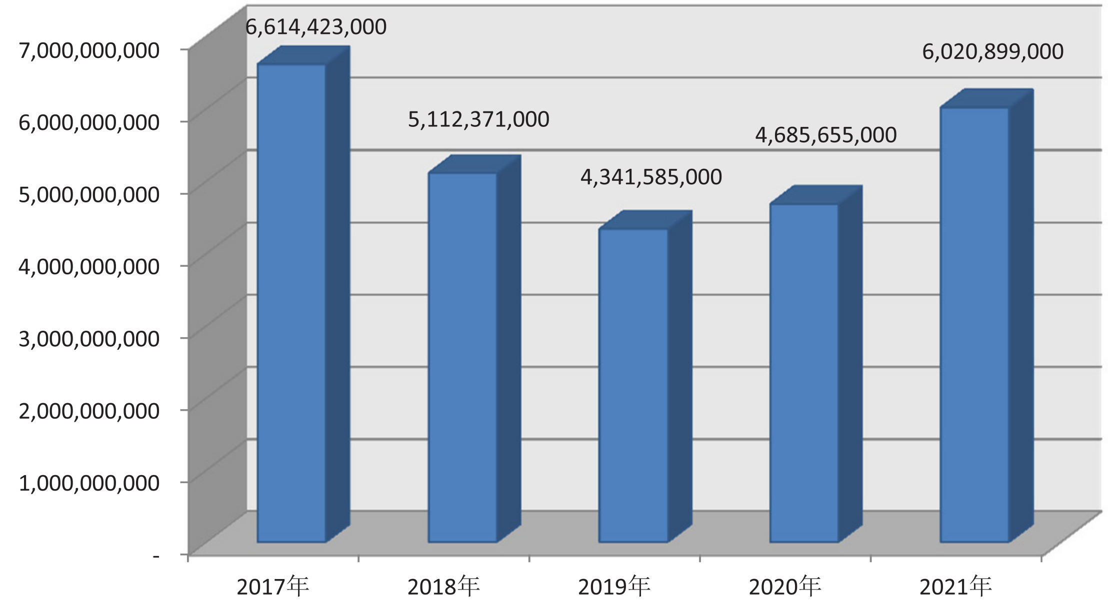
Chongqing, the PRC
30 March 2022

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, Hebei Changan Automobile Co., Ltd. ("Hebei Changan"), Nanjing Changan Automobile Co., Ltd. ("Nanjing Changan"), Changan Bus and Chongqing Changan International Sales and Services Co., Ltd., etc.

The revenue of the Group amounted to RMB6,020,899,000 for the year ended 31 December 2021, up by approximately 28.5% compared with RMB4,685,655,000 of last year.

Picture 1: Growth in revenue for the five years ended 31 December 2021 (unit:RMB yuan)



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

1. Transportation of Finished Vehicles

During the reporting period, the Group's major customer recorded an increase in the sales volume, resulting in the corresponding growth in the demand of finished vehicles transportation from the Group. Therefore, for the year ended 31 December 2021, the revenue of the Group from finished vehicle transportation services was RMB3,155,123,000, up by approximately 26.04% compared with RMB2,503,242,000 of last year.

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

During the reporting period, the increase in the sales volume of the Group's major customer led to the increase in the demand for supply chain management services of automobile raw materials and components and parts. As such, the revenue from supply chain management services of automobile raw materials & components and parts for the year ended 31 December 2021 was RMB1,891,836,000, up by approximately 12.80% compared with RMB1,677,094,000 of last year.

Transportation of Non-automobile Commodities and Other Logistics Services

During the reporting period, due to the higher demand of automobile market, the steel sales volume of the Group's certain customers increased significantly, which led to a significant increase of steel transportation services from the Group. As such, the revenue of the Group from such logistics services was RMB370,043,000 for the year ended 31 December 2021, representing an increase of approximately 616.57% compared with RMB51,641,000 of last year.

Automobile Components & Parts Packaging Sales and Tyres Sub-packaging

During the reporting period, the core customers of the Group increased in their demands for automotive parts packaging and tyre assembly services. For the year ended 31 December 2021, the revenue of the Group from automobile parts packages sales and tires assembly was RMB643,897,000, up by approximately 41.93% compared with RMB453,678,000 of last year.

Logistics Services Network

As at 31 December 2021, the Company had a total of 27 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, associated compaies and representative offices

Financial Review

Cash Flow and Financial Resources

As at 31 December 2021, the Group's cash and cash equivalents was RMB992,314,000 (31 December 2020: RMB894,340,000), among which, RMB648,066,000 was attributed to the Company and RMB344,248,000 was attributed to the subsidiaries of the Group. As at 31 December 2021, the Group's total assets were RMB4,176,276,000 (31 December 2020: RMB4,394,626,000), the source of funds was current liabilities of RMB1,968,854,000 (31 December 2020: RMB2,292,740,000), the non-current liabilities were RMB111,349,000 (31 December 2020: RMB61,387,000), the equity attributable to owners of the Company was RMB1,951,691,000 (31 December 2020: RMB1,918,332,000) and the non-controlling interests were RMB144,382,000 (31 December 2020: RMB122,167,000).

Cost of Sales and Gross Profit Margin

For the year ended 31 December 2021, the Group's cost of sales was RMB5,695,977,000 (2020: RMB4,448,434,000), up by approximately 28.04% compared with that of the previous financial year. Facing the adverse factors such as the rising transportation cost and labour cost, and tumbling logistics service price, the Group focused its attention on management and continuous strengthening of logistics and internal management cost control, therefore, the gross profit margin of the Group increased to 5.40% (2020: 5.06%).

Distribution Expenses

For the year ended 31 December 2021, the Group's selling and distribution expense was RMB54,192,000, representing approximately 0.90% of the Group's revenue during the period (2020: 1.04%).

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 increased by approximately 11.67% from the previous year.

Administrative Expenses

During the reporting year, the Group's administrative expenses increased from RMB204,822,000 in 2020 to RMB 259,875,000 in 2021, up by approximately 26.87% as compared with the corresponding period of previous year.

Other Expenses

During the reporting year, the Group's other expenses decreased from RMB8,911,000 in 2020 to RMB3,167,000 in 2021, down by approximately 64.46% as compared with the corresponding period of previous year.

Finance Costs

The Group's finance costs for the year amounted to RMB8,140,000 (2020: RMB6,292,000).

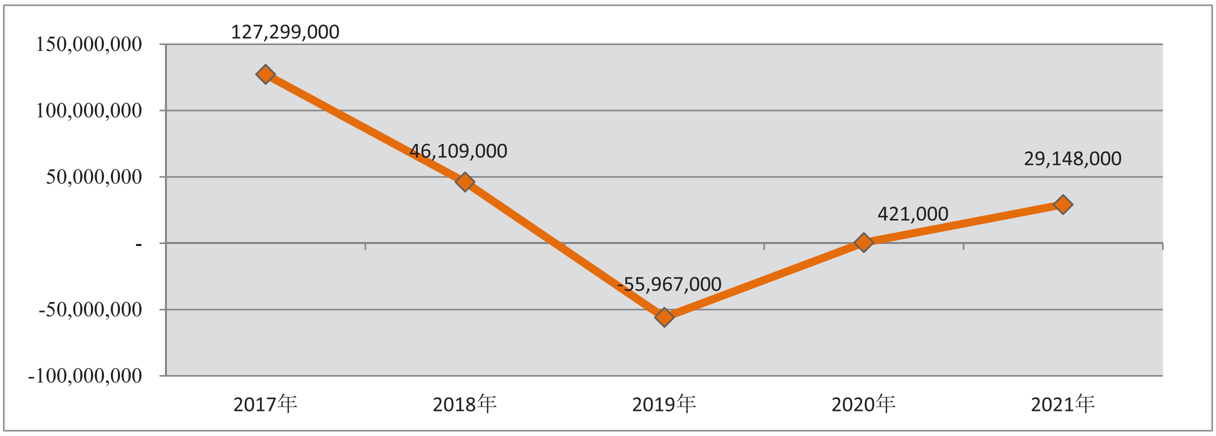
Taxation

For the year ended 31 December 2021, the weighted average applicable tax rate of the Group was 28.44% (2020: 40.67%); and the income tax expense was RMB16,734,000 (2020: RMB9,451,000).

Profit Attributable to Equity Holders of the Company

During the year, the profit attributable to owners of the Company was RMB29,148,000, up by approximately RMB28,727,000 compared with RMB421,000 of the previous financial year.

Picture 3: Profit attributable to owners of the Company for the five years ended 31 December 2021
(Unit: RMB yuan)



Capital Structure

For the year ended 31 December 2021, there was no change in the Company's share capital.

Loans and Borrowings

As at 31 December 2021, the balance of current interest-bearing bank and other loans of the Group was RMB2,800,000 (31 December 2020: RMB6,000,000). Please refer to note 28 to the consolidated financial statements of this report for further details.

Gearing Ratio

As at 31 December 2021, the gearing ratio (net debt divided by the adjusted capital plus net debt) of the Group was approximately 31.92% (31 December 2020: 37.85%).

Pledge of Assets

As at 31 December 2021, the Group had pledged bank deposits of approximately RMB13,762,000 to secure bank acceptance bills.

On 20 October 2020, the Company's subsidiary Shenyang Changyou Supply Chain Co., Ltd. ("Shenyang Changyou") entered into the Finance Lease Arrangement (the "Arrangement") with China South Industries Financial Leasing Co., Ltd. ("Industries Leasing"). Under the Arrangement, (1) Industries Leasing acquired the tyre assembly production line from Shanghai Hofmann Machinery Equipment Co., Ltd. at the consideration of RMB83,888,000, which became the Leased Asset of Shenyang Changyou; Industries Leasing acquired the AS/RS from Wuxi Lead Intelligent Equipment Co., Ltd. at the consideration of RMB20,880,000, which became the Leased Asset of Shenyang Changyou. (2) Shenyang Changyou rented the tyre subpackage production line and the AS/RS from Industries Leasing at a total rent of no more than RMB130,280,000 (with the annual interest rate of 5.3% and paid on a quarterly basis). The lease term is 60 months at most. Shenyang Changyou shall also pay a lump sum payment of contract security deposit in the sum of RMB4,190,720 and handling fee in the sum of RMB523,840. At the same time, Shenyang Changyou pledged the expected accounts receivable not exceeding 1.2 times of the total rent to Industries Leasing. Upon the expiration of the lease term, Shenyang Changyou has an option to purchase the tyre assembly production line and the AS/RS from Industries Leasing at the nominal consideration of RMB1 each. As of 31 December 2021, Shenyang Changyou paid the interest of RMB4,008,000, and the balance of the financing to be payable by Shenyang Changyou to Industries Leasing is RMB79,638,000. For details, please refer to the Company's Announcement dated 20 October 2020, Circular dated 14 December 2020 and note 37 to the consolidated financial statements.

Contingent Liabilities

As at 31 December 2021, 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.

Novel Coronavirus Related Risks

In 2021, the COVID-19 pandemic continued to affect the world economy. Thanks to scientific epidemic prevention and control measures, China's annual GDP increased by 8.1% over the previous year, and the economy as a whole has rebounded steadily. However, the global supply chain has been interrupted by the quarantine and lock-down measures in different countries and regions. Under the pandemic, the Company's major customers suffered production fluctuations out of the interruption of chip supply and other unfavorable factors, which correspondingly had a certain influence on the Company's logisitic services. As the disease is spreading locally and rapidly at home and if the pandemic rebounds or the government strengthens the management and control over business activities to control the pandemic, the Company's production and operation may be adversely affected to certain extent.

In response to the requirements of the local authority, the Group implements a series of prevention measures. Meanwhile, as business resume in the post-Pandemic era, the Group enacts a series of policies to ensure the smooth running of business.

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 2021, the Group's capital expenditure at the balance sheet date but not yet incurred was as follows:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Plant and machinery	13,708	43,014
Capital contributions payable to equity investment	22,700	22,700
	36,408	65,714
Authorised, but not provided for:		
Capital contributions payable to a subsidiary	-	14,000

Significant Purchase or Sale of Subsidiaries and Associated Companies

During the reporting period, there had been no significant purchase or sale of subsidiaries and associated companies of the Group.

Substantial Investment

During the reporting period, there had been no material investment by the Group.

The Board are pleased to present the report of the Board for the year ended 31 December 2021.

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
	2021
A Chongqing Changan Automobile Co., Ltd.	29%
B Changan Ford Automobile Company Limited	23%
C Changan Mazda Automobile Co., Ltd.	6%
D Hebei Changan Automobile Co.,Ltd	4%
E Hefei Changan Automobile Co.,Ltd	2%
Total of 5 largest customers	64%
	2020
A Chongqing Changan Automobile Co., Ltd.	32%
B Changan Ford Automobile Company Limited	25%
C Changan Mazda Automobile Co., Ltd.	8%
D Baoding Changan Bus Manufacture Co., Ltd.	4%
E Chongqing Changan International Sales and Services Co., Ltd.	3%
Total of 5 largest customers	72%

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
	2021
A China Railway Special Cargo Logistics Co., Ltd. Chengdu Branch	6%
B Qingdao Ririshun Supply Chain Co,. Ltd	6%
C San Yang Ma(Chongqing)Logistics Co., Ltd.	3%
D Chongqing Yuyu Logistics Co., Ltd.	2%
E Minsheng Logistics Company Limited	2%
Total of 5 largest suppliers	19%

	2020
A China Railway Special Cargo Logistics Co., Ltd.	9%
B Qingdao Ririshun Supply Chain Co,. Ltd	4%
C Chongqing Yuyu Logistics Co., Ltd.	3%
D San Yang Ma(Chongqing)Logistics Co., Ltd.	3%
E Tianjin Sanchuan Logistics Co., Ltd.	3%
Total of 5 largest suppliers	22%

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 2021 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 formulating the 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 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 RMB0.05 (including tax) (2020: RMBNil (including tax) per share for the year ended 31 December 2021. The above proposal of profit appropriation is subject to consideration and approval at the 2021 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 before 30 September 2022.

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 2021 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 2021 final dividend.

Share Capital

For the year ended 31 December 2021, there had been no change in the share capital of the Company. Details of the share capital of the Company are set out in note 31 to the consolidated 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 met 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 consolidated statement of changes in equity and in note 32 to the consolidated 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 consolidated 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 2021, the Company had the following subsidiaries:

CMAL Bo Yu transportation Co., Ltd. ("CMAL Bo Yu") incorporated on 3 November 2005 in the PRC with an address at No,111-5-1, Shengtai Road, Fusheng Prefecture, Jiangbei District, Chongqing City, the PRC and possesses the registered capital of 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), logistics planning and consultation and telecommunication services in the PRC. Please refer to note 1 to the consolidated financial statements of this report for further details.

Chongqing Future Supply Chain Management Co., Ltd. ("Chongqing Future") incorporated on 18 March 2009 in the PRC with an address at Logistics Distribution Plant, No.10, Huiliu Road, Beibu New District, Chongqing City, the PRC and 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 consolidated financial statement of this report for further details.

Chongqing Changan Minsheng Fuyong Logistics Co., Ltd. ("Chongqing Fuyong") incorporated on 28 April 2011 in the PRC with an address at No.26-11, Zongbao Road, Shapingba District, Chongqing City, the PRC and 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 consolidated financial statement of this report for further details.

Hangzhou Changan Minsheng Logistics Co., Ltd. ("Hangzhou Changan Minsheng") was incorporated on 17 May 2013 in the PRC with an address at No.599, Luyin Road, Qianjin Industrial Park (Jiangdong Benji Qukuai), Hangzhou City, Zhejiang Province, the PRC. 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 consolidated financial statement of this report for further details.

Nanjing CMSC Logistics Co., Ltd. ("Nanjing CMSC") was incorporated on 26 July 2007 in the PRC with an address at No.222, Qinshuiting West Road, Economic and Technological Development Zone, Jiangning District, Nanjing City, Jiangsu Province, the PRC 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, assembly and processing of automobile parts, leasing of machineries and vehicles, etc. Please refer to note 1 to the consolidated financial statement of this report for further details.

Chongqing Fulu Bonded Logistics Co., Ltd. was established on 9 April 2014 in the PRC and was subsequently renamed as Fulu International Logistics Co., Ltd. ("Fulu International"), with an address at No.88-7-108, Maya Road, Luohuang Prefecture, Jiangjin District, Chongqing City, the PRC and a registered capital of RMB3,000,000 which was subsequently increased to RMB60,000,000. Fulu International 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, Non-Vessel Operating Common Carrier business, etc. Please refer to note 1 to the consolidated financial statement of this report for further details.

Chongqing Changzu Feiyue Technology Co., Ltd. ("Feiyue Technology"), previously named Chongqing Changliang Logistics Technology Co; Ltd., was incorporated on 16 May 2014 in the PRC with an address at Industrial Park Zone, Economic Development Zone, Shuangqiao District, Chongqing City (No.39-2, Checheng Road), the PRC and a registered capital of RMB18,000,000. The Company holds 55% of equity interests of Feiyue Technology and Suzhou Liangcai Technology Logistics Co., Ltd. holds the remaining 45% of its equity interests. Feiyue 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 consolidated financial statement of this report for further details.

.Changan Minsheng (Shanghai) Supply Chain Co., Ltd ("Shanghai Supply Chain") was incorporated on 5 August 2014 the PRC with an address at Room 208A, Building B, No.5, Shuntong Road, Lin-gang Special Area, Pilot Free Trade Zone, Shanghai City, the PRC. After capital increase of RMB 28,000,000 on 6 May 2015, its registered capital reaches to RMB30,000,000. 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 consolidated financial statement 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 incorporated on 18 August 2010 in the PRC with an address at Jincheng Village, Dengnan Street, Hannan District, Wuhan City, Hubei Province, the PRC and 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 consolidated financial statement of this report for further details.

Shenyang Changyou Supply Chain Co., Ltd. ("Shenyang Changyou") was incorporated on 6 November 2019 in the PRC with an address at No.91-D101, Development Road No.25, Economic and Technological Development Zone, Shenyang City, Liaoning Province, the PRC and a registered capital of RMB90,000,000. Each of the Company and Shenyang Changyou Automobile Supply Chain Co., Ltd. holds 51% and 49% of the equity of Shenyang Changyou. Shenyang Changyou is primarily engaged in production of automobile components and modules; storage (other than dangerous chemicals),distribution, packaging, assembly; transport of finished vehicles and ordinary freight; production, sale, leasing and maintenance of containers; provision of business information consulting services; logistics planning, management and consulting services; logistics equipment and facilities leasing, etc. Please refer to note 1 to the consolidated financial statement of this report for further details.

Chongqing Changxiang Supply Chain Technology Co., Ltd. ("Changxiang Supply Chain") was incorporated on 24 March 2021 in the PRC with an address at No.2-4-401, Longgang Road, Guojiatuo Street, Jiangbei District, Chongqing the PRC and a registered capital of RMB20 million. The Company and FAW Logistics Co., Ltd. ("FAW Logistics") shall own 70% and 30% equity interest of Changxiang Supply Chain respectively. Changxiang Supply Chain is primarily engaged in road cargo transportation (excluding dangerous goods), city distribution and transportation (excluding dangerous goods), road cargo transport station operation, road cargo transportation (including dangerous goods and items that need to be approved according to law, and the specific items are subject to the approval documents or licenses of relevant departments); ordinary cargo storage, packaging, automobile sales, second-hand car brokerage, business agent service, motor vehicle refitting, car repair and maintenance, auto parts retail, domestic container freight forwarding agent service, second-hand car dealing, automotive decoration sales and other businesses. Please refer to note 1 to the consolidated financial statement of this report for further details.

In order to support the implementation of the Company's strategy and enhance the Company's capacity to provide finished vehicle logistic services across central China and maket competitiveness, the Company on 30 July 2021 acquired part of equities of Wuhan Changjiang Zhilian Port Development Co., Ltd. ("Changjiang Zhilian") by way of capital increase. After the acquisition, the Company, Huibei Port Group Co., Ltd. and Wuhan Changxin Hengyuan Group Co., Ltd. hold 47%, 34% and 19% of the equity of Changjiang Zhilian respectively. The business registration procedures of Changjiang Zhilian were completed on 30 July 2021 with a registered capital of RMB30 million. The Company entered into an Acting-in-Concert Agreement with Wuhan Changxin Hengyuan Group Co., Ltd. on the general meeting of shareholders and Board meeting, and in respect of which the Company shall exert huge influence on Changjiang Zhilian. Changjiang Zhilian is primarily engaged in licensed business items, including port operartion, port cargo handling services, road transport of goods (excluding dangerous goods), water transport of general cargo, road transport of goods (including dangerous goods), road transport of goods (Internet freight) and general business items, including general goods storage service (excluding dangerous goods and items that need to be licensed or approved), domestic container freight forwarding, domestic freight forwarding, international freight forwarding, non-vessel carrier business, road freight transport station operation, used automobiles brokerage, used automobiles dealing, house leasing, property management, machinery equipment leasing, non-residential property leasing, auto spare parts retail, new car sales and other services. Please refer to note 1 to the consolidated financial statement of this report for further details.

Capitalized Interests

For the year ended 31 December 2021, 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 financial statements.

Employees

As at 31 December 2021, the Group had 4,692 employees (31 December 2020: 5,300 employees).

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

	As at 31 December	
	2021	2020
Administration	214	196
Specialists	1,389	1,345
Operators	3,089	3,759
Total	4,692	5,300

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 (2020: 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 fifth session of the Board and supervisors of the fifth 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)	(re-appointed on 30 June 2020)
Chen Wenbo	(re-appointed on 30 June 2020)
Wan Nianyong	(appointed on 26 November 2021)
Non-executive Directors	
Che Dexi	(appointed on 26 November 2021)
Man Hin Wai Paul	(re-appointed on 30 June 2020)
Xia Lijun	(appointed on 30 June 2020)
Independent non-executive Directors	
Chong Teck Sin	(re-appointed on 30 June 2020)
Poon Chiu Kwok	(re-appointed on 30 June 2020)
Jie Jing	(re-appointed on 30 June 2020)
Zhang Yun	(re-appointed on 30 June 2020)
Supervisors	
Wang Huaicheng	(re-appointed on 30 June 2020)
Jin Jie	(re-appointed on 30 June 2020)
Yang Gang	(re-appointed on 30 June 2020)
Deng Li	(re-appointed on 30 June 2020)
Yang Xunping	(appointed on 30 June 2020)

Members of each of the fifth session of the Board and the fifth session of the Supervisory Committee of the Company was elected and appointed on 30 June 2020. For further details, please refer to the circular of the Company dated 15 May 2020 and the announcement dated 30 June 2020.

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 2021.

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 consolidated 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 2021, 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 2021, 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 2020, 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 2021, 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. ("CSG")	Interest of a controlled corporation	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
China Changan Automobile Group Company Limited ("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%

Note 1: Ming Sung (HK) is the subsidiary of Minsheng Industrial.

Note 2: (L) – long position, (S) – short position, (P) - Lending Pool.

Save as disclosed in this report, as at 31 December 2021, 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

The original share appreciation rights incentive scheme set up by the Company on 6 June 2005 lapsed on 23 February 2016.

In order to establish a long-term incentive mechanism so as to optimize the incentive and restriction system of the Company, retain and further motivate valuable personnel and form a concerted force among the Shareholders, the Company and the management to achieve the operational goal and the long-term strategic objectives of the Company, the Board approved a Share Appreciation Rights Scheme (the "Scheme") on 28 August 2020. The Scheme was approved by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and the shareholders of the Company at the general meeting. The Company shall grant Incentive Recipients Share Appreciation Rights with no more than 4,861,400 underlying Shares, representing approximately 3% of the total issued share capital of 162,064,000 Shares to a total of 29 Incentive Recipients at the exercise price of HKD2.98. For details on the principal terms and conditions of the Scheme and amendments to the Scheme, please refer to the announcements of the Company dated 28 August 2020, 1 March 2021 and 27 April 2021, and the circular of the Company dated 12 April 2021.

Application for the H share full circulation

On 9 February 2022, the Company received the official acceptance letter "Acceptance Notice of the Application for Administrative Permission from the CSRC No.220233" (《中國證監會行政許可申請受理單》220233號) from the China Securities Regulatory Commission (the "CSRC"), stating that the CSRC has accepted the Company's application regarding the implementation of the H share full circulation. Under the application, the Company has applied for the conversion of 74,844,800 domestic unlisted shares of the Company which is comprised of 41,225,600 domestic shares and 33,619,200 non-H foreign shares in issue into H shares and the listing thereof on the Stock Exchange (the "Conversion and Listing").

Upon the completion the Conversion and Listing, the shareholders of 74,844,800 shares participating in it still need to be in accordance with the Listing Rules and applicable laws and regulations.

The implementation plan of the Conversion and Listing has not been finalised. The Conversion and Listing is subject to, among others, the performance of other relevant procedures as required by the CSRC, the Stock Exchange and other domestic and foreign regulatory authorities.

The Company will make further announcements on the progress of the Conversion and Listing in compliance with the requirements under the Listing Rules and applicable laws and regulations.

Competing Interests

Before the listing of the H shares on the Growth Enterprise Market ("GEM") of the Stock Exchange, the Company's substantial 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 March 2022, 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.

Mergers & Acquisitions

No material mergers and acquisitions of the Group were carried out during the reporting period.

Connected Transaction

China Changan holds approximately 25.44% of the equity of the Company and 5% of the equity of Industries Leasing. In addition, China Changan, through its wholly-owned subsidiary United Prosperity Investment Co., Ltd., indirectly holds 25% of the equity of Industries Leasing, and Industries Group holds 100% of the equity of China Changan and 60% of the equity of Industries Leasing. Therefore, according to the Listing Rules, Industries Leasing is a connected person of the Company, and the transactions under the Finance Lease Arrangement of Shenyang Changyou constitute connected transactions of the Company. On 20 October 2020, Shenyang Changyou rented the tyre subpackage production line and the AS/RS from Industries Leasing for a maximum lease term of 60 months at the total rent not exceeding RMB130,280,000 (with the annual interest rate of 5.3% and paid on a quarterly basis). For details, please refer to the Company's announcement on 20 October 2020 and circular on 14 December 2020. Please refer to note 37.

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 18.78% of the equity interests of Changan Automobile. In addition, CSG holds 100% equity interests in China Changan and 20.9% equity interests in Changan Automobile. 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 12.46% 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") used to be 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 4 November 2020, the Company entered into the following framework agreements, each for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023:

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

(6) 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;

(7) 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; and

(8) 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 4 November 2020, the circular dated 12 December 2020 and the announcement dated 30 December 2020 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 has been in business contact with Changan Automobile from the establishment of the Company and has maintained a good relationship with Changan Automobile ever since. The Group is a major logistics services supplier of Changan Automobile and its associates. The Group's logistics services have been highly recognized by Changan Automobile and its associates. Provision of logistics services to Changan Automobile and its associates by the Group continues to occupy a major portion of the Group's business, thus contributing significantly to the overall revenue of the Group. Against the background of the downward pressure for domestic automobile market, the Company believes that it is essential to maintain the provision of logistics services by the Group to Changan Automobile and its associates to ensure source of revenue. The Company therefore is of the view that the Group should continue to provide comprehensive automobile logistics services for Changan Automobile and its associates to maximize the revenue of the Group.

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

China Changan is essentially a large enterprise with businesses mainly ranging from parts and components to automobile retail. It has roughly 15 member companies engaging in parts production such as automobile engines, transmissions, power components, chassis, shock absorbers, supercharges, pistons and so on. The Group stepped up efforts in exploring the parts business of China Changan and its associates ever since China Changan became one of the substantial shareholders of the Company. Currently, the Group has established steady business contact with several member companies of China Changan, by providing logistics services such as automobile parts distribution, transportation, storage, etc. The Group anticipates that by leveraging on the current business relationship, the Group can establish more business contact with Changan Group and can tap into the market potentials presented by China Changan and its associates, thereby increasing business sources and maximizing revenue of the Group.

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

The Group is a third-party automobile logistics service provider for providing comprehensive logistics solution for our customers. However, the Group currently does not have any vessel or enough freight carriers to ensure an independent operation of business. Therefore, the Group needs to purchase logistics services from suppliers with sufficient transportation capacity and logistics facilities and equipment. Minsheng Industrial is fully equipped with ro-ro ships of various volumes and car transporters that is compliant with the current regulation of GB1589 and has extensive, well established logistics network across the country. Therefore, Minsheng Industrial and its associates are competent in providing logistics services to the Group. In addition, Minsheng Industrial and its associates have been a credible and reliable business partner of the Group, and have been providing various logistics services such as waterway transportation of cars and car components and parts, finished vehicles transportation by road, customs clearance, container transportation, etc. for many years. As such, the directors are of the view that the Group should continue to purchase logistics services from Minsheng Industrial and its associates to support the smooth running of the Group's primary business and tap on the strength of Minsheng Industrial's various resources to our advantage and provide our customers with quality services and maximize the revenue of the Group. The directors are of the view that the transaction is in the interest of the Company and its Shareholders as a whole.

With respect to the transaction between the Group and Zhuangbei Finance

Zhuangbei Finance is a non-banking financial institution in the PRC as approved by CBIRC and is established with capital contribution from member companies of CSG for purpose of centralizing capital management and optimizing capital efficiency within the CSG. Zhuangbei Finance has been providing financial services for member companies of CSG for years and is highly recognized for its financial management services. In addition, the major customers of the Group are member companies within CSG and they all have maintained accounts with Zhuangbei Finance. It would reduce the time costs and finance cost if the Company deposits and conducts note discounting services with, and/or to obtain loan advancement from, Zhuangbei Finance. Moreover, Zhuangbei Finance offers more favourable terms and comparatively less finance fees and charges than those payable to external banks in the PRC.

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

Minsheng Industrial and its associates specialized in waterway transportation and has affluent resources such as ro-ro ships, vessels and vast waterway logistics network, enabling them to operate smoothly along the Yangtze River. However, in order to provide comprehensive logistics solution to its customer, like combined transportation by waterway plus road, occasionally, Minsheng Industrial and its associates find themselves in need of logistics services from the Group such as station management support and road transportation support. As a longstanding business partner of Minsheng Industrial, the Group's strength is in provision of comprehensive logistics solutions which could cater to the needs of Minsheng Industrial and its associates. The directors are of the view that the Group should continue to do business with Minsheng Industrial and its associates in the hope that by combining the resources and strength from both parties, Minsheng Industrial and the Group will find common ground to cooperate to our mutual benefit.

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

Changan Property, an associate of China Changan, is a first-class property management company in the country and a member of the China Property Management Institute and has extensive property management experience. The Group considers that procurement of security and cleaning services from China Changan and its associates, mainly from Changan Property, can provide assurance to the Group that it would be provided with comprehensive, standard and high-level security and cleaning services, thereby ensuring the smooth running of the daily operation of the business projects of the Group. As such, the directors are 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.

China Changan and its associates have long been providing property leasing services for the Group and is rather familiar with the Group's requirement on the leased properties and will continue to respond quickly and in cost-efficient manner to any new requirement that the Group may have. Most warehouses and stations available from China Changan and its associates are geographically convenient for the Group to store car raw materials and finished vehicles. In addition, entering into property leasing transactions with China Changan would provide the Group with stability and substantially reduce the risks of possible shortage of suitable warehouses and stations and the wild fluctuation in rentals arising from the generally expected appreciation in the value of properties. Besides, the Group maintains the flexibility in leasing properties such as warehouses and stations from other independent parties. Therefore, the directors are of the view that the Group should continue the property leasing transactions with China Changan and its associates as it is in the interest of the Company and its Shareholders as a whole.

The Group does not have sufficient transportation capacity to provide automobile logistics services to cope with the jump of the logistics demand of our customers in the peak season. In order to provide quality services in an efficient and timely manner, the Group normally would seek external support from our longstanding business partners. As a substantial shareholder of the Company, the Group believes that China Changan and its associates are able to respond promptly to the needs of the Group and any urgent requirement that the Group may have as China Changan has a better understanding of the Group's business operation. The directors are of the view that having China Changan and its associates as one of the many suppliers of the Group would give the Group a wider range of selection and the Group should continue the cooperation with China Changan and its associates.

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

As a seasoned international logistics service provider with advanced logistics technology, APLL has strengthened its footprint overseas with extensive branches reaching mainland China, America and India. APLL and its associates have been providing supply chain management services for IT companies in Mainland China. The Group has strong logistics capacity in Mainland China and is also looking to explore overseas business to achieve further development. APLL is the substantial shareholder of the Company and is open to cooperation with the Group. Cooperation with APLL will not only help the Group to obtain various outsourced logistics business from APLL to generate revenue but also will help the Group keep abreast of the cutting-edge international logistics technology, leading operation schema and time-tested management method to optimize the business operation of the Group. The directors is of the view that the continuing connected transactions exempt from Shareholder's approval with APLL and its associates are beneficial for the Group's development and is 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's customers, Changan Ford and Changan Automobile have business in overseas countries such as America, Mexico, Vietnam and Philippines. The Group needs to purchase international logistics services from qualified international logistics service providers with sufficient capacity and well-established logistics network. APLL offers a comprehensive suite of services extending from international freight forwarding to both origin and destination services, including freight consolidation, warehousing and distribution management and operates in several international trade lines. The Company is of the view that APLL and its associates are competent to provide comprehensive international logistics services for the Group and will help to ensure the Group's service quality. In addition, having APLL and its associates to provide logistics services for the Group will give the Group with more choice in the selection of international logistics service providers. Therefore, the directors is of the view that it is in the interests of the Company and its Shareholders as a whole.

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

Baogang Zhushang needs to purchase steel transportation services, etc. Nanjing CMSC has been providing steel transportation services for Baogang Zhushang for a considerable period of time and is recognized by Baogang Zhushang for its service quality. In addition, as the business with Baogang Zhushang is rather stable, the directors are of the view that Nanjing CMSC should continue to provide logistics services to Baogang Zhushang to ensure a stable revenue source to maximize the revenue of the Group and is in the interests of the Company and its Shareholders as a whole.

Pricing of Continuing Connected Transactions

According to the framework agreements signed on 30 October 2020 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 4 November 2020, the circular dated 14 December 2020, the announcement dated 30 December 2020, the announcement dated 29 September 2021, the circular dated 9 November 2021 and the announcement dated 26 November 2021 for further details.

According to the framework agreements signed on 4 November 2020 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 4 November 2020, the circular dated 14 December 2020, the announcement dated 30 December 2020 for further details.

According to the framework agreement signed on 4 November 2020 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 37 to the financial statements of the report. 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 2021, 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 2021	
	Actual Transaction Amount RMB'000	Annual Caps or Revised Annual Caps 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)	89,002	120,000
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)	4,115,105	5,000,000
Minsheng Industrial and its associates:		
- logistics services	2,650	11,000
APL Logistics and its associates:		
- logistics services	75	5,000
Baogang Zhushang:		
- logistics services	4,131	7,000

For the year ended 31 December 2021, 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 2021	
	Actual Transaction Amount RMB'000	Annual Caps or Revised Annual Caps RMB'000
China Changan and its associates:	5,953	12,000
Minsheng Industrial and its associates:	175,103	250,000
APL Logistics and its associates:	149	5,000

For the year ended 31 December 2021, 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 2021	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	718	2,600

For the year ended 31 December 2021, 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 2020	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	10,337	12,000

For the year ended 31 December 2021, the amount of transactions between the Group and Zhuangbei Finance are as follows:

	For the year ended 31 December 2020	
	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	189,724	190,000

In March 2022, 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 2021 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.

Related Party Transactions

Details of the significant related party transactions entered into by the Group during the twelve months ended 31 December 2021 are set out in Note 37 to the consolidated financial statements. None of these related party transactions constitutes a disclosable connected transaction as defined under the Listing Rules, except for the transactions described in this paragraph headed "Continuing Connected Transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Legal Proceedings

On 27 August 2021, CMAL Bo Yu Transportation Co., Ltd. Tongnan Branch (Bo Yu Transportation Tongnan Branch), a wholly-owned subsidiary of the Company, filed civil lawsuits as claimant with Shenzhen Longhua District People's Court ("Longhua District Court") for an order that Shenzhen LingDao Car Life Service Co., Ltd. Zhongshan Branch, Shenzhen LingDao Car Life Service Co., Ltd. Zhuhai Branch, Shenzhen LingDao Car Life Service Co., Ltd. Foshan Branch, Huhhot LingDao Car Service Co., Ltd., Lanzhou LingMai Car Service Co., Ltd. and Yinchuan LingDao Car Service Co., Ltd. (the aforesaid six companies are collectively referred to as the "Defendants") shall settle the balance, service charge, storage fee and attorney fee, which were paid by Bo Yu Transportation Tongnan Branch, liquidated damages and other costs owing to Bo Yu Transportation Tongnan Branch in a total amount of RMB96,107,000, and for an order that Shenzhen LingDao Car Life Service Co., Ltd. and Shenzhen Baoneng Investment Group Co., Ltd. shall assume joint and several guarantee liabilities for paying the outstanding amount owing to Bo Yu Transportation Tongnan Branch.

On 8 September 2021, Longhua District Court has accepted the cases on file. On 23 September 2021, Bo Yu Transportation Tongnan Branch received the Mediation Document from Longhua District Court, and has entered into the Settlement Agreement with the Defendants. Pursuant to the Settlement Agreement, Bo Yu Transportation Tongnan Branch received RMB 92,017,763.21 as a result of enforcement by Longhua District Court on 21 January 2022. Please refer to announcements of the Company dated 10 September 2021, 4 Janurary 2022 and 21 January 2022 for further details.

Designated Deposits

As at 31 December 2021, 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 2021 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 five months after the end of the financial year, the publication of the Company's annual report of 2021.

Donation

During the year, the total amount of donation made by the Company was RMB600,000 (2020: RMB710,000).

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 2021.

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 PKF Hong Kong Limited, the Group's auditors.

By the Order of the Board
Xie Shikang
Chairman

Chongqing, the PRC
30 March 2022

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 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 and given opinions in relation to the Scheme. 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 2021, 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 report, 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 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 2021 AGM.

By order of the Supervisory Committee
Wang Huaicheng
Chairman

Chongqing, the PRC
30 March 2022

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 2021 to 31 December 2021, 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. The fifth session of Board and the fifth session of the Supervisory Committee was elected on 30 June 2020. Code provision A.4.2 provides that every director, including those appointed for a specific time, should be subject to retirement by rotation at least once every three years. The Company also stipulates that directors and supervisors elected at general meeting shall be for a term of three years. According to the code provisions and the articles of association of the Company, the term of office of all the members of each of the fifth session of the Board and the fifth session of the Supervisory Committee shall expire on 30 June 2023.

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

Securities Transactions by the Directors

Since the Transfer of Listing of the Shares to the main board of the Stock Exchange 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 2021 to 31 December 2021.

Board

The Board comprises 10 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 2022. 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

Mr. Wan Nianyong was appointed as executive director of the Company for a term commencing from the conclusion of the second EGM until the expiry of the term of the fifth session of the Board on the 2021 second EGM held on 26 November 2021. Please refer to the circular and the announcement of the Company dated 9 November 2021 and 26 November 2021 respectively.

Mr. Che Dexi was appointed as non-executivedirector of the Company for a term commencing from the conclusion of the second EGM until the expiry of the term of the fifth session of the Board on the 2021 second EGM held on 26 November 2021. Please refer to the circular and the announcement of the Company dated 9 November 2021 and 26 November 2021 respectively.

Mr. Shi Jinggang resigned as executive director of the fifth session of the Board, General Manager and member of the Strategy and Investment Committee of the fifth session of the Board of the Company with effect from 24 June 2021. Please refer to the announcement of the Company 24 June 2021.

Mr. Chen Xiaodong resigned as the non-executive director of the fifth session of the Board of the Company and one of the authorized representatives of the Company with effect from 26 November 2021. Please refer to the announcement of the Company 11 October 2021.

Mr. William K Villalon resigned as executive director of the fifth session of the Board of the Company with effect from 24 December 2021. Please refer to the announcement of the Company 24 December 2021.

During the reporting period, Mr. Poon Chiu Kwok, an independent non-executive director, resigned as independent non-executive director of Honghua Group Limited (Listed on the Stock Exchange, stock code: 196) with effect from 1 December 2021.

Directors' Attendance of Regular Meetings

The Board has held four regular meetings in 2021 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 2021 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%
Chen Wenbo	4	2	2	50%
William K Villalon *(Note 1)*	4	2	2	50%
Shi Jinggang *(Note 2)*	2	2	0	100%
Wan Nianyong *(Note 3)*	1	1	0	100%
Non-executive Director				
Chen Xiaodong *(Note 4)*	4	2	1	67%
Che Dexi *(Note 4)*	1	1	0	100%
Man Hin Wai Paul	4	4	0	100%
Xia Lijun	4	1	3	25%
Independent non-executive Director				
Chong Teck Sin	4	3	1	75%
Poon Chiu Kwok	4	4	0	100%
Jie Jing	4	4	0	100%
Zhang Yun	4	4	0	100%

Note 1: Mr. William K Villalon resigned as the executive director of the Company with effect from 24 December 2021.

Note 2: Mr. Shi Jinggang resigned as the executive director of the Company with effect from 24 June 2021.

Note 3: Mr. Wan Nianyong was appointed as the executive director of the Company with effect from 26 November 2021.

Note 4: Mr. Chen Xiaodong resigned as the non-executive director of the Company and Mr. Che Dexi was appointed as the non-executive director of the Company with effect from 26 November 2021.

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 fifth 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, Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun, the independent non-executive directors, have continuously been in office for over 9 years. Notwithstanding the fact that Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun have served the Company for more than nine years, they are not involved in the daily management of the Company. Therefore, there are no circumstances which are likely to affect their independence as an independent non-executive director. As regard the re-election of independent non-executive directors, the Company has complied with code A.4.3 of the Corporate Governance Code under the Listing Rules that the re-election of each of Mr. Chong Teck Sin and Mr. Poon Chiu Kwok as independent non-executive director. As regard all independent non-executive directors have been in office for over 9 years, the Company will comply with the code B.2.4 of the Corporate Governance Code under the Listing Rules that appoint or change at least one new independent non-executive director.

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 2021. 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 implement 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, 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. Wan Nianyong. 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 2021 and 31 December 2021 based on the records provided by the directors and supervisors:

Name	Category of Continuing Professional Development
Directors	
Xie Shikang	A/B
Chen Wenbo	A/B
William K Villalon	A/B
Shi Jinggang	B
Wan Nianyong	A/B
Chen Xiaodong	B
Che Dexi	A/B
Man Hin Wai Paul	A/B
Xia Lijun	A/B
Chong Teck Sin	A/B
Poon Chiu Kwok	A/B
Jie Jing	A/B
Zhang Yun	A/B
Supervisors	
Wang Huaicheng	A/B
Jin Jie	A/B
Yang Gang	A/B
Deng Li	A/B
Yang Xunping	A/B

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 2021 to review and discuss the Group's annual results, financial statements; principal accounting policies and internal audit matters for the year ended 31 December 2020, listened to the auditor's suggestions for the Company, and approved such reports.

The Audit Committee met on 23 April 2021 to review the income statement, cash flow statement and balance sheet of the Group for the three months ended 31 March 2021.

The Audit Committee met on 19 August 2021 to review the unaudited interim report of the Group for the six months ended 30 June 2021 and approved such report.

The Audit Committee met on 18 November 2021 to review the income statement, cash flow statement and balance sheet of the Group for the nine months ended 30 September 2021.

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 28 March 2022 to review and discuss the Group's annual results, financial statements, principal accounting policies and internal audit matters for the year ended 31 December 2021, listened to the auditor's suggestions for the Company and approved such reports.

In 2021, 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 in-depth communication and discussions with the Group's external auditors with regard to the 2021 conducted annual financial auditing nature and scope;

4. proposed to the Board to appoint PKF Hong Kong Limited and WUYIGE Certified Public Accountants LLP as the Company's 2021 annual external auditors.

(2) Remuneration Committee

The remuneration committee (the "Remuneration Committee") currently comprises Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun, who are all independent non-executive directors.

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 and one extraordinary 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
Poon Chiu Kwok	2	2	0	100%
Jie Jing	2	2	0	100%
Zhang Yun	2	2	0	100%
Chong Teck Sin	2	2	0	100%

In 2021, 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 2021, 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. Conducted reviews on the Scheme and the incentive recipients thereunder and issued Independent opinions in such respect.
4. Reviewed remuneration management measures, performance management measures and annual performance contract for management members of the Company.

(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 Nomination Committee is chaired by Mr. Xie Shikang, the chairman of the Board and comprises a majority of independent non-executive directors.

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 Audit 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	3	3	0	100%
Chong Teck Sin	3	3	0	100%
Poon Chiu Kwok	3	3	0	100%
Jie Jing	3	3	0	100%
Zhang Yun	3	3	0	100%

In 2021, 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, population 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;
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. Chong Teck Sin, Mr. Jie Jing 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 2021, 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

PKF Hong Kong Limited was appointed as the Company's international auditor (WUYIGE Certified Public Accountants LLP was the Company's PRC auditor for 2021) for the year ended 31 December 2021 on the 2020 AGM held on 25 June 2021. PKF Hong Kong Limited was appointed as the Company's international auditor (WUYIGE Certified Public Accountants LLP was the Company's PRC auditor for 2020) for the year ended 31 December 2020. Ernst & Young was the Company's international auditor (Ernst & Young Hua Ming LLP was the Company's PRC auditor) from 2014 to 2019.

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 2021.

The remuneration of the auditors for the year ended 31 December 2021 are set out below:

Services provided	Fees(RMB)
Audit Services	1,580,000.00
Non-audit services	265,000.00
Total	1,845,000.00

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 2021, 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 2021, 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 2021.

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 25 June 2021, 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. Chen Wenbo, and Mr. William K Villalon, the non-executive director Mr. Man Hin Wai Paul, the independent non-executive director Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing (the chairman of the Remuneration Committee) and Ms. Zhang Yun (the chairman of the Audit Committee of the Company) attended the 2020 annual general meeting held by the Company.

On 27 April 2021, the executive directors, Mr. Xie Shikang, Mr. William K Villalon, Mr. Shi Jinggang, the non-executive directors, Mr. Chen Xiaodong, Mr. Man Hin Wai Paul and the independent non-executive directors Mr. Chong Teck Sin, Mr. Jie Jing and Ms. Zhang Yun attended the 2021 first EGM, the 2021 first Class Meeting for Holders of H Shares and the 2021 first Class Meeting for Holders of DomesticShares held by the Company.

On 26 November 2021, the executive directors, Mr. Xie Shikang, Mr. Chen Wenbo, the non-executive directors, Mr. Man Hin Wai Paul and the independent non-executive directors Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun attended the 2021 second EGM held by the Company.

On 23 December 2021, the executive directors, Mr. Xie Shikang, Mr. Chen Wenbo, Mr. William K Villalon, Mr. Man Hin Wai Paul and the independent non-executive directors Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun attended the 2021 third EGM held by the Company.

Amendments of Articles of Association

In accordance with the relevant requirements of the Company Law of the PRC and the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) 《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》（國函[2019]97號）published by the State Council of the PRC, the Board proposed to amend, amongst others, the provisions in relation to notice period of general meetings as provided in articles of association of the Company. The proposed amendments are conditional on the approval of the shareholders at the general meeting and class meetings the approval of competent governmental authorities. The amendments of the Articles of the Association of the Company were approved at the 2021 first extraordinary general meeting held on 27 April 2021 and the business registration procedures regarding to the amendments were completed on 11 May 2021. Please refer to the circular dated 12 April 2021 and the constitutional document dated 14 May 2021 of the Company for further details.

The 2021 second extraordinary general meeting of the Company held on 26 November 2021 approved the amendments made to the articles of association of the Company in relation to changes in the business scope. The relevant industrial and commercial registration of changes has been completed on 14 December 2021. For details of the amendments, please refer to the Company's circular dated 9 November 2021 and Articles of Association dated 16 December 2021 respectively.

The board meeting of the Company held on 30 March 2022 proposes to amend the Articles of Association of the Company in relation to changes in the business scope. The amendments of the Articles of Association are subject to approval by the Shareholders at general meeting by way of special resolution and, if required, the approval from the relevant PRC government authorities. For details of the amendments, please refer to the Company's annoucement dated 30 March 2022.

Executive Directors

Mr. Xie Shikang

Mr. Xie Shikang（謝世康）aged 52, 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 and the chairman of Nomination Committee of the fifth session of the Board of the Company. Mr. Xie joined the Group since 2016. Mr. Xie graduated from Chongqing Normal University in 1992. His final academic degree obtained in 2006 was the 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 as a secretary in China South Industry Group Corporation Southwest Division* and after that, he joined the former Changan Automobile (Group) Company Limited Liability* 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.* From 2009 to 2013, Mr. Xie worked in Changan Automobile (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. Mr. Xie has extensive experience in 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 54, currently an executive director of the fifth session of the Board. Mr. Chen joined the Group since December 2018. Mr. Chen graduated from Kunming Engineering College (now known as Kunming University of Science and Technology) in July 1987. Mr. Chen obtained a master's degree in business administration in The Open University of Hong Kong in 2005. Mr. Chen joined Minsheng Shipping in December 1989 and 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 is now the director, deputy general manager of Minsheng Shipping and the general manager of Minsheng Logistics Company Limited*. Mr. Chen has extensive experience in finished vehicle logistics and enterprise management.

Mr. Wan Nianyong

Mr. Wan Nianyong（萬年勇）aged 46, senior engineer, an executive director of the fifth session of the Board of the Company, the general manager and deputy secretary of the CPC Committee of the Company. Mr. Wan Nianyong graduated from Shenyang Ligong University majoring in machinery electronic engineering and then obtained a master degree in project management from Chongqing University. Mr. Wan Nianyong joined Changan Automobile in July 2000 and served in various positions including deputy head of the manufacture logistics department of Changan Automobile, general manager, secretary of the CPC Committee and project supervisor of Heibei Changan Automoblie Co., Ltd., a subsidiary of Changan Automobile. Mr. Wan Nianyong joined the Company in August 2018 and served as the deputy general manager of the Company and chairman of the Labor Union of the Company. Mr. Wan Nianyong has extensive experiences in enterprise production and operation and project management.

Non-executive Directors

Mr. Che Dexi

Mr. Che Dexi (車德西) aged 69, currently a non-executive director of the fifth session of the Board of the Company, Mr. Che Dexi graduated from Chongqing University in 1977, with a major in ironmaking. From 1977 to 1986, Mr. Che Dexi worked in Ngawa Tibetan Autonomous Prefecture Qipangou Ironmaking Plant*（阿壩藏族自治州七盤溝煉鐵廠）and Science and Technology Commission of Ngawa Prefecture*（阿壩州科學技術委員會）. From 1986 to 1993, Mr. Che Dexi served as the director of Ngawa Prefecture Ironmaking Plant*（阿壩州煉鐵廠廠長）, the director of Ngawa Prefecture Industry and Light Industry Bureau*（阿壩州工業工輕局）, and the director of Ngawa Prefecture Planned Economy Committee*（阿壩州計劃經濟委員）. From 1993 to 2003, Mr. Che Dexi served as the deputy general manager of Chengdu Branch of Sinotrans Changhang (Group), the general manager of its Chongqing Branch and Sichuan Branch. Mr. Che Dexi joined Minsheng Shipping Co., Ltd. in December 2003, and since then he has been in many important positions in Mingsheng Industrial (Group) Co., Ltd. and its subsidiaries, including the president assistant of Mingsheng Industrial (Group) Co., Ltd., the deputy general manager of Minsheng Shipping Co., Ltd., and the general manager of Sichuan Minsheng International Freight Forwarding Co., Ltd., etc. Mr. Che Dexi is currently the executive deputy general manager (in charge of work) in Minsheng Shipping Co., Ltd. Mr. Che Dexi has extensive experience in the logistics industry and corporate management.

Mr. Man Hin Wai Paul

Mr. Man Hin Wai Paul（文顯偉）aged 62, currently a non-executive director of the fifth session of the Board of the Company. Mr. Man joined the Group since 2018. 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 that, 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. Xia Lijun

Mr. Xia Lijun（夏立軍）aged 45, currently a non-executive director of the fifth session of the Board of the Company. Mr. Xia is the head of the Market Department of China Changan. Mr. Xia graduated from Chongqing University in 2000 majoring in welding technique and equipment and then went on to study in Beihang University from 2011 to 2014 and received his master's degree in software engineering. From July 2000 to January 2012, Mr. Xia worked in Changan Automobile and served in serval roles such as the deputy general manager, executive director and director of business division in southern China region of Chongqing Changan Automobile Sales Company Limited (a subsidiary of Changan Automobile) and the head of Secretarial Services of Changan Automobile. Mr. Xia has worked in China Changan since January 2012 to the present, and during the period, Mr. Xia successively served in important positions such as the head of the General Office and Board Office of China Changan and general manager of Capital Operations Department. In the meantime, Mr. Xia also served in many roles in Changan Automobile, such as the deputy general manager of the New Energy Automobile Business Department and the general manager of New Energy Automobile Sales Department of Changan Automobile, the deputy general manager of Chonqging Changan New Energy Automobile Technology Company Limited* (a subsidiary of Changan Automobile) and the general manager of its Sales Department, the executive director, general manager and legal representative of Nanjing Changan New Energy Automobile Sales Company Limited* (a subsidiary of Changan Automobile). Currently, Mr. Xia is a director of Hunan Tyen Machinery Co., Ltd. (a company listed in Shanghai Stock Exchange, Stock Code: 600698).

Independent Non-executive Directors

Mr. Chong Teck Sin

Mr. Chong Teck Sin (張鐵沁) aged 67, an independent non-executive director, a member of Audit Committee, Nomination Committee, Remueration Committee, and Strategy and Investment Committee of the fifth session of the Board. Mr. Chong joined the Company as an independent non-executive director since 2005. Mr. Chong was the executive director and 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; SGX-listed InnoTek Ltd. and AIMS APAC REIT Management Limited, Manager of the SGX-listed AIMS APAC REIT. On 21 June 2019, Mr. Chong was appointed as a director of Ranhill Pte Ltd. (a private company registered with the Accounting and Corporate Regulatory Authority of Singapore). 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 59, an independent non-executive director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the fifth session of the Board. Mr. Poon joined the Group since September 2011. Mr. Poon 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 Ltd., The Chartered Governance Institute (formerly Institute of Chartered Secretaries and Administrators) in UK, and The Hong Kong Chartered Governance Institute (formerly 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 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), Sany Heavy Equipment International Holdings Company Limited (Stock Code: 00631), 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), and Yankuang Energy Group Company Ltd. (formerly Yanzhou Coal Mining Company Limited) (Stock Code: 01171). He served as an independent non-executive director of Honghua Group Limited from June 2017 to December 2021, whose shares are listed on the Main Board of the Stock Exchange (stock code: 196), and an independent non-executive director of Titan Invo Technology Limited (formerly TUS International Limited) from September 2015 to July 2020, whose shares are listed on the Main Board of the Stock Exchange (stock code: 872). He also served as an independent non-executive director of Tonly Electronics Holdings Limited, whose shares were listed on the Main Board of the Stock Exchange before 8 March 2021.

Mr. Jie Jing

Mr. Jie Jing（揭京）aged 54, an independent non-executive director, the chairman of the Remuneration Committee, a member of each of the Strategy and Investment Committee, the Audit Committee and the Nomination Committee of the fifth session of the Board. Mr. Jie joined the Group since December 2012. Mr. Jie 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 56, an independent non-executive director, a member of the Strategy and Investment Committee, the chairman of Audit Committee, a member of each of the Nomination Committee and the Remuneration Committee of the fifth session of the Board. Ms. Zhang joined the Group since 2012. She 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 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 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 Transport of the PRC and sponsored by the 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 theses. Ms. Zhang has rich experience in logistics theory research, tactics making and personnel training, etc.

Supervisors

Mr. Wang Huaicheng

Mr. Wang Huaicheng (王懷成) aged 56, a senior engineer, a shareholder representative supervisor and Chairman of the fifth session of the Supervisory Committee. Mr. Wang joined the Group since 2018. 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. (a company listed on the SME board of Shenzhen Stock Exchange, Stock Code: 002265). Mr. Wang is currently the supervisor of Wanyou Automobile Investment Co., Ltd.* and the supervisor of Southwest Ordnance Industry Cooperation*.

Ms. Jin Jie

Ms. Jin Jie（金潔）aged 42, a shareholder representative supervisor of the fifth session of the Supervisory Committee. Ms. Jin joined the Group since 2018. She 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. Yang Gang

Mr. Yang Gang（楊剛）aged 47, a senior accountant. Mr. Yang's currently is a shareholder representative supervisor of the fifth session of the Supervisory Committee. Mr. Yang joined the Group since 2019. Mr. Yang graduated from Liaoning Technical University majoring in accounting. Mr. Yang joined Minsheng Shipping in July 2007 and has since then served in various important roles such as manager of the Financial Department in Guangzhou Branch of Minsheng Shipping, and Guangzhou Minsheng International Freight Co., Ltd.* (a subsidiary of Minsheng Shipping) and as the deputy general manager of Sichuan Minsheng International Freight Co., Ltd.*(a subsidiary of Minsheng Shipping). Mr. Yang now serves as the director of Financial Department in Minsheng Shipping and as a supervisor of Sichuan Changhong Minsheng Co., Ltd.* (listed in National Equities Exchange and Quotations, Stock Code: 836237) and the deputy general manager of Minsheng Logistics Sichuan Co., Ltd.* (a subsidiary of Minsheng Shipping). Mr. Yang Gang has extensive experiences in accounting and financial management.

Mr. Yang Xunping

Mr. Yang Xunping（楊勛平）aged 56, assistant engineer, an employee representative supervisor of the fifth session of the Supervisory Committee of the Company. Mr. Yang graduated from Party Central School as an economy management major in 1998. After graduation, Mr. Yang went to work for former Changan Automobile (Group) Limited Liability Company* as a junior officer in the department responsible for Party discipline inspection and internal auditing. Mr. Yang later also served as the regional sales general manager and sales director in branches of Chongqing Changan Automobile Co., Ltd. (listed in Shenzhen Shenzhen Stock Exchange). Mr. Yang joined the Company in August 2007 and since then has held various positions within the Company such as project director of Finished Vehicles Business Department of the Company and general manager of Changan Minsheng (Shanghai) Supply Chain Co., Ltd., one of the wholly-owned subsidiaries of the Company and director of the Discipline Inspection and Supervision Department / Audit and Legal Affairs Center and general counsel of the Company, in charge of Party affairs inspection, internal auditing, risks management and legal affairs of the Company. Mr. Yang is head of the Inspection Office. Mr. Yang has extensive experience in business operation and management and internal auditing.

Ms. Deng Li

Ms. Deng Li（鄧莉）aged 52, accountant, an employee representative supervisor of the fifth 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. Wan Nianyong

Mr. Wan Nianyong（萬年勇）the general manager of the Company. Please refer to the biography details of Mr. Wan in the Executive Directors column.

Mr. Ren Fei

Mr. Ren Fei（任飛）aged 48, accountant, currently the Chief Accountant and Board Secretary of the Company. Mr. Ren graduated from Chongqing University of Technology in 1997, majoring in computerized accounting. He also obtained a master's degree from Beijing Institute of Technology, majoring in EMBA. From July 1997 to July 2004, Mr. Ren worked in the CSGC Southwest Division. From July 2004 to January 2012, Mr. Ren served as deputy head of Finance Department, deputy head of Financial Auditing Department, head of Financial Auditing Department of CSGC Southwest Division, and head of Finance Department of Southwest Ordnance Industry Corporation. From January 2012 to July 2020, Mr. Ren served as head of Financial Auditing Department, Chief Accountant and Director of Wanyou Automobile. Mr. Ren has extensive experience in finance, auditing and business management.

Ms. Ren Honglian

Ms. Ren Honglian（任紅蓮）aged 55, senior economist, currently the secretary of the Discipline Inspection Commission of the Company and 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 58, economic engineer, the deputy general manager of the Company. holding an MBA. Mr. Chen joined Minsheng Industrial in 1992 and served as deputy director, director of Multi-Transportation Department, assistant general manager & deputy director 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 Supply Chain Business Department of the Company and the supervision of two of the Company's subsidiaries, Shanghai Supply Chain and Hangzhou Changan Minsheng.

Mr. Wang Xiaofeng

Mr. Wang Xiaofeng (王小鋒) aged 45, joined the Group in May 2019 and currently serves as the general manager of the Company. Mr. Wang graduated from Chongqing University, holding a Bachelor's degree in engineering and later obtained a Master's degree also in engineering from Shanghai Jiao Tong University. From September 2001 to March 2003, Mr. Wang served as a headman in Guangdong Nikon Camera Co., Ltd.*. From March 2003 to November 2011, Mr. Wang worked in Avary Holding (Shenzhen) Co., Ltd. (listed in Shenzhen Stock Exchange, Stock Code: 002938) as a Director of IE Division. From January 2012 to June 2013, Mr. Wang served as a general manager in charge of manufacturing in Henan Junding Electronic Technology Development Co., Ltd.*. From July 2013 to December 2013, Mr. Wang worked as a general manager in Henan Jishun Electronics Co., Ltd.*. From December 2013 to December 2016, Mr. Wang served in SF Express Co., Ltd. (renamed to S.F. Holding Co., Ltd. after a reverse merger and listed in Shenzhen Stock Exchange, Stock Code: 002352), working as a director in charge of vehicle management and deputy director in charge of engineering affairs. From December 2016 to June 2018, Mr. Wang served as a deputy general manager in Hunan Haokuaisheng Construction Technology Co., Ltd., which is a subsidiary of SNTO). From July 2018 to September 2018, Mr. Wang worked as a vice president of the supply chain center of Guangzhou Built-to-Last New Materials Co., Ltd.* From October 2018 to April 2019, Mr. Wang served as a full-time consultant in Shenzhen Defu Zhida Technology Development Co., Ltd.* Mr. Wang is currently in charge of the Intelligent Logistics Promotion Center (Corporate Technology Center), the Quality, Safety and Lean Management Department , the Regional Development Center of the Company and CMAL Bo Yu Transportation Co., Ltd. Mr. Wang has enriched experience across industries.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 (together the "Group") set out on pages 59 to 150, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets	
As at 31 December 2021, the deferred tax assets recognised in the consolidated statement of financial position amounted to RMB62,814,000. 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. 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 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 accounts receivable	
As at 31 December 2021, trade receivables and amounts due from related parties arising from the rendering of services and the sale of goods represented 28% 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 on receivables. Related disclosures are included in notes 3, 23, 37(c) and 41 to the consolidated financial statements.	Our audit procedures included: • Reviewing management's assessment of the overall policies and procedures in relation to expected credit losses model for estimating impairment provisions and assessing the appropriateness of the model applied by the management; • Assessing the reasonableness of management's judgement and estimates for expected credit losses by examining the information used by management, including testing accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; • Checking bank receipts for the settlements made subsequent to the year end and the correctness of the ageing of receivables on a sample basis; and • Assessing the disclosures about the Group's exposure to credit risk in the consolidated financial statements.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS 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

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 Directors and Those Charged with Governance 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 judgment and maintain professional skepticism 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 those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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 the independent auditor's report is Hui Lai King (Practising Certificate Number: P03499)

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	6,020,899	4,685,655
Cost of sales and services		(5,695,977)	(4,448,434)
Gross profit		324,922	237,221
Other income, loss and gains	5	61,601	56,385
Selling and distribution expenses		(54,192)	(48,529)
Administrative expenses		(259,875)	(204,822)
Other expenses		(3,167)	(8,911)
Finance costs	7	(8,140)	(6,292)
Share of results of:			
A joint venture		1,256	476
An associate		(3,562)	(2,287)
PROFIT BEFORE TAX	6	58,843	23,241
Income tax expense	10	(16,734)	(9,451)
PROFIT FOR THE YEAR		42,109	13,790
Attributable to:			
Owners of the Company		29,148	421
Non-controlling interests		12,961	13,369
		42,109	13,790
EARNINGS PER SHARE			
Basic and diluted:			
- For profit for the year	12	RMB0.18	RMB0.00

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.
CONSOLIDATED STATEMENT OF COMPREHENSEIVE INCOME
Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR		42,109	13,790
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
An equity investment designated at fair value through other comprehensive income:			
Changes in fair value	20, 40	2,932	68
Income tax effect	29	(440)	(10)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		2,492	58
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		2,492	58
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		44,601	13,848
Attributable to:			
Owners of the Company		31,640	479
Non-controlling interests		12,961	13,369
		44,601	13,848

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	608,298	582,808
Investment properties	14	39,263	42,157
Right-of-use assets	15(a)	305,308	295,735
Goodwill	16	5,016	5,016
Other intangible assets	17	21,680	21,724
Investment in a joint venture	18	12,777	12,521
Investment in an associate	19	79,072	82,634
An equity investment designated at fair value through other comprehensive income	20	70,000	67,068
Deferred tax assets	29	62,814	67,963
Prepayments for non-current assets	21	54,845	47,379
Total non-current assets		1,259,073	1,225,005
CURRENT ASSETS			
Inventories	22	2,817	2,896
Trade and bills receivables	23	1,188,978	865,343
Prepayments, other receivables and deposits	24	204,243	156,439
Amounts due from related parties	37	515,089	1,050,447
Pledged bank deposits	25	13,762	200,156
Cash and cash equivalents	25	992,314	894,340
Total current assets		2,917,203	3,169,621
CURRENT LIABILITIES			
Trade and bills payables	26	1,398,188	1,700,853
Other payables and accruals	27	387,720	388,205
Amounts due to related parties	37	139,695	167,799
Interest-bearing bank loan	28	2,800	6,000
Lease liabilities	15(b)	36,889	30,524
Tax payable		3,562	(641)
Total current liabilities		1,968,854	2,292,740
NET CURRENT ASSETS		948,349	876,881
TOTAL ASSETS LESS CURRENT LIABILITIES		2,207,422	2,101,886

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CHANGAN MINSHENG APLL LOGISTICS CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,207,422	2,101,886
NON-CURRENT LIABILITIES			
Lease liabilities	15(b)	20,127	39,805
Deferred tax liabilities	29	6,325	6,050
Deferred income	30	11,519	15,532
Amounts due to related companies	37	73,378	-
Total non-current liabilities		111,349	61,387
Net assets		2,096,073	2,040,499
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	162,064	162,064
Reserves	32	1,789,627	1,756,268
		1,951,691	1,918,332
Non-controlling interests		144,382	122,167
Total equity		2,096,073	2,040,499

Director

Director

	Attributable to owners of the Company								
	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))	Fair value through other comprehensive income reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	162,064	66,907	85,867	7,247	18,680	1,576,730	1,917,495	121,259	2,038,754
Total comprehensive income for the year	-	-	-	-	58	421	479	13,369	13,848
Provision for safety fund surplus reserve	-	-	-	7,368	-	-	7,368	686	8,054
Utilisation of safety fund surplus reserve	-	-	-	(7,000)	-	-	(7,000)	(531)	(7,531)
Changes in safety fund surplus reserve of an associate	-	-	-	(10)		-	(10)	-	(10)
Derecognition of non-controlling interest upon deregistration of a subsidiary	-	-	-	-	-	-	-	(1,066)	(1,066)
Dividends paid to the non-controlling shareholder by a subsidiary	-	-	-	-	-	-	-	(11,550)	(11,550)
At 31 December 2020	162,064	66,907*	85,867*	7,605*	18,738*	1,577,151*	1,918,332	122,167	2,040,499

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	Attributable to owners of the Company								
	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))	Fair value through other comprehensive income reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	162,064	66,907	85,867	7,605	18,738	1,577,151	1,918,332	122,167	2,040,499
Total comprehensive income for the year	-	-	-	-	2,492	29,148	31,640	12,961	44,601
Provision for safety fund surplus reserve	-	-	-	1,905	-	-	1,905	294	2,199
Utilisation of safety fund surplus reserve	-	-	-	(186)	-	-	(186)	-	(186)
Capital contribution from non-controlling interests	-	-	-	-		-	-	6,000	6,000
Acquisition of a subsidiary (note 45)	-	-	-	-	-	-	-	15,900	15,900
Dividends paid to the non-controlling shareholder by a subsidiary	-	-	-	-	-	-	-	(12,940)	(12,940)
At 31 December 2021	162,064	66,907*	85,867*	9,324*	21,230*	1,606,299*	1,951,691	144,382	2,096,073

* These reserve accounts comprise the consolidated reserves of RMB1,789,627,000 (2020: RMB1,756,268,000) in the consolidated statement of financial position.

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		58,843	23,241
Adjustments for:			
Finance costs	7	8,140	6,292
Share of results of a joint venture and an associate		2,306	1,811
Interest income	5(b)	(13,332)	(13,405)
Dividend income from an equity investment designated at fair value through other comprehensive income	5(b)	(1,867)	(1,995)
Gain on disposal of property, plant and equipment	5(b)	(4,265)	(493)
Gain on lease modification	5(b)	(1,470)	(5,113)
Gain on disposal of investment in a subsidiary	5(b)	(2)	-
Depreciation of property, plant and equipment	13	79,308	87,535
Depreciation of investment properties	14	1,568	1,157
Depreciation of right-of-use assets	15(a)	44,371	40,316
Amortisation of other intangible assets	17	17,016	22,394
Provision/(reversal) of impairment of trade and other receivables, net	6	19,456	(15,912)
(Reversal)/provision of impairment losses of amounts due from related parties	6	(24,083)	11,054
Impairment of investment properties	6	1,867	1,395
Deferred income released to profit or loss	30	(4,013)	(6,804)
Unrealised foreign exchange gains, net		-	(1,072)
		183,843	150,401
Decrease in inventories		79	7,980
Increase in trade and bills receivables		(345,650)	(114,413)
Increase in prepayments		-	(327)
Decrease/(increase) in pledged bank deposits		186,394	(184,569)
Increase in deposits and other receivables		(44,850)	(80,656)
Decrease in amounts due from related parties		559,441	529,805
(Decrease)/increase in trade and bills payables		(282,048)	18,837
Decrease in other payables and accruals		(485)	(61,757)
Decrease in amounts due to related parties		(25,504)	(71,414)
Increase in safety fund surplus reserve		2,013	523
Cash generated from operations		232,233	194,410
Income taxes paid		(7,547)	(5,122)
Net cash flows from operating activities		225,686	189,288

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CHANGAN MINSHENG APLL LOGISTICS CO., LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Net cash flows from operating activities		225,686	189,288
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		13,332	13,405
Dividends received from an equity investment designated at fair value through other comprehensive income	5(b)	1,867	1,995
Dividends received from a joint venture		1,000	1,000
Purchases of property, plant and equipment		(51,179)	(53,519)
Proceeds on disposals of property, plant and equipment		807	1,606
Acquisition of a subsidiary	45	(13,850)	-
Receipt of government grants for property, plant and equipment	30	-	153
Net cash inflow on deregistration of a subsidiary		2	-
Proceeds from disposals of other intangible assets		-	114
Additions to other intangible assets		(10,163)	(5,531)
Additions to right-of-use assets		(776)	(108)
Additions to prepayment for non-current assets		(14,275)	(6,317)
Net cash flows used in investing activities		(73,235)	(47,202)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank other loan raised		2,800	6,000
Repayments of bank and other loans		(6,000)	(13,564)
Repayments of bank advances for discounted bills		-	(14,411)
Repayments of principal portion of lease payments		(36,197)	(35,000)
Capital contributions from non-controlling interests		6,000	-
Dividends paid to the non-controlling shareholder by subsidiaries		(12,940)	(11,754)
Interest paid	7	(8,140)	(6,292)
Net cash flows used in financing activities		(54,477)	(75,021)
NET INCREASE IN CASH AND CASH EQUIVALENTS		97,974	67,065
Cash and cash equivalents at beginning of year		894,340	826,203
Effect of foreign exchange rate changes, net		-	1,072
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash		992,314	894,340

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 of The Stock Exchange of Hong Kong Limited 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 (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	Corporate Category	Place of operations /Country of incorporation and date of incorporation /registration	Paid-in capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
重慶長安民生博宇運輸有限公司 CMAL Bo Yu Transportation Co., Ltd. ("CMAL Bo Yu")	Limited liability company	PRC/Mainland China 3 November 2005	RMB 60,000,000	100	-	Rendering of logistics services
南京長安民生住久物流有限公司 Nanjing CMSC Logistics Co., Ltd. ("Nanjing CMSC")	Limited liability company	PRC/Mainland China 26 July 2007	RMB 100,000,000	67	-	Rendering of logistics service
重慶福集供應鏈管理有限公司 Chongqing Future Supply Chain Management Co., Ltd.	Limited liability company	PRC/Mainland China 18 March 2009	RMB 30,000,000	100	-	Rendering of logistics services and sale of packaging materials
重慶長安民生鼎捷物流有限公司 Chongqing Changan Minsheng Dingjie Logistics Co., Ltd.	Limited liability company	PRC/Mainland China 30 April 2010	RMB 50,000,000	95 (2021: -)	-	Deregistered
重慶長安民生福永物流有限公司 Chongqing Changan Minsheng Fuyong Logistics Co., Ltd.	Limited liability company	PRC/Mainland China 28 April 2011	RMB 5,000,000	100	-	Rendering of logistics services
杭州長安民生物流有限公司 Hangzhou Changan Minsheng Logistics Co., Ltd. ("Hangzhou Changan Minsheng")	Limited liability company	PRC/Mainland China 17 May 2013	RMB 610,000,000	100	-	Rendering of logistics services and the processing of tyres
福路國際物流有限公司 Fulu International Logistics Co., Ltd.	Limited liability company	PRC/Mainland China 9 April 2014	RMB 11,500,000	100	-	Rendering of logistics service
重慶長足飛越科技有限公司 Chongqing Changzu Feiyue Technology Co.Ltd. (previously known as Chongqing Changliang Logistics Technology Co.Ltd.)	Limited liability company	PRC/Mainland China 16 May 2014	RMB 18,000,000	55	-	Sale of packaging materials
重慶長享供應鏈科技有限公司 Chongqing Changxiang Supply Chain Technology Co., Ltd.	Limited liability company	PRC/Mainland China 24 March 2021	RMB20,000,000	70	-	Rendering of logistics services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)
Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Corporate Category	Place of operations /Country of incorporation and date of incorporation /registration	Paid-in capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
長安民生(上海)供應鏈有限公司 Changan Minsheng (Shanghai) Supply Chain Co., Ltd.	Limited liability company	PRC/Mainland China 5 August 2014	RMB30,000,000	100	-	Rendering of logistics services
武漢長盛港通供應鏈管理有限公司 Wuhan Changsheng Gangtong Supply Chain Management Co., Ltd.	Limited liability company	PRC/Mainland China 18 August 2010	RMB23,070,000	60	-	Rendering of logistics service
沈陽長友供應鏈有限公司 Shenyang Changyou Supply Chain Co., Ltd.	Limited liability company	PRC/Mainland China 6 November 2019	RMB45,900,000	51	-	Processing of tyres, rendering of logistics services
武漢長江智聯港口發展有限公司 Wuhan Changjiang Zhilian Port Development Co., Ltd.	Limited liability company	PRC/Mainland China 3 November 2017	RMB30,000,000	47 (2021: -) (Note 45)	-	Processing of tyres, rendering of logistics services

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable individual 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, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rues Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These consolidated 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 incorporate the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Company 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., it has power over the investee when the voting rights are sufficient to give it power).

When the Company has, directly or indirectly, less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(b) potential voting rights held by the Group, other vote holders or other parties;
(c) rights arising from other contractual arrangements; and
(d) any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

2.1 BASIS OF PREPARATION (CONTINUED)

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 over the subsidiary, 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 Company 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.

When 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 recognises (i) the fair value of the consideration received, (ii) the fair value of any interest retained and (iii) any resulting gain or loss in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or another category of equity, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities of the subsidiary.

2.2 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following amendments to HKFRSs for the first time for the preparation of the current year's consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the above amendments to HKFRSs and disclosures set out in the consolidated financial statements does not have any significant impact to the results and financial position of the Group.

2.3 AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not applied the following amendments to HKFRSs, that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 April 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

An associate is an entity in which the Group has 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 an associate and a joint venture 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. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. The Group's share of the post-acquisition results and other comprehensive income of the associate and joint venture is included in the consolidated statement of profit or loss and consolidated statement of 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 profits and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred in which case they are recognised immediately in profit or loss. Goodwill arising from the acquisition of the associate or joint venture is included as part of the Group's investments in the associate or joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in an associate and a joint venture (continued)

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.

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 initially 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 non-controlling interests' 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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and any fair value of the Group's previously held equity interests in the acquiree over the net amount of the identifiable net assets acquired and liabilities assumed as at the acquisition date. If the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interests in the acquiree, if any, is lower than the fair value of the net assets acquired and liabilities assumed, 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.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its equity investment at fair value at the end of each reporting period. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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 consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the level of observability and significance of the input used in the valuation technique:

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or a cash-generating unit ("CGU")'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 (or a CGU) 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 (or a CGU) for which the estimates of future cash flows have not been adjusted. An impairment loss is charged to the consolidated 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 (or a CGU) other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset (or a CGU), 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 (or the CGU) in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

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 the 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 an associate or joint venture of a member of a group of which the other entity is a member);
   - (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); or
   - (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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated 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 consolidated 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 lives. The principal annual rates used for this purpose are as follows:

Buildings	3.2%-19.4%
Plant, machinery and other equipment	9.7%-50.0%
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. Any gain or loss on disposal or retirement recognised in the consolidated 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 buildings and equipments 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 accumulative impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of the investment property to its residual value over its estimated useful life and after taking into account of their estimated residual value. The principal annual rate used for this purpose is as follows:

Investment property – commercial buildings	3.23%-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 consolidated statement of profit or loss in the year in which they are incurred.

Any gains or losses (calculated as the net disposal proceeds and the carrying amount of the asset) on the retirement or disposal of an investment property are recognised in the consolidated 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 lives on a straight-line basis 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) 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.

The amount initially recognised for internally-developed software is the sum of the expenditure incurred from the date when the software first meets the recognition criteria as incurred in development activities or development phase as required in HKAS 38 Intangible Assets. Subsequent to initial recognition, internally-developed software is reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

(b) 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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in consolidated statement of profit or loss when the asset is derecognised.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initially recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 50 years
Plant and machinery	2 to 15 years
Motor vehicles	2 to 4 years
Other equipment	2 to 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated from the commencement date to the end of the estimated useful life of the asset.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)
Group as a lessee (continued)
(b) Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments that are unpaid at that day and to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of property, machinery, motor vehicles and other equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor
When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms in the consolidated statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expense over the lease term on the same basis as rental income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through other comprehensive income, and fair value through profit or loss.

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" 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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 consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)
Subsequent measurement (continued)
Financial assets at fair value through other comprehensive income (debt instruments)
For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated 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 consolidated 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 consolidated statement of profit or loss. Dividends are recognised as other income in the consolidated 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.

Derecognition of financial assets
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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("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.

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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

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 consolidated 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 consoliated statement of profit or loss.

Derecognition of financial liabilities

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 consoliated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consoliated 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 represents the estimated selling prices less all estimated costsnecessary to be incurred to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and 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, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 by the Group, 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 cash flows expected to be required to settle the obligation.

Income tax

Income tax comprises current and deferred tax.

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.

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 temporary differences 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 or loss nor taxable profit; and

- in respect of taxable temporary differences associated with investments in subsidiaries, the associate and joint venture, when the timing of the reversal of the temporary differences can be controlled by the Group 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, and 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, the associate and joint venture, 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 utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Government grants

Government grants are recognised when 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 grant is recognised as a deferred income in the consolidated statement of financial position and is released to the consolidated statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

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 will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)
Revenue from contracts with customers (continued)

(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, generally occur over a very short period of time and are recognized over time as we perform the services which have no significant difference as the completion date.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent). The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Other income
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.

Contract liabilities
A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated 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.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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 consolidated financial statements.

Foreign currencies

These consolidated financial statements are presented in RMB, which is the Group'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 rates of exchange 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 consolidated 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.

Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Principal vs agent

The Group evaluates agreements with clients and vendors of its contracts with customers relating to the sales of logistics services in order to determine whether the Group acts as a principal or an agent in the agreement with each party respectively, which it considers in determining if relevant revenue should be reported on a gross or net basis.

The determination is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) has discretion in supplier selection; (iv) changes the product or performs part of the service, and (v) has involvement in the determination of product or service specifications.

The Group is considered as an agent as the Group did not obtain the control over goods before passing on to customers, taking into consideration indicators such as the Group is not primarily responsible for fulfilling the promise and not exposed to inventory risk. When the Group satisfies the performance obligation, the Group recognises a fee revenue in the amount it expects to be entitled as specified in the contracts.

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.

Provision for ECLs on trade receivables and due from related parties arising from the rendering of services and the sale of goods

The Group uses a provision matrix to calculate ECLs for trade receivables and due from related parties. The provision rates are based on aging of debtors for groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort.

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 37 to the consolidated financial statements, respectively.

Share appreciation rights

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share appreciation right, volatility and dividend yield and making assumptions about them. The fair value is sensitive to these estimated inputs uncertainty.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit risk).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use 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.

The recoverable amount is sensitive to the discount rate used in discounting the cash flow as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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. Estimation 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 consolidated 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 40 to the consolidated 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. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility and may affect the investee' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current and prior year. Further details are included in note 20 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

The directors of the Company, being the chief operating decision maker of the Group, consider the Group's operating activities are related to a single operating segment for management purposes, which is 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.

Geographical information

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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:

	2021 RMB'000	2020 RMB'000
Customer A	1,657,548	1,481,935
Customer B	1,320,435	1,180,664

The corresponding revenue did not contribute over 10% of the total revenue of the group.

5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	6,020,899	4,685,655

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Sale of industrial products	643,897	453,678
Rendering of logistics services		
Transportation of finished vehicles	3,115,123	2,503,242
Supply chain management for vehicle raw materials, components and parts	2,261,879	1,728,735
Total revenue from contracts with customers	6,020,899	4,685,655

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:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services	3,794	1,181

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(a) An analysis of revenue is as follows (continued):

(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
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, generally occur over a very short period of time and are recognized over time as we perform the services which have no significant difference as the completion date and payment is generally due within 90 days from the acceptance of the finished vehicle, automobile components and parts or non-vehicle commodities.

(b) Other income, loss and gains

	Notes	2021 RMB'000	2020 RMB'000
Bank interest income		13,332	13,405
Foreign exchange (loss)/gain, net		(833)	456
Government grants		15,301	16,814
Gain on derecognition of other payable		7,297	-
Penalty on transportation companies		4,175	8,065
Sales of recycled packages of vehicle spare parts		4,103	-
Rental income from investment properties	15(c)	3,563	2,969
Dividend income from an equity investment designated at fair value through other comprehensive income	20	1,867	1,995
Gain on lease modification		1,470	5,113
Gain on disposal of items of property, plant and equipment		4,265	493
Gain on deregistration of a subsidiary		2	-
Management services		1,613	1,030
Others		5,446	6,045
		61,601	56,385

6. PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		636,777	442,929
Cost of logistics services rendered		5,025,982	3,419,808
Depreciation of property, plant and equipment	13	79,308	87,535
Depreciation of right-of-use assets	15(a)	44.371	40,316
Depreciation of investment properties	14	1,568	1,157
Amortisation of other intangible assets	17	17,016	22,394
Lease payments not included in the measurement of lease liabilities		46,133	36,104
Auditor's remuneration		1,580	1,500
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries and relevant benefits		523,317	477,984
Pension scheme contributions		29,653	15,999
Termination benefits		14,635	2,570
		567,605	496,553
Provision/(reversal) of impairment of receivables, net	23, 24	19,456	(15,912)
(Reversal)/provision of impairment of amounts due from related parties, net		(24,083)	11,054
Impairment of investment properties	14	1,867	1,395
Research and development costs recognised as an expense		12,220	-

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	2021 RMB'000	2020 RMB'000
Interest on bank and other loans		4,351	553
Interest on lease liabilities	15(b)	3,789	5,739
		8,140	6,292

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:

	2021 RMB'000	2020 RMB'000
Fees	500	500
Other emoluments:		
Salaries, allowances and benefits in kind	1,180	1,319
Performance related bonuses	846	527
Pension scheme contributions	249	264
	2,275	2,110
	2,775	2,610

(a) Independent non-executive directors

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

	2021 RMB'000	2020 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 (2020: Nil).

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

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
2021				
Executive directors:				
Xie Shikang	367	383	70	820
Chen Wenbo	-	-	-	-
William K. Villalon (i)	-	-	-	-
Shi Jinggang (ii)	184	191	35	410
Wan Nianyong (iii)	61	64	12	137
Non-executive directors:				
Chen Xiaodong (iii)	-	-	-	-
Che Dexi (iii)	-	-	-	-
Man Hin Wai Paul	-	-	-	-
Xia Lijun	-	-	-	-
Supervisors:				
Wang Huaicheng	-	-	-	-
Yang Gang	-	-	-	-
Jin Jie	-	-	-	-
Deng Li	280	102	64	446
Yang Xunping	288	106	68	462
	1,180	846	249	2,275

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

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

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2020				
Executive directors:				
Xie Shikang	367	165	68	600
Chen Wenbo	-	-	-	-
William K. Villalon	-	-	-	-
Shi Jinggang	367	165	68	600
Non-executive directors:				
Chen Xiaodong	-	-	-	-
Man Hin Wai Paul	-	-	-	-
Xia Lijun (iv)	-	-	-	-
Li Xin (iv)	-	-	-	-
Supervisors:				
Wang Huaicheng	-	-	-	-
Yang Gang	-	-	-	-
Jin Jie	-	-	-	-
Deng Li	271	96	60	427
Deng Gang (v)	157	54	34	245
Yang Xunping (v)	157	47	34	238
	1,319	527	264	2,110

(i) Mr.William K. Villalon resigned as executive director on 24 December 2021.
(ii) Mr. Shi Jinggang resigned as executive director on 24 June 2021.
(iii) Mr. Wan Nianyong was appointed as executive director; Mr. Che Dexi was appointed as non-executive director and Mr. Chen Xiaodong resigned as non-executive director on 26 November 2021.
(iv) Mr. Xia Lijun was appointed as non-executive director and Mr. Li Xin resigned as non-executive director on 30 June 2020.
(v) Mr. Yang Xunping was appointed as supervisor and Mr. Deng Gang resigned as supervisor in 30 June 2020.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2020: No).

During the year, certain directors were granted share appreciation rights, in respect of their services to the Group under the Share Appreciation Incentive Scheme of the Company. Details of the Share Appreciation Incentive Scheme are set out in note 42 to the consolidated financial statements.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2020: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither directors nor supervisors nor the chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	958	943
Performance related bonuses	596	553
Pension scheme contributions	208	200
	1,762	1,696

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

	Number of employees	
	2021	2020
Nil to HK$1,000,000	3	3

During the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 42 to the consolidated financial statements.

10. INCOME TAX

The Company and its subsidiaries are registered in the PRC and only have operations in the PRC. 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.

	2021 RMB'000	2020 RMB'000
Current – the PRC		
Charge for the year	11,750	8,140
Deferred tax (note 29)	4,984	1,311
Total tax charge for the year	16,734	9,451

10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit/(loss) 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:

		2021		2020	
	Notes	RMB'000	%	RMB'000	%
Profit before tax		58,843		23,241	
Tax at the statutory tax rate		14,711	25.0	5,810	25.0
Lower tax rate for specific entities	i	(1,796)	(3.1)	2,868	12.3
Overprovision of tax of previous years		(552)	(0.9)	(3,917)	(16.8)
Income not subject to tax	ii	-	-	(28)	(0.1)
Expenses not deductible for tax		476	0.8	165	0.7
Effect of tax concession granted to certain subsidiaries		(1,461)	(2.5)	-	-
Effect of changes in tax rate on brought forward deferred tax		128	0.2	-	-
Tax losses utilised from previous years		(125)	(0.2)	(1,442)	(6.2)
Tax losses and deductible temporary differences not recognised		5,353	9.1	5,995	25.8
Tax charge at the Group's effective tax rate		16,734	28.4	9,451	40.7

(i) According to Caishui (2020) No.23 "Notice on continuation of the corporate income tax policy for the enterprises in Western China" jointly issued by Ministry of Finance, SAT and National Development and Reform Commission on 28 April 2020, the enterprises in encouraged industries in Western China are eligible for a preferential CIT rate of 15% for the period from 1 January 2021 to 31 December 2030. Accordingly, the Company is subject to the CIT rate of 15%.

(ii) The share of tax attributable to a joint venture and associate amounting to RMB314,000 (2020: RMB114,000) is included in "Share of profits and losses of a joint venture and an associate" in the consolidated statement of profit or loss.

11. DIVIDENDS

At a meeting of the directors held on 30 March 2022, the directors of the Company proposed to declare a final dividend of RMB0.05 per ordinary share (2020 final dividend: Nil). 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 COMPANY

The calculation of the basic and diluted earnings per share amount is based on the earnings for the year attributable to equity holders of the Company, and the weighted averagnumber of ordinary shares of 162,064,000 (2020: 162,064,000) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculation of basic and diluted earnings per share is based on:

	2021	2020
Earnings		
Profit attributable to owners of the Company (RMB'000)	29,148	421
Shares		
Number of weighted average number of ordinary shares in issue	162,064,000	162,064,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant, machinery and other equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
31 December 2021						
Cost:						
At 1 January 2021	752,506	216,323	62,298	197,409	12,511	1,241,047
Additions	583	18,476	6,335	9,843	86,720	121,957
Disposals	(370)	(32,551)	(5,808)	(16,953)	-	(55,682)
Transfer from CIP	13,053	3,486	1,980	338	(18,857)	-
At 31 December 2021	765,772	205,734	64,805	190,637	80,374	1,307,322
Accumulated depreciation:						
At 1 January 2021	(300,167)	(136,334)	(58,135)	(162,517)	-	(657,153)
Depreciation provided during the year (note 6)	(26,791)	(28,600)	(4,859)	(19,058)	-	(79,308)
Eliminated on disposals	107	19,437	2,822	16,157	-	38,523
At 31 December 2021	(326,851)	(145,497)	(60,172)	(165,418)	-	(697,938)
Impairment:						
At 1 January 2021 and 31 December 2021	-	-	-	(1,086)	-	(1,086)
Net carrying amount:						
At 1 January 2021	452,339	79,989	4,163	33,806	12,511	582,808
At 31 December 2021	438,921	60,237	4,633	24,133	80,374	608,298

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Plant, machinery and other equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020						
Cost:						
At 1 January 2020	734,221	192,783	70,027	195,588	17,235	1,209,854
Additions	-	21,918	1,313	2,381	27,907	53,519
Disposals	(3,488)	(2,832)	(12,636)	(560)	-	(19,516)
Transfers	24,583	4,454	3,594	-	(32,631)	-
Transfer to investment properties	(2,810)	-	-	-	-	(2,810)
At 31 December 2020	752,506	216,323	62,298	197,409	12,511	1,241,047
Accumulated depreciation:						
At 1 January 2020	(274,377)	(107,575)	(51,464)	(156,565)	-	(589,981)
Depreciation provided during the year (note 6)	(31,077)	(31,336)	(18,651)	(6,471)	-	(87,535)
Disposals	2,960	2,577	11,980	519	-	18,036
Transfer to investment properties	2,327	-	-	-	-	2,327
At 31 December 2020	(300,167)	(136,334)	(58,135)	(162,517)	-	(657,153)
Impairment:						
At 1 January 2020	-	-	-	(1,453)	-	(1,453)
Disposals	-	-	-	367	-	367
At 31 December 2020	-	-	-	(1,086)	-	(1,086)
Net carrying amount:						
At 1 January 2020	459,844	85,208	18,563	37,570	17,235	618,420
At 31 December 2020	452,339	79,989	4,163	33,806	12,511	582,808

As at 31 December 2020, certain of the Group's machineries with a net carrying amount of approximately RMB6,567,000 were pledged to secure other loans granted to the Group, which have been repaid during the year (note 28).

14. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
Cost:		
At 1 January	48,662	25,733
Transfer from property, plant and equipment	-	2,810
Additions (from settlement of trade debts)	541	20,119
At 31 December	49,203	48,662
Accumulated depreciation:		
At 1 January	(5,110)	(1,626)
Depreciation provided during the year (note 6)	(1,568)	(1,157)
Transfer from property, plant and equipment	-	(2,327)
At 31 December	(6,678)	(5,110)
Accumulated impairment:		
At 1 January	(1,395)	-
Impairment provided during the year (note 6)	(1,867)	(1,395)
At 31 December	(3,262)	(1,395)
Net carrying amount:		
At 1 January	42,157	24,107
At 31 December	39,263	42,157

During the year ended 31 December 2021, investment properties of RMB541,000 (2020: RMB20,119,000) were transferred to the Group to settle trade debts by a customer.

The Group's investment properties consist of 15 (2020: 14) commercial properties in the PRC. As at 31 December 2021, the total fair value of the investment properties was estimated to be approximately RMB49,069,000 (2020: RMB66,710,000). The fair values of all properties were above their carrying amounts except for four (2020: one) of which an impairment loss of RMB1,867,000 in aggregate (2020: RMB1,395,000) has been recognised. The valuation was performed by Chongqing Wanhe Assets Appraisal Co, Ltd. (denotes an unofficial English translation of a Chinese name), an independent external qualified valuer engaged by the Group. Selection criteria including market knowledge, reputation, independence and whether professional standards are maintained are considered to appoint the external valuer. The valuation was determined based on market or income approach with reference to market prices and estimated future market rental of similar properties in the neighbourhood. The fair value measurement hierarchy of the investment properties requires certain significant unobservable inputs (Level 3).

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

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and machinery, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land with lease periods of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 2 and 15 years, while motor vehicles generally have lease terms between 2 and 4 years. Other equipment generally has lease terms less than 3 years and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Plant and machinery RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Prepaid land lease payments RMB'000	Total RMB'000
As at 1 January 2020	89,591	3,709	1,577	228,439	323,316
Additions	53,691	958	-	-	54,649
Lease modification	(43,530)	2,675	(1,059)	-	(41,914)
Depreciation charge (note 6)	(30,777)	(3,302)	(518)	(5,719)	(40,316)
As at 31 December 2020 and 1 January 2021	68,975	4,040	-	222,720	295,735
Additions	25,738	-	-	-	25,738
Acquisition of a subsidiary	-	-	-	28,814	28,814
Lease modification	(427)	(214)	-	33	(608)
Depreciation charge (note 6)	(36,852)	(1,262)	-	(6,257)	(44,371)
As at 31 December 2021	57,434	2,564	-	245,310	305,308

15. LEASES (CONTINUED)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	RMB'000
As at 1 January 2020	97,815
New leases	54,541
Accretion of interest recognised during the year (note 7)	5,739
Payments	(40,739)
Lease modification	(47,027)
As at 31 December 2020	70,329
Analysed into:	
Current portion	30,524
Non-current portion	39,805
	70,329

	RMB'000
As at 1 January 2021	70,329
New leases	24,962
Accretion of interest recognised during the year (note 7)	3,789
Payments	(39,986)
Lease modification	(2,078)
As at 31 December 2021	57,016
Analysed into:	
Current portion	36,889
Non-current portion	20,127
	57,016

The maturity analysis of lease liabilities is disclosed in note 41 to the consolidated financial statements.

15. LEASES (CONTINUED)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	3,789	5,739
Depreciation charge of right-of-use assets	44,371	40,316
Gain on lease modification	(1,470)	(5,113)
Expense relating to short-term leases	46,133	36,104
Total amount recognised in profit or loss	92,823	77,046

The Group as a lessor

The Group leases its investment properties (note 14) consisting of six (2020: nine) commercial properties in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB3,563,000 (2020: RMB2,969,000), details of which are included in note 5 to the consolidated financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	699	1,794
After one year but within two years	620	753
After two years but within three years	384	513
After three years but within four years	77	332
After four years but within five years	-	113
	1,780	3,505

16. GOODWILL

	Cash-generating units		
	Transportation services for finished vehicle RMB'000	Storage management services RMB'000	Total RMB'000
Cost:			
At 1 January and 31 December 2021 and 2020	5,016	2,441	7,457
Accumulated impairment:			
At 1 January and 31 December 2021 and 2020	-	(2,441)	(2,441)
Net carrying amount:			
At 1 January and 31 December 2021 and 2020	5,016	-	5,016

Impairment testing of goodwill

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

- Transportation services for finished vehicles; and
- Storage management services 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 13.8% (2020: 13.5%).

Growth rate – The growth rate used to extrapolate the cash flows beyond the five-year period is 2.0% (2020: 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 conditions and the discount rate are consistent with external information sources. In the opinion of the Company's directors the recoverable amount is significantly above the carrying amount of the above units, 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 2021.

17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Trademark RMB'000	Total RMB'000
31 December 2021			
Cost:			
At 1 January 2021	105,596	107	105,703
Additions	10,163	-	10,163
Transfer from non-current assets (note 21)	6,809	-	6,809
Disposals	(94)	-	(94)
At 31 December 2021	122,474	107	122,581
Accumulated amortisation:			
At 1 January 2021	(83,872)	(107)	(83,979)
Amortisation provided during the year (note 6)	(17,016)	-	(17,016)
Disposals	94	-	94
At 31 December 2021	(100,794)	(107)	(100,901)
Net carrying amount:			
At 1 January 2021	21,724	-	21,724
At 31 December 2021	21,680	-	21,680

17. OTHER INTANGIBLE ASSETS (CONTINUED)

	Software RMB'000	Customer relationships RMB'000	Trademark RMB'000	Total RMB'000
31 December 2020				
Cost:				
At 1 January 2020	90,084	4,174	107	94,365
Additions	5,531	-	-	5,531
Transfer from non-current assets (note 21)	10,470	-	-	10,470
Disposals	(489)	(4,174)	-	(4,663)
At 31 December 2020	105,596	-	107	105,703
Accumulated amortisation:				
At 1 January 2020	(61,853)	(3,532)	(107)	(65,492)
Amortisation provided during the year (note 6)	(22,394)	-	-	(22,394)
Disposals	375	3,532	-	3,907
At 31 December 2020	(83,872)	-	(107)	(83,979)
Accumulated impairment:				
At 1 January and 31 December 2020	-	(642)	-	(642)
Disposals	-	642	-	642
At 31 December 2021	-	-	-	-
Net carrying amount:				
At 1 January 2020	28,231	-	-	28,231
At 31 December 2020	21,724	-	-	21,724

18. INVESTMENT IN A JOINT VENTURE

	2021 RMB'000	2020 RMB'000
Share of net assets	12,777	12,521

The Group's trade receivable balances due from the joint venture are disclosed in note 37 to the consolidated financial statements.

18. INVESTMENT IN A JOINT VENTURE (CONTINUED)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest 2021	Ownership interest 2020	Voting power 2021	Voting power 2020	Profit sharing 2021	Profit sharing 2020	Principal activities
Hangzhou Changan Minsheng Anji Logistics Co., Ltd. ("Hangzhou Anji")	Ordinary shares	PRC	50	50	50	50	50	50	Providing logistics services in the PRC

The above investment is directly held by the Company and is accounted for using the equity method in these consolidated financial statements.

The following table illustrates the financial information of Hangzhou Anji:

	2021 RMB'000	2020 RMB'000
Revenue	120,160	86,770
Total expenses	(117,648)	(85,764)
Profit and total comprehensive income for the year	2,512	1,006
Current assets	88,359	64,408
Non-current assets	617	245
Current liabilities	(63,422)	(39,611)
Non-current liabilities	-	-
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	22,155	17,291
Current financial liabilities (excluding trade and other payables and provisions)	7,491	4,384
Share of the joint venture's profit for the year	1,256	476
Share of the joint venture's total comprehensive income	1,256	476
The above profit for the year includes the following:		
Depreciation and amortisation	135	1,139
Income tax expense	843	341
Reconciliation of the above summarised financial information to the carrying amount of the interest in Hangzhou Anji recognised in the consolidated financial statements:		
Net assets of Hangzhou Anji	25,554	25,042
Proportion of the Group's ownership interest	50%	50%
Carrying amount of the Group's interest	12,777	12,521

19. INVESTMENT IN AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
Share of net assets	79,072	82,634

As at 31 December 2021 and 2020, 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 2021	2020	Principal activities
Chongqing Guoyuan Ro-Ro Terminal Company Limited ("Chongqing Guoyuangang")	Ordinary shares	PRC	31	31	Providing port operation, freight forwarding and logistics services in the PRC

The Group's shareholding in the associate comprises equity shares held by the Company and accounted for using the equity method.

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

	2021 RMB'000	2020 RMB'000
Current assets	31,636	37,425
Non-current assets	414,008	421,585
Current liabilities	22,663	95,336
Non-current liabilities	183,189	112,370
Net assets	239,792	251,304
Proportion of the Group's ownership interest	31%	31%
	79,072	82,634
Revenue	23,227	24,392
Loss before tax	(11,503)	(6,001)
Loss for the year	(11,490)	(6,029)
Share of the associate's loss for the year	(3,562)	(2,287)
Effective portion of changes in safety fund reserves	-	(10)
Share of the associate's total comprehensive loss	(3,562)	(2,297)
Carrying amount of the Group's investment in the associate	79,072	82,634

20. AN EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Unlisted equity investment, at fair value		
China South Industries Group Finance Co., Ltd.		
("Zhuangbei Finance")	70,000	67,068

The above equity investment in Zhuangbei Finance, a private entity established in the PRC, was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

During the year ended 31 December 2021, a fair value gain of RMB2,932,000 (2020: RMB68,000) was recognised in other comprehensive income. The fair value measurement of the equity investment designated at fair value through other comprehensive income is categorised within level 3 of the fair value hierarchy.

During the year ended 31 December 2021, the Group received dividends in the amount of RMB1,867,000 (2020: RMB1,995,000) from Zhuangbei Finance.

21. PREPAYMENTS FOR NON-CURRENT ASSETS

	Note	2021 RMB'000	2021 RMB'000
Prepayment for a land use right	(i)	39,029	39,029
Prepayment for purchases of other intangible assets	(ii)	15,816	8,350
		54,845	47,379

(i) The prepayment was made for the project of land use right, for which the total consideration was RMB78,010,000. After the end of the reporting period, the project has been terminated and the prepayment amount of 39,029,000 have been returned on 17 January 2022.

(ii) Prepayment of RMB6,809,000 (2020: RMB10,470,000) was transferred to other intangible assets during the year ended 31 December 2021.

22. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	2,089	1,301
Work in progress	680	1,400
Finished goods	48	195
	2,817	2,896

23. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Bills receivable	581,659	463,831
Trade receivables	651,057	423,776
Less: Allowance for credit losses	(43,738)	(22,264)
	1,188,978	865,343

The bills receivable was accepted by banks and other financial institutions including a related party of the Company in the PRC with sound credit rating, for guarantee payaments and the default risk is considered to be minimal.

The Group's trading terms with its customers are mainly on credit. The credit period is generally 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 one year and were neither past due nor impaired.

As at 31 December 2021, with endorsed bills amounting to RMB250,000 (2020: RMB44,923,000) were pledged by the Group to secure bills payable.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021 RMB'000	2020 RMB'000
0 – 90 days	491,757	376,151
91 – 180 days	21,813	19,354
181 – 365 days	93,749	6,007
Over 1 year	-	-
	607,319	401,512

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB115,562,000 (2020: RMB25,361,000) which are past due as at the reporting date. Out of the past due balances, RMB93,799,000 (2020: RMB6,007,000) has been past due 90 days or more and is not considered as in default as they were substantially settled subsequently.

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

	2021 RMB'000	2020 RMB'000
At beginning of year	22,264	39,472
Provision/(reversal) of impairment losses, net (note 6)	21,474	(17,208)
At end of year	43,738	22,264

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due of customer with similar loss patterns. 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 2021

		Past due			
	Current	Less than 3 months	4 to 9 months	Over 9 months	Total
Expected credit loss rate	0%	0%	1.90%	100.00%	6.72%
Gross carrying amount (RMB'000)	491,757	21,813	95,569	41,918	651,057
Expected credit losses (RMB'000)	-	-	1,820	41,918	43,738

As at 31 December 2020

		Past due			
	Current	Less than 3 months	4 to 9 months	Over 9 months	Total
Expected credit loss rate	0%	0%	15.00%	100.00%	5.25%
Gross carrying amount (RMB'000)	376,151	19,354	7,067	21,204	423,776
Expected credit losses (RMB'000)	-	-	1,060	21,204	22,264

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments	55,282	12,629
Deposits and other receivables	150,374	147,241
Less: Allowance for credit losses	(1,413)	(3,431)
	204,243	156,439

The movements in the allowance for credit losses of deposits and other receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	3,431	2,135
(Reversal)/provision of impairment losses (note 6)	(2,018)	1,296
At end of year	1,413	3,431

Deposits and other receivables mainly represent deposits with suppliers or customers. 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.

25. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	1,006,076	1,094,496
Less:		
Bank balances pledged for bank acceptance bills, letters of credit and bank letters of guarantee	(13,762)	(200,156)
Cash and cash equivalents	992,314	894,340

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB955,872,000 (2020: RMB882,097,000). RMB is not freely convertible into other currencies, however, under the PRC'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 ranging from 0.01% to 1.61% (2020: 0.01% to 1.61%). 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.

Included in RMB1,006,076, there was RMB160,000 of Zhuangbei Finance which is a related party of the Group (note 37 to the consolidated financial statement).

26. TRADE AND BILLS PAYABLES

	2021 RMB'000	2020 RMB'000
Bills payable	530,060	663,337
Trade payables	868,128	1,037,516
	1,398,188	1,700,853

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within 3 months	1,192,545	1,668,554
3 to 6 months	201,737	16,219
6 months to 1 year	864	9,156
1 to 2 years	1,272	5,270
2 to 3 years	1,770	817
Over 3 years	-	837
	1,398,188	1,700,853

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

As at 31 December 2021, bills payable with an aggregate amount of approximately RMB105,821,000 (2020: RMB500,768,000) were secured by the pledged deposits of RMB13,762,000 (2020: RMB200,156,000) and bills receivable of RMB250,000 (2020: RMB44,923,000).

27. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Contract liabilities (note 1)	5,397	4,105
Other payables (note 2)	235,353	231,053
Other taxes	11,817	23,607
Accruals for payroll and welfare	135,153	129,440
	387,720	388,205

Note 1: Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current liabilities based on the Group's earliest obligation to transfer goods or services to the customers.

Note 2: Other payables are non-interest-bearing and repayable on demand.

28. INTEREST-BEARING BANK LOANS

	2021			2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Unsecured bank loan*	5.5	2022	2,800	-	-	-
Secured bank loan**	-	-	-	4.15	2021	6,000
			2,800			6,000

	2021 RMB'000	2020 RMB'000
Analysed into:		
Loans repayable:		
Within one year	2,800	6,000

* As at 31 December 2021, the Group's interest-bearing loan from a financial institution bore interest of 5.5% per annum and is repayable in 2022.

** As at 31 December 2020, the Group's interest-bearing loan from a bank bore interest at a fixed rate of 4.15% per annum and was repayable in 2021. The loan was secured by a plant with carrying amount of approximately RMB6,567,000 (note 13).

29. DEFERRED TAX

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

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Fair value adjustments of an equity investment at fair value through other comprehensive income RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2020	2,893	3,296	18,582	24,771
Deferred tax credited to profit or loss during the year (note 10)	(149)	-	(3,051)	(3,200)
Deferred tax charged to other comprehensive income during the year	-	10	-	10
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	2,744	3,306	15,531	21,581
Deferred tax credited to profit or loss during the year (note 10)	(165)	-	(1,941)	(2,106)
Deferred tax charged to other comprehensive income during the year	-	440	-	440
Gross deferred tax liabilities at 31 December 2021	2,579	3,746	13,590	19,915

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	Loss available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Payroll payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	19,985	15,422	63	3,934	5,461	5,578	15,803	21,759	88,005
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(555)	(939)	(63)	(1,161)	-	12,719	(9,209)	(5,303)	(4,511)
Gross deferred tax assets at 31 December 2020 and 1 January 2021	19,430	14,483	-	2,773	5,461	18,297	6,594	16,456	83,494
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(1,540)	43	-	(820)	22,316	(18,022)	(6,594)	(2,473)	(7,090)
Gross deferred tax assets at 31 December 2021	17,890	14,526	-	1,953	27,777	275	-	13,983	76,404

29. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Gross deferred tax assets recognised	76,404	83,494
Deferred tax liabilities on right-of-use assets recognised	(13,590)	(15,531)
Net deferred tax assets	62,814	67,963

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

	2021 RMB'000	2020 RMB'000
Tax losses	146,094	125,296
Deductible temporary differences	2,800	2,185
	148,894	127,481

The above tax losses arising in the PRC 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

	2021 RMB'000	2020 RMB'000
Government grants		
At 1 January	15,532	22,183
Addition	-	153
Released during the year	(4,013)	(6,804)
At 31 December	11,519	15,532

Deferred income represents 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

	2021 RMB'000	2020 RMB'000
Authorised:		
162,064,000 (2020: 162,064,000) ordinary shares of RMB1.00 each	162,064	162,064
Issued and fully paid:		
162,064,000 (2020: 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 2020, 1 January 2021 and 31 December 2021	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 pages 63 and 64 respectively of the consolidated 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:

	2021 RMB'000	2020 RMB'000
Percentage of equity interest held by non-controlling interests	33%	33%
Profit for the year allocated to non-controlling interests	11,532	12,443
Dividends paid to non-controlling interests	12,940	11,550
Accumulated balances of non-controlling interests at the reporting date	100,891	101,761

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

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

	Nanjing CMSCL	
	2021	2020
	RMB'000	RMB'000
Revenue	453,083	488,931
Total expenses	(418,139)	(451,224)
Profit for the year	34,944	37,707
Total comprehensive income for the year	34,944	37,707
Non-contolling interest of Nanjing CMSC	11,532	12,443
Current assets	413,052	434,462
Non-current assets	71,838	83,569
Current liabilities	(170,573)	(199,745)
Non-current liabilities	(8,588)	(9,920)
Share of net assets	100,891	101,761
Net cash flows from operating activities	73,110	106,366
Net cash flows used in investing activities	(10,034)	(20,086)
Net cash flows used in financing activities	(44,140)	(35,000)
Effect of foreign exchange rate changes, net	(24)	(43)
Net increase in cash and cash equivalents	18,912	51,237

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group entered into new lease agreements for the use of leased properties and motor vehicles. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB24,962,000 and RMB24,962,000 (2020: RMB54,541,000 and RMB54,541,000) respectively.

During the year, the Group had non-cash additions to investment properties of RMB541,000 (2020: 20,119,000) and RMB6,809,000 of prepaid cost of other non-current assets transferred to other intangible assets as disclosed on notes 14, 17 and 21 to the consolidated financial statement.

Part of disposals of property, plant and equipment that occurred during the year comprised RMB20,617,000 settlements of trade debts to suppliers.

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities:

	Interest-bearing bank and other loans RMB'000	Lease liabilities RMB'000	Bank advances for discounted bills RMB'000	Total RMB'000
At 1 January 2020	13,564	97,815	14,411	125,790
Changes from financing cash flows	(8,117)	(40,739)	(14,111)	(63,267)
Other changes:				
Interest expenses	553	5,739	-	6,292
New leases	-	68,224	-	68,224
Lease modification	-	(60,710)	-	(60,710)
At 31 December 2020 and 1 January 2021	6,000	70,329	-	76,329
Changes from financing cash flows	(3,319)	(39,986)	1	(43,304)
Other changes:				
Interest expenses	-	3,789	-	3,789
New leases	-	24,962	-	24,962
Lease reversal	-	(2,078)	-	(2,078)
At 31 December 2021	2,681	57,016	1	59,698

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	46,133	36,104
Within financing activities	39,986	40,739
	86,119	76,843

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 consolidated financial statements.

36. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Plant and machinery	13,708	43,014
Capital contributions payable to equity investment	22,700	22,700
	36,408	65,714
Authorised, but not provided for:		
Capital contributions payable to a subsidiary	-	14,000

At 31 December 2020, the Group entered into a new lease of arrangement with lease term of 5 years. The lease term has not yet commenced and the lease payments under which amounted to RMB104,768,000 in total.

37. RELATED PARTY TRANSACTIONS

(a) For the years ended 31 December 2021 and 2020, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows:

Name of related party	Relationship
Chongqing Guoyuan Ro-Ro Terminal Company Limited ("Chongqing Guoyuangang")	Associate
Nanjing Baosteel Susho Metal Products Co., Ltd. ("Southern Faurecia")	Associate of Nanjing CMSCL
Hubei Hannangang Industrial Co., Ltd. ("Hubei Hannangang")	Associate of Nanjing CMSCL
Changan Automobile Finance Co.,Ltd. ("Changan Automobile Finance")	Associate of Changan Automobile
Jiangling Motors Corporation, Ltd. ("Jiangling Motors")	Associate of Changan Automobile
Jiangling Holding Co., Ltd. ("Jiangling Holding")	Joint Venture 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
Apl Logistics (China) Ltd.("APLLC")	Controlled by APL Logistics
APL Logistics Storage (Shanghai) Co., Ltd. ("APLL Shanghai")	Controlled by APL Logistics
Hefei Changan Automobile Co., Ltd. ("Hefei Changan")	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
Baoding Changan Bus Manufacture Co., Ltd.("Changan Bus")	Controlled by Changan Automobile
Nanjing Changan Automobile Co., Ltd. ("Nanjing Changan")	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
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 Suzuki Automobile Co., Ltd. ("Changan Suzuki")	Controlled by Changan Automobile
Chongqing Changan New Energy Vehicle Co., Ltd. ("Changan New Energy")	Controlled by Changan Automobile
Chongqing Changan New Energy Automobile Technology Co., Ltd. ("Changan New Energy Technology")	Controlled by Changan Automobile
Changan Mazda Automobile Sales Branch ("Yunnan Wanfu")	Controlled by Changan Automobile
Avita Technology (Chongqing) Co., Ltd. ("Avita Technology")	Controlled by Changan Automobile
Chongqing Changan Kaicheng Automobile Technology Co., Ltd. ("Changan Kaicheng")	Controlled by Changan Automobile
Chongqing Lingyao Automobile Co., Ltd. ("Chongqing Lingyao")	Controlled by Changan Automobile
Guangxi Wanyou Auto Sales and Service Co.,Ltd. ("Guangxi Wanyou")	Controlled by China Changan

continued/…

37. RELATED PARTY TRANSACTIONS

(a) For the years ended 31 December 2021 and 2020, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Zhonghui Futong Finance Lease (Shenzhen) Co., Ltd. (“Zhonghui Futong”)	Controlled by China Changan
China Changan Automobile Group Ningbo Dongxiang Sales Co., Ltd. (“Ningbo Dongxiang”)	Controlled by China Changan
China Changan Automobile Group Hangzhou Investment Co., Ltd. (“Hangzhou Investment”)	Controlled by China Changan
Yunnan Wanyou Auto Sales and Service Co.,Ltd. (“Yunnan Wanyou”)	Controlled by China Changan
Liupanshui Wanfu Automobile Sales & Service Co., Ltd. (“Liupanshui Wanfu”)	Controlled by China Changan
Sichuan Ningjiang Shanchuan Machinery Co., Ltd. (“Ningjiang Shock”)	Controlled by China Changan
Sichuan Jian'an Industrial Co., Ltd. (“Sichuan Jian'an”)	Controlled by China Changan
Anhui Jian'an Chassis System Co., Ltd. (“Anhui Jian'an”)	Controlled by China Changan
Chengdu Wanyou Eco-Tech Development Corporation (“Chengdu Wanyou Eco-Tech”)	Controlled by China Changan
Chengdu Ningjiang SHOWA Automobile Parts Co., Ltd. (“Ningjiang Showa”)	Controlled by China Changan
Chengdu Huachuan Electric Equipment Co., Ltd. (“Chengdu Huachuan”)	Controlled by China Changan
CSGC TRW Chassia Systems Co., Ltd.(“CTCS”)	Controlled by China Changan
South Inter Air-Conditioner Co., Ltd. (“South Air”)	Controlled by China Changan
Nanning Wanyou Auto Sales and Service Co.,Ltd. (“Nanning Wanyou”)	Controlled by China Changan
Nanchang Lufeng Motor Marketing Co., Ltd. (“Nanchang Lufeng Motor”)	Controlled by China Changan
Hafei Automobile Co., Ltd. (“Hafei Automobile”)	Controlled by China Changan
Harbin Dongan Automotive Engine Manufacturing Co., Ltd. (“Harbin DAE”)	Controlled by China Changan
Harbin Dongan Automotive Power Co., Ltd. (“Harbin DAP”)	Controlled by China Changan
Guizhou Wanyou Automotive Sales Service Co., Ltd. (“Guizhou Wanyou”)	Controlled by China Changan
Guizhou Wanfu Automobile Sales & Service Co., Ltd. (“Guizhou Wanfu”)	Controlled by China Changan
Chongqing Wanyou Longrui Auto Sales and Service Co., Ltd. (“Wanyou Longrui”)	Controlled by China Changan
Chongqing Wanyou Economic Development Co., Ltd. (“Wanyou Economic”)	Controlled by China Changan
Chongqing Wanyou Ducheng Automobile Sales Service Co., Ltd. (“Chongqing Wanyou Ducheng”)	Controlled by China Changan
Chongqing Anfu Automobile Marketing Co., Ltd. (“Chongqing Anfu”)	Controlled by China Changan
Dehong Wanfu Automobile Sales & Service Co., Ltd.(“Dehong Wanfu”)	Controlled by China Changan
Dali Wanfu Automobile Sales Service Co., Ltd(“Dali Wanfu”)	Controlled by China Changan
China Changan Automobile Group Tianjin Sales Co., Ltd. (“Changan Automobile Group Tianjin”)	Controlled by China Changan
China Changan Automobile Group Hefei Investment Co., Ltd. (“Changan Automobile Group Hefei”)	Controlled by China Changan
Beijing Baiwang Changfu Automobile Sales Service Co., Ltd. (“Beijing Baiwang”)	Controlled by China Changan
Yunnan Wanfu Automobile Sales Service Co., Ltd. (“Yunnan Wanfu”)	Controlled by China Changan
Shanghai Minsheng Shipping Co., Ltd. (“Shanghai Minsheng Shipping”)	Controlled by Minsheng Industrial
Minsheng Shipping Co., Ltd. (“Minsheng Shipping”)	Controlled by Minsheng Industrial
Ming Sung Industrial Company (Hong Kong) Limited (“Ming Sung (HK)”)	Controlled by Minsheng Industrial
Changan Mazda Engine Co., Ltd. (“Changan Mazda Engine”)	Joint venture of Changan Automobile
Changan Mazda Automobile Co., Ltd. (“Changan Mazda”)	Joint venture of Changan Automobile
Changan Ford Automobile Co., Ltd. (“Changan Ford”)	Joint venture of Changan Automobile
Hangzhou Changan Minsheng Anji Logistics Co., Ltd. (“Hangzhou Anji”)	Joint venture of the Company
China Ordnance Equipment Group Co., Ltd. (“COEG”) ((previously known as China South Industries Group Co.,Ltd. (“CSI Group”))	Parent company of China Changan
China Changan Automobile Group Co., Ltd. (“China Changan”)	Shareholder
Minsheng Industrial (Group) Co., Ltd. (“Minsheng Industrial”)	Shareholder
APL Logistics Ltd. (“APL Logistics”)	Shareholder
Changan Ford (Hangzhou) Trading Co., Ltd. (“Hangzhou Trading”)	Subsidiary of Changan Ford
Changan Ford New Energy Automobile Sale Service Co., Ltd. (“Guangzhou New Energy”)	Subsidiary of Changan Ford
Changan Ford New Energy Automobile Sale Service Co., Ltd. (“Shenzhen New Energy”)	Subsidiary of Changan Ford
Chongqing Ante Import and Export Trading Co., Ltd. (“Chongqing Ante”)	Subsidiary of Changan Ford
Anhui Wanyou Automobile Sales Service Co., Ltd. (“Anhui Wanyou”)	Ultimately controlled by China Changan
Chengdu Wanyou Auto Trade Service Co., Ltd. (“Chengdu Wanyou Auto”)	Ultimately controlled by China Changan
Faurecia (Chongqing) Auto Parts Co., Ltd. (“Faurecia”)	Ultimately controlled by China Changan

continued/…

37. RELATED PARTY TRANSACTIONS

(a) For the years ended 31 December 2021 and 2020, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Southern Faurecia Auto Parts Co., Ltd. ("Southern Faurecia")	Ultimately controlled by China Changan
Guizhou Chengxing Wanlin Automobile Sales Service Co., Ltd. ("Guizhou Chengxing")	Ultimately controlled by China Changan
Chuxiong Wanfu Automobile Sales Service Co., Ltd. ("Chuxiong Wanfu")	Ultimately controlled by China Changan
Mianyang Wanzhong Auto Parts Co., Ltd. ("Mianyang Wanzhong")	Ultimately controlled by China Changan
China South Industries Group Factoring Co., Ltd.("Zhuangbei Factoring")	Ultimately controlled by COEG
Yunnan Xiyi Industrial Co., Ltd.("Yunnan Xiyi")	Ultimately controlled by COEG
Tiannake Lingchuan Chongqing Exhaust System Co., Ltd. ("Tiannake Lingchuan")	Ultimately controlled by COEG
Sichuan Huaqing Machinery Co., Ltd. ("Sichuan Huaqing")	Ultimately controlled by COEG
Sichuan Hongguang Machinery and Electrics Co., Ltd. ("Sichuan Hongguang")	Ultimately controlled by COEG
Chengdu Wanyou Filter Co., Ltd. ("Chengdu Wanyou")	Ultimately controlled by COEG
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd.("Lingchuan Tank")	Ultimately controlled by COEG
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd. ("Chengdu Jialing Huaxi")	Ultimately controlled by COEG
China South Industries Group Finance Co., Ltd. ("Zhuangbei Finance")	Ultimately controlled by COEG
Chongqing Shangfang Automobile Fittings Co., Ltd. ("Shangfang Fitting")	Ultimately controlled by COEG
Chongqing Dajiang Industry Group Xingchen Logistics Co., Ltd. ("Dajiang Xingchen")	Ultimately controlled by COEG
Chongqing Dajiang Jiexin Forging Co., Ltd. ("Dajiang Jiexin")	Ultimately controlled by COEG
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.("Dajiang Xinda")	Ultimately controlled by COEG
Chongqing Changan Property Management Co., Ltd. ("Changan Property")	Ultimately controlled by COEG
Chongqing Changfeng Jiquan Machinery Co., Ltd. ("Changfeng Jiquan")	Ultimately controlled by COEG
Chongqing Chang'an Industry(Group)Co.,Ltd.("Changan Industry Company")	Ultimately controlled by COEG
Chongqing Changan Automobile Co., Ltd.("Changan Automobile")	Ultimately controlled by COEG
Chongqing Chang'an Construction Co., Ltd.("Changan Construction")	Ultimately controlled by COEG
Chongqing Changan Construction Co., Ltd. ("Chongqing Changan Construction")	Ultimately controlled by COEG
Chongqing Changan Intelligent Industrial Technology Service Co., Ltd. ("Chongqing Changan Intelligent")	Ultimately controlled by COEG
Chongqing Changjiang Electrical Appliances Industries Group Co., Ltd. ("Chongqing Changjiang Electric")	Ultimately controlled by COEG
Chongqing Changrong Machinery Co., Ltd. ("Changrong Machinery")	Ultimately controlled by COEG
Chongqing Jianshe Industrial (Group) Co., Ltd. ("Jianshe Industrial")	Ultimately controlled by COEG
Chongqing Jianshe Automobile Air-Conditioner Co., Ltd. ("Chongqing Jianshe Auto-Air")	Ultimately controlled by COEG
Chongqing Construction Toneluck Industrial Co., Ltd ("Chongqing Jianshe Toneluck")	Ultimately controlled by COEG
Chongqing Naishite Steering System Co., Ltd. ("Chongqing Naishite")	Ultimately controlled by COEG
Chongqing Yihong Engineering Plastic Products Co., Ltd. ("Yihong Plastic")	Ultimately controlled by COEG
Hubei Huazhong Maruili Automobile Lighting Co., Ltd. ("Hubei Huazhong Maruili")	Ultimately controlled by COEG
Hubei Xiaogan Huazhong Automotive Lighting Co., Ltd. ("Hubei Xiaogan")	Ultimately controlled by COEG
Huazhong Pharmaceutical Co., Ltd. ("Huazhong Pharmaceutical")	Ultimately controlled by COEG
Chongqing Anbo Automobile Sales Co., Ltd. ("Ambo Automobile")	Ultimately controlled by COEG
Chongqing Qingshan Industry Co., Ltd. ("Qingshan Industry")	Ultimately controlled by COEG
Hubei 295 Technology Co., Ltd. ("Hubei 295")	Ultimately controlled by COEG
Shanghai Minsheng International Freight Co., Ltd. ("Shanghai Minsheng International Freight")	Ultimately controlled by Minsheng Industrial
Guangzhou Minsheng International Freight Forwarding Co., Ltd. ("Minsheng Industry")	Ultimately controlled by Minsheng Industrial
Tianjin Minsheng International Shipping Agencies Co., Ltd. ("Tianjin Minsheng Shipping")	Ultimately controlled by Minsheng Industrial
Minsheng International Freight Co., Ltd. ("Minsheng International Freight")	Ultimately controlled by Minsheng Industrial
Minsheng International Container Transportation Co.,Ltd. ("Minsheng International Container")	Ultimately controlled by Minsheng Industrial
Minsheng Logistics Co., Ltd. ("Minsheng Logistics")	Ultimately controlled by Minsheng Industrial
Chongqing Minsheng Customs Clearance Co., Ltd. ("Chongqing Minsheng Custom")	Ultimately controlled by Minsheng Industrial
Chongqing Minsheng Comprehensive Logistics Co., Ltd. ("Minsheng Comprehensive")	Ultimately controlled by Minsheng Industrial
Guangzhou Minsheng International Shipping Agency Co., Ltd. ("Guangzhou Minsheng")	Ultimately controlled by Minsheng Industrial
Nanjing Minsheng International Freight Forwarding Co., Ltd. ("Nanjing Minsheng")	Ultimately controlled by Minsheng Industrial
Beijing North Changfu Automobile Sales Co., Ltd. ("Beijing North Changfu Automobile")	Ultimately controlled by China Changan
China South Industries Financial Leasing Co., Ltd. ("Industries Leasing")	Ultimately controlled by COEG

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with the joint venture:

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

	2021 RMB'000	2020 RMB'000
Hangzhou Anji	12,070	23,890

(ii) Income from the leasing services:

	2021 RMB'000	2020 RMB'000
Hangzhou Anji	-	321

Transactions with the associate

(i) Supply chain management services for automobile raw materials, components and parts services provided by an associate:

	2021 RMB'000	2020 RMB'000
Chongqing Guoyuan	-	245

Transactions with other related parties

(i) Dividend income

	2021 RMB'000	2020 RMB'000
Zhuangbei Finance	1,867	1,995

(ii) Interest income

	2021 RMB'000	2020 RMB'000
Zhuangbei Finance	1,654	2,097

(iii) Administrative expenses

	2021 RMB'000	2020 RMB'000
Chongqing Changan	2,384	2,374

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in these consolidated 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:

	2021 RMB'000	2020 RMB'000
Changan Automobile	1,543,492	1,273,768
Changan Ford	450,021	349,477
Changan Mazda	241,669	259,203
Hebei Changan	236,790	93,377
Changan Bus	34,501	164,994
Changan New Energy Technology	21,785	15,417
Changan Mazda Engine	4,536	4,844
Minsheng Logistics	2,707	7,749
Changan Special	1,618	5,796
Shenzhen New Energy	1,333	14
Nanjing Changan	131	96
Chongqing Anfu	97	165
Hefei Changan	91	129
Changan Connected	47	1,014
Changan Suzuki	-	679
Dajiang Xingchen	-	140
Changan Automobile Finance	-	70
Hubei Huazhong Maruili	-	56
Ningjiang Showa	-	20
Sichuan Jian'an	-	19
China Changan	-	8
Nanjing Chelai	-	3
	2,538,818	2,177,038

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in these consolidated 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:

	2021 RMB'000	2020 RMB'000
Changan Ford	394,267	385,053
Changan Automobile	221,646	208,167
Changan Mazda	114,244	133,056
Hefei Changan	93,838	50,223
Changan New Energy Technology	88,121	757
Sichuan Jian'an	46,151	43,204
Jiangling Motors	30,007	-
Changan International Sales	23,692	161,092
Hebei Changan	22,171	919
Chengdu Huachuan	16,693	11,319
Nanjing Changan	16,160	1,816
Anhui Jian'an	10,472	6,793
CTCS	6,257	4,250
Nanjing Baosteel Susho	4,130	-
Chongqing Lingyao	3,071	-
Harbin DAE	2,406	2,895
Changan Mazda Engine	2,142	2,248
Wanyou Auto Sales	1,950	-
Ningjiang Shock	1,601	440
Ningjiang Showa	1,223	1,024
Hangzhou Trading	539	11,497
South Air	288	605
Guizhou Wanfu	29	-
Changan Bus	14	15,093
China Changan	4	1,337
Chengdu Wanyou	3	1,195
Wanyou Longrui	1	7
Changan Service	-	8,012
Jianshe Industrial	-	1,242
Hubei Xiaogan	-	1,086
Chongqing Jianshe Auto-Air	-	579
Chongqing Jianshe Toneluck	-	448
Hubei Huazhong Maruili	-	424
Yunnan Xiyi	-	372
Shangfang Fitting	-	319
Changan Suzuki	-	284
Chongqing Naishite	-	245

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37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in these consolidated 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: (continued)

	2021 RMB'000	2020 RMB'000
Minsheng Comprehensive	-	163
Changan Special	-	109
Sichuan Hongguang	-	76
Dajiang Jiexin	-	28
Jiangling Holding	-	26
Tiannake Lingchuan	-	16
Yihong Plastic	-	11
Chengdu Jialing Huaxi	-	9
Minsheng International Container	-	4
Changfeng Jiquan	-	1
	1,101,120	1,056,444

(iii) Revenue from the sale of packaging materials and the processing of tyres and others:

	2021 RMB'000	2020 RMB'000
Changan Ford	530,456	446,134
Hefei Changan	37,909	560
Changan Bus	1,609	1,618
Hebei Changan	1,047	961
	571,021	449,273

(iv) Income from the financing logistics services:

	2021 RMB'000	2020 RMB'000
Zhuangbei Factoring	-	182

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

(v) Purchases of transportation services:

	2021 RMB'000	2020 RMB'000
Minsheng Logistics	119,196	104,530
Minsheng International Freight	24,528	8,206
Minsheng Comprehensive	20,211	25,039
Shanghai Minsheng Shipping	9,166	45,108
Sichuan Jian'an	3,341	9,247
Minsheng International Container	1,911	7,709
Chongqing Lingyao	678	-
Changan Bus	668	518
Changan Ford	657	-
Changan Mazda	326	555
Changan Automobile	174	278
APLL China	148	-
Hangzhou Investment	107	294
Minsheng Customs Clearance	55	-
Tianjin Minsheng Shipping	30	90
Minsheng Industry	8	2,115
Hefei Changan	-	748
Dajiang Xingchen	-	31
Shanghai Minsheng International Freight	-	2
APLL Shanghai	-	1
	181,204	204,471

(vi) Purchases of construction services:

	2021 RMB'000	2020 RMB'000
Chongqing Changan Construction	2,520	2,520

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

(vii) Purchases of security and cleaning services:

	2021 RMB'000	2020 RMB'000
Changan Property	10,340	3,198

(viii) Leases - warehouse and venue:

	2021 RMB'000	2020 RMB'000
Changan Mazda	663	-
Changan Automobile	55	-
Changan Suzuki	-	1,043
Hefei Changan	-	675
Hebei Changan	-	19
	718	1,737

(ix) Interest on bank and other loans:

	2021 RMB'000	2020 RMB'000
Industries Leasing	4,008	-

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2021 and 2020, the related party balances were as follows:

Due from related parties:

	2021 RMB'000	2020 RMB'000
Balances from the rendering of services and the sale of goods		
Changan Automobile	110,687	260,803
Changan Ford	96,938	434,287
Hefei Changan	62,318	58,498
Changan New Energy Technology	53,700	17,256
Hebei Changan	42,846	16,315
Changan Mazda	40,017	114,061
Jiangling Motors	27,923	15,307
Sichuan Jian'an	14,188	26,398
Changan Bus	9,908	62,539
Nanjing Changan	9,452	464
Qingshan Industry	6,941	-
Mazda Automobile Sales	4,699	-
Changan Mazda Engine	3,766	3,520
CTCS	3,288	3,619
Changan Service	2,962	1,076
Anhui Jian'an	2,755	1,766
Minsheng Logistics	1,491	25
Ningjiang Shock	1,429	234
Chengdu Huachuan	1,361	3,332
Hangzhou Anji	1,146	5,582
Nanjing Baosteel	983	-
Guizhou Wanyou	653	14
Changan Kaicheng	647	-
Chengdu Wanyou	540	208
Chongqing Lingyao	540	-
Harbin DAE	482	618
Hubei Xiaogan	465	676
Changan International Sales	442	1,352
Chongqing Naishite	360	436
Southern Faurecia	359	-
Hubei Huazhong Maruili	309	408
Ningjiang Showa	178	327
Minsheng Comprehensive	168	7
Jianshe Industrial	144	778
Chongqing Jianshe Toneluck	101	55
Shangfang Fitting	83	283
Dajiang Jiexin	76	71
Minsheng International Container	68	13
Yunnan Xiyi	57	54

continued/…

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2021 and 2020, the related party balances were as follows:

Due from related parties: (continued)

	2021 RMB'000	2020 RMB'000
Balances from the rendering of services and the sale of goods		
Shanghai Minsheng Shipping	56	-
Anbo Automobile	39	-
Harbin DAP	23	37
Chengdu Jialing Huaxi	21	-
South Air	15	166
Chongqing Anfu	15	6
Avita Technology	12	-
Dali Wanfu	2	-
Faurecia	2	-
Jiangling Holding	37,889	37,889
Hafei Automobile	-	27,666
Changan Special	-	3,630
Changan Connected	-	1,105
Minsheng International Freight	-	1,032
Chongqing Ante	-	588
Changrong Machinery	-	172
APLLC	-	154
Changan New Energy	-	115
Nanchang Lufeng Motor	-	101
Changan Kuayue	-	89
Sichuan Hongguang	-	80
Changan Suzuki	-	55
Chongqing Minsheng Custom	-	26
Changfeng Jiquan	-	25
Chengdu Wanyou Eco-Tech	-	25
Chongqing Changjiang Electric	-	9
Shanghai Minsheng International Freight	-	7
Yihong Plastic	-	5
Dajiang Xingchen	-	2
Zhuangbei Factoring	-	1
Lingchuan Tank	-	1
	542,544	1,103,368

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2021 and 2020, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

	2021	2020
	RMB'000	RMB'000
Deposits and other receivables		
Changan Ford	4,474	4,461
Chongqing Lingyao	3,100	-
Hangzhou Anji	1,878	577
Changan Automobile	767	902
Hebei Changan	607	612
Changan Bus	300	304
Sichuan Jian'an	100	100
Nanjing Changan	50	164
Chongqing Ante	44	44
Qingshan Industry	6	-
Huazhong Pharmaceutical	10	-
Hefei Changan	4	79
Jiangling Motors	300	-
Baogang Zhushang	300	-
Changan Suzuki	-	2,805
Zhonghui Futong	-	1,727
Changan Mazda	1,444	1,475
Zhuangbei Factoring	-	848
Hafei Automobile	-	713
Shanghai Minsheng Shipping	100	161
Hangzhou Investment	-	30
Changan Mazda Engine	-	13
Ming Sung (HK)	-	10
Changan Connected	10	10
Changan Property	-	5
Changan Industry Company	-	2
Chengdu Wanyou Eco-Tech	-	1
	13,494	15,043
Prepayments		
Minsheng International Freight	1,561	-
Minsheng International Container	21	-
Minsheng Comprehensive	1,145	-
Changan Ford	612	-
Changan Automobile	369	421
Hefei Changan	210	20
Minsheng Shipping	-	469
Changan Connected	-	76
	3,918	986
Less: Loss allowance for impairment of amounts due from related parties	(44,867)	(68,950)
	515,089	1,050,447

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2021 and 2020, 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, based on the invoice date and net of impairment losses, is as follows:

	2021 RMB'000	2020 RMB'000
Within 3 months	458,180	1,030,805
3 to 6 months	35,608	5,666
6 months to 1 year	5,257	277
	499,045	1,036,748

The movements in the loss allowance for impairment of amounts due from the rendering of services and the sale of goods of related parties are as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	66,620	55,476
Impairment losses (reversed)/recognised	(23,121)	11,144
At 31 December	43,499	66,620

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 of various customer with similar loss patterns. 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 2021

		Past due			
	Current	Less than 3 months	4 to 9 months	Over 9 months	Total
Expected credit loss rate	0%	0%	20.84%	100%	1.3%
Gross carrying amount (RMB'000)	458,180	35,608	6,641	42,115	542,544
Expected credit losses (RMB'000)	-	-	1,384	42,115	43,499

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2021 and 2020, 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)

As at 31 December 2020

		Past due			
	Current	Less than 3 months	4 to 9 months	Over 9 months	Total
Expected credit loss rate	0%	0%	15.03%	100.00%	6.04%
Gross carrying amount (RMB'000)	1,030,805	5,666	326	66,571	1,103,368
Expected credit losses (RMB'000)	-	-	49	66,571	66,620

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

	2021 RMB'000	2020 RMB'000
Deposits and other receivables	17,412	15,043
Impairment allowance	(1,368)	(2,330)
	16,044	12,713

Deposits and other receivables mainly represent deposits with related parties. Where applicable, an impairment analysis is performed at each reporting date by considering ECLs, 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 2021 ranged from 0% to 8% (2020: 0% to 8%).

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2021 and 2020, the related party balances were shown as follows: (continued)

Due to related parties:

	2021 RMB'000	2020 RMB'000
Balances from the rendering of services and the sale of goods		
Minsheng Logistics	58,123	106,327
Changan Automobile	31,594	-
Minsheng Comprehensive	13,207	9,509
Shanghai Minsheng Shipping	6,549	883
Changan Ford	4,135	4,282
Shanghai Minsheng International Freight	3,146	427
Chongqing Guoyuangang	3,033	-
Minsheng Industry	2,988	-
Chongqing Lingyao	712	-
Hebei Changan	703	-
Sichuan Jian'an	348	156
Minsheng International Container	243	-
Changan Mazda	239	-
Hubei Hannangang	125	-
Hangzhou Investment	103	63
Jiangling Holding	100	100
Chongqing Minsheng Custom	1	-
Tianjin Minsheng Shipping	-	38
Hefei Changan	-	35
Hangzhou Anji	-	8
Changan Bus	-	9
APLL Shanghai	-	6
Changan Automobile	-	31,585
Minsheng International Container	-	3,970
Hafei Automobile	-	1,105
Minsheng Shipping	-	2
	125,349	158,505

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2021 and 2020, the related party balances were shown as follows: (continued)

Due to related parties: (continued)

	2021 RMB'000	2020 RMB'000
Other payables		
Minsheng Logistics	3,030	4,015
Changan Automobile	910	282
Minsheng Industrial	713	248
Sichuan Jian'an	496	615
Minsheng Comprehensive	218	-
Nanjing Changan	125	83
Shanghai Minsheng Shipping	100	100
Changan Mazda Engine	45	60
Changan Bus	24	28
South Air	1	1
Industries Leasing (note)	8,510	-
Dajiang Xingchen	-	1,000
Changan Property	-	939
Chongqing Changan Construction	-	888
Changan Industry Company	-	434
China Changan	-	179
APLLC	-	115
Shanghai Minsheng International Freight	-	102
COEG	-	79
Changan Mazda	-	31
Jiangling Holding	-	20
Hebei Changan	-	5
Changan International Sales	-	4
Wanyou Economic	-	1
	14,172	9,229
Contract liabilities		
Minsheng Comprehensive	50	50
Chengdu Wanyou	98	-
Chongqing Lingyao	26	-
Changfeng Jiquan	-	8
Chengdu Huachuan	-	3
Changan Automobile	-	3
Zhuangbei Factoring	-	1
	174	65
	139,695	167,799

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2021 and 2020, the related party balances were shown as follows: (continued)

Due to related parties: (continued)

	2021 RMB'000	2020 RMB'000
Non-current other payables		
Industries Leasing (note)	71,128	-
Changan Automobile	2,250	-
	73,378	-

Note: On 20 October 2020, the Company's subsidiary, Shenyang Changyou Supply Chain Co., Ltd. ("Shenyang Changyou"), entered into the Finance Lease Arrangement with China South Industries Financial Leasing Co., Ltd. ("Industries Leasing"). Under the Arrangement, (1) Industries Leasing acquired the tyre assembly production line from Shanghai Hofmann Machinery Equipment Co., Ltd. at the consideration of RMB83,888,000, which became the Leased Asset of Shenyang Changyou; Industries Leasing acquired the AS/RS from Wuxi Lead Intelligent Equipment Co., Ltd. at the consideration of RMB20,880,000, which became the Leased Asset of Shenyang Changyou. (2) Shenyang Changyou rented the tyre subpackage roduction line and the AS/RS from Industries Leasing at a total rent of no more than RMB130,280,000 (with the annual interest rate of 5.3% and paid on a quarterly basis). The lease term is 60 months at most. Shenyang Changyou shall also pay a lump sum payment of contract security deposit in the sum of RMB4,190,720 and handling fee in the sum of RMB523,840. At the same time, Shenyang Changyou pledged the accounts receivable not exceeding 1.2 times of the total rent to Industries Leasing. Upon the expiration of the lease term, Shenyang Changyou has an option to purchase the tyre assembly production line and the AS/RS from Industries Leasing at the nominal consideration of RMB1 each. For details, please refer to the Company's announcement dated 20 October 2020 and the circular dated 14 December 2020.

As at 31 December 2021, RMB79,638,000 has been paid by Industries Leasing, however, the corresponding assets are still developing in progress and not yet available for use. Such amount is then recognised as non-current payables and current payables to Industries Leasing and construction in progress amounted to RMB71,128,000 and RMB8,510,000, and RMB78,678,000 respectively as at 31 December 2021.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2021 and 2020, 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:

	2021 RMB'000	2020 RMB'000
Within 3 months	93,472	126,285
3 to 6 months	183	-
6 months to 1 year	-	700
1 to 2 years	315	31,402
Over 2 years	31,379	118
	125,349	158,505

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 2021 and 2020, all related party balances above were unsecured except for RMB71,128,000 of non-current other payables to Industries Leasing which is secured by trade receivable of RMB525,000.

The carrying values of amounts due from and due to a related party approximate to their fair values due to the short term maturity except for the amount of RMB71,128,000.

Deposits	2021 RMB'000	2020 RMB'000
Zhuangbei Finance	160,000	191,240

The interest rates range from 0.46% to 1.89% per annum (2020: 0.46% to 1.89%).

38. 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 2021

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	-	70,000	-	70,000
Trade and bills receivables	607,319	-	581,659	1,188,978
Financial assets included in prepayments, other receivables and other assets	148,961	-	-	148,961
Due from related parties	511,171	-	-	511,171
Pledged deposits	13,762	-	-	13,762
Cash and cash equivalents	992,314	-	-	992,314
	2,273,527	70,000	581,659	2,925,186

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,398,188
Financial liabilities included in other payables and accruals	235,353
Due to related parties	139,520
Lease liabilities	57,016
Interest-bearing bank loan	2,800
	1,832,877

38. 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 2020

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income		Total
		Equity investments	Debt investments	
	RMB'000	RMB'000	RMB'000	RMB'000
An equity investment designated at fair value through other comprehensive income	-	67,068	-	67,068
Trade and bills receivables	401,512	-	463,831	865,343
Financial assets included in prepayments, other receivables and other assets	143,810	-	-	143,810
Due from related parties	1,049,461	-	-	1,049,461
Pledged deposits	200,156	-	-	200,156
Cash and cash equivalents	894,340	-	-	894,340
	2,689,279	67,068	463,831	3,220,178

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	1,700,853
Financial liabilities included in other payables and accruals	231,053
Due to related parties	167,734
Lease liabilities	70,329
Interest-bearing bank loan	6,000
	2,175,969

39. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

As at 31 December 2021, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payable with a carrying amount in aggregate of RMB42,746,000 (2020: RMBNil). The Derecognised Bills have a maturity from one to nine months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, 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.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade and bills receivables, trade and bills payables, financial assets included in other receivables, financial liabilities included in other payables, amounts due from/to related parties, and the interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

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.

The fair value of an unlisted equity investment designated at fair value through other comprehensive income has been estimated using the comparable transaction method based on assumptions that are not supported by observable market prices or rates. The key ratio used in the computation of fair value is a price to book value ("P/B") multiple at 1.02. The key assumptions of using the P/B multiple under the compareable transaction method are 1) Zhuangbei Finance is a finance company and lack of comparable public companies; and 2) the P/B multiple matches Zhuangbei Finance's income composition, which is consistent with the identified comparable samples in the comparable transactions. 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.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

For the fair value of the unlisted equity investment at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model. The fair value measurement is positively correlated to the P/B ratio. As at 31 December 2021, it is estimated that with all other variables held constant, an increase/decrease in the P/B multiple by 10% would have increased/decreased the fair value by RMB7,000,000.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 1 January 2020	-	-	67,000	67,000
Bills receivable measured at fair value through other comprehensive income	-	-	-	-
An equity investment designated at fair value through other comprehensive income	-	-	68	68
As at 31 December 2020 and 1 January 2021	-	-	67,068	67,068
Bills receivable measured at fair value through other comprehensive income	-	-	-	-
An equity investment designated at fair value through other comprehensive income	-	-	2,932	2,932
As at 31 December 2021	-	-	70,000	70,000

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loan, 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, price 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 Group's fair value interest rate risk relates primarily to lease liabilities, non-current amounts due to a related party, and short-term bank loan (see Notes 15, 28 and 37(c) respectively).

The directors consider that the Group is not exposed to significant cash flow interest rate risk relating to bank deposits and balances, which are primarily short term in nature and basically carried at stable market interest rates.

The Group is mainly exposed to price risk through equity instrument measured at FVTOCI. The directors do not implement specific measurements to mitigate the price risk. If the market price of equity instrument measured at FVTOCI increased or decreased by 10%, the Group would recognise additional gains or losses of RMB7,000,000 (2020: RMB 6,707,000) respectively.

Foreign currency risk
The Group's principal businesses are located in the PRC and most of the transactions are conducted in RMB. During the years of 2021 and 2020, almost all of the Group's sales and costs were denominated in RMB, the Group's functional currency. Most of the Group's assets and liabilities are denominated in RMB, except for certain items with minminal amount of cash and bank 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging

The tables below show 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. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	-	-	-	651,057	651,057
Bills receivable	581,659	-	-	-	581,659
Financial assets included in due from related parties:					
(i) Balances from the rendering of services and the sale of goods*	-	-	-	542,544	542,544
(ii) Deposits and other receivables					
- Normal**	12,126	-	-	-	12,126
- Doubtful**	-	-	1,368	-	1,368
Financial assets included in other receivables and other assets					
- Normal**	148,961	-	-	-	148,961
- Doubtful**	-	-	1,413	-	1,413
Pledged deposits					
- Not yet past due	13,762	-	-	-	13,762
Cash and cash equivalents					
- Not yet past due	992,314	-	-	-	992,314
	1,748,822	-	2,780	1,193,601	2,945,203

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	-	-	-	423,776	423,776
Bills receivable	463,831	-	-	-	463,831
Financial assets included in due from related parties:					
(i) Balances from the rendering of services and the sale of goods*	-	-	-	1,103,368	1,103,368
(ii) Deposits and other receivables					
- Normal**	12,761	-	-	-	12,761
- Doubtful**	-	-	2,282	-	2,282
Financial assets included in prepayments, other receivables and other assets					
- Normal**	144,254	-	-	-	144,254
- Doubtful**	-	-	2,987	-	2,987
Pledged deposits					
- Not yet past due	200,156	-	-	-	200,156
Cash and cash equivalents					
- Not yet past due	894,340	-	-	-	894,340
	1,715,342	-	5,269	1,527,144	3,247,755

* 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 37 to the consolidated 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".

Since the Group trades only with recognised and creditworthy related parties 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 1% (2020: 18%) and 12% (2020: 61%) of the Group's receivables arising from the rendering of services and the sale 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 37 to the consolidated financial statements, respectively.

41. 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 2020, almost all the Group's debts would mature in less than one year as at 31 December 2021 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:

2021

	Within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Current liaibilites					
Trade and bills payables	1,398,188	-	-	-	1,398,188
Financial liabilities included in other payables and accruals	235,353	-	-	-	235,353
Lease liabilities	36,889	16,671	4,252	383	58,195
Amount due to related parties	139,521	-	-	-	139,521
Interest-bearing bank loan	2,816	-	-	-	2,816
	1,812,767	16,671	4,252	383	1,834,073
Non-current liaibilites					
Amount due to related parties	-	12,800	69,638	-	82,438

2020

	Within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	1,700,853	-	-	-	1,700,853
Financial liabilities included in other payables and accruals	231,053	-	-	-	231,053
Lease liabilities	34,365	29,416	11,455	434	75,670
Amount due to related parties	167,734	-	-	-	167,734
Interest-bearing bank and other loans	6,152	-	-	-	6,152
	2,140,157	29,416	11,455	434	2,181,462

41. 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 loan, 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 Company. The gearing ratios as at the end of the reporting periods were as follows:

	2021 RMB'000	2020 RMB'000
Interest-bearing bank loan	2,800	6,000
Trade and bills payables	1,398,188	1,700,853
Other payables and accruals	387,720	388,205
Due to related parties	139,695	167,799
Less: Cash and cash equivalents	(992,314)	(894,340)
Pledged deposits	(13,762)	(200,156)
Net debt	922,327	1,168,361
Equity attributable to owners of the Company	1,951,691	1,918,332
Adjusted capital and net debt	2,874,018	3,086,693
Gearing ratio	32%	38%

42. SHARE-BASED PAYMENT

The Company's Share Appreciation Incentive Scheme (the "Scheme") was adopted pursuant to a resolution passed on 28 August 2020 and was further amended and approved by the The State-owned Assets Supervision and Administration Commission of the State Council of the PRC, for the primary purpose of providing incentives to directors and eligible employees (the "Eligible Employees"), and will expire on 27 April 2026.

Eligible Employees shall not be a substantial shareholder or de facto controller holding over 5% of the shares of the Company, or parents, spouses or children. The number of shares underlying the Scheme to be granted to any of the 29 eligible employees is not permitted to exceed in aggregate 1% of the issued share capital of the Company on 27 April 2021.

The maximum gains from the Scheme to be granted to any director or member of senior managements under the Scheme shall not exceed 40% of their total annual remuneration (including expected benefits from the Scheme) as at the grant of the rights hereunder.

42. SHARE-BASED PAYMENT (CONTINUED)

During the period from the date of grant and the expiry date of the Scheme, the actual gains to be received by each eligible employees from the Scheme shall not exceed his or her total remuneration (equivalent to an aggregate of two-year remuneration and benefits from the Scheme) as at the date of grant. Any excess shall be turned over to the discretion of the Company.

On 27 April 2021, the Company approved the granting of 4,861,400 underlying shares to 29 eligible employees, accounting for 3% of the total issued share capital of 162,064,000 shares of the Company. A recipient of share appreciation rights may exercise the rights in stages after a period of two years since the date of grant. The rights to be granted to the Eligible Employees shall take effect by one third each year in the next three years upon the expiry of the vesting period. Each of the vesting dates shall be the second, third and fourth anniversary of the date of grant.

The exercise price is determined by the directors of the Company and is HK$2.98.

For the year ended 31 December 2021, no compensation expense was recognised by the Group in respect of share appreciation rights. As at 31 December 2021, the carrying amount of the liability arising from share appreciation rights was Nil.

The estimated fair value of the rights granted was RMBNIL.

These fair values were calculated using the Binomial option pricing model.

	Year ended 2021 HK$	Granted date 2021 HK$
Exercise price	2.98	2.98
Expected volatility	40.59%	33.57%
Expected life	4.32 years	4 years
Risk-free rate	0.9681%	2.4256%
Expected dividend yield	0%	0%

43. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the consolidated financial statements, the Group has 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:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	228,424	240,568
Investment properties	39,263	42,157
Right-of-use assets	20,170	125,785
Goodwill	2,222	2,222
Other intangible assets	127,835	15,284
Investments in subsidiaries	935,613	955,013
Investment in a joint venture	10,000	10,000
Investments in an associate	85,072	85,072
An equity investment designated at fair value through other comprehensive income	70,000	67,068
Deferred tax assets	54,286	56,695
Prepayment for non-current assets	57,397	46,206
Total non-current assets	1,630,282	1,646,070
CURRENT ASSETS		
Trade and bills receivables	841,649	582,146
Prepayments, other receivables and other assets	216,604	108,021
Amounts due from related parties	416,792	940,234
Pledged deposits	13,762	24,997
Cash and cash equivalents	648,066	381,103
Total current assets	2,136,873	2,036,501
CURRENT LIABILITIES		
Trade and bills payables	1,236,411	918,555
Other payables and accruals	647,743	290,812
Amounts due to related parties	79,544	697,702
Lease liabilities	3,310	6,255
Tax payable	216	(7,242)
Total current liabilities	1,967,224	1,906,082
NET CURRENT ASSETS	169,649	130,419
TOTAL ASSETS LESS CURRENT LIABILITIES	1,799,931	1,776,489

continued/…

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2021 RMB'000	2020 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	1,799,931	1,776,489
NON-CURRENT LIABILITIES		
Lease liabilities	3,392	3,821
Deferred tax liabilities	3,747	3,307
Deferred income	8,313	9,533
Amounts due to related parties	2,250	9,533
Total non-current liabilities	17,702	16,661
Net assets	1,782,229	1,759,828
EQUITY		
Share capital	162,064	162,064
Reserves (note)	1,620,165	1,597,764
Total equity	1,782,229	1,759,828

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Safety fund surplus reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2020	75,150	18,680	-	85,867	1,384,965	1,564,662
Total comprehensive loss for the year	-	58	-	-	33,044	33,102
Establishment for safety fund surplus reserve	-	-	5,225	-	-	5,225
Utilisation of safety fund surplus reserve	-	-	(5,225)	-	-	(5,225)
Dividend declared to shareholders	-	-	-	-		-
At 31 December 2020	75,150	18,738	-	85,867	1,418,009	1,597,764
Total comprehensive income for the year	-	2,492	-	-	18,806	21,298
Establishment for safety fund surplus reserve	-	-	1,103	-	-	1,103
Utilisation of safety fund surplus reserve	-	-	-	-	-	-
At 31 December 2021	75,150	21,230	1,103	85,867	1,436,815	1,620,165

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (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 2021 (2020: 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 2021, the balance of the discretionary surplus reserve was RMB4,835,000 (2020: RMB4,835,000).

As at 31 December 2021, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to RMB1,620,165,000 (2020: RMB1,597,847,000).

45. ACQUISITION OF A SUBSIDIARY

During the year, the Group acquired an 47% interest in Wuhan Changjiang Zhilian Port Development Co., Ltd. ("Wuhan Changjiang"). Wuhan Changjiang is principally engaged in the distribution logistics business and was acquired with the objective of improving the Group's distribution logistics. The acquisition has been accounted for as acquisition of business using the acquisition method.

Consideration transferred

	RMB'000
Cash	14,100

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Right of use asset	28,814
Cash and cash equivalents	532
Prepayments and other receivable	936
Liabilities	-
Fair value of net assets acquired	30,282

45. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Non-controlling interests

The non-controlling interests (53%) in Wuhan Changjiang recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Wuhan Changjiang and amounted to RMB15,900,000.

Included in the profit for the year is a loss of RMB92,000 attributable to the additional business generated by Wuhan Changjiang. Revenue for the year includes RMB6,619,914 generated from Wuhan Changjiang.

Although the Group only has 47% equity interest in Wuhan Changjiang, the Group has entered into an agreement with another shareholder who has 33% shareholding in Wuhan Changjiang such that two shareholders altogether holds 67% equity interest in Wuhan Changjiang agree that should there be any differences in view on the resolutions in shareholders' meeting and board meeting of Ningde Bisheng, the Group's opinions are overriding, final and conclusive. According to the memorandum and articles of association of Wuhan Changjiang and the abovementioned agreement, the Group can obtain control over the relevant activities of Wuhan Changjiang, which is considered as a non-wholly owned subsidiary of the Company.

Net cash outflow on acquisition of Wuhan Changjiang

	RMB'000
Cash consideration paid	14,100
Less: cash and cash equuivalents balance acquired	(250)
	13,850

46. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2022.