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长安民生
同行天下

重慶長安民生物流股份有限公司
Changan Minsheng APLL Logistics Co., Ltd.*

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

(Stock Code: 01292)

2017 Annual Report

*For identification purpose only

CONTENTS

CORPORATE INFORMATION

Executive Directors
Xie Shikang (Chairman)
Lu Xiaozhong
William K Villalon
Shi Jinggang

Non-Executive Directors
Tan Hongbin
Danny Goh Yan Nan
Li Xin

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

Supervisors
Chen Jianfeng (Chairman)
Steven Ho Kok Keong
Tang Yizhong
Zhou Zhengli
Deng Gang

General Manager
Shi Jinggang

Senior Management
Ren Honglian
Chen Zhigang
Sun Zhigang

Company Secretary
Huang Xuesong

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

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

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

Authorised Representative
Xie Shikang
Lu Xiaozhong

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

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

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

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

Registered Office in the PRC
Liangjing Village, Yuanyang Town
Yubei District, Chongqing, the PRC

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

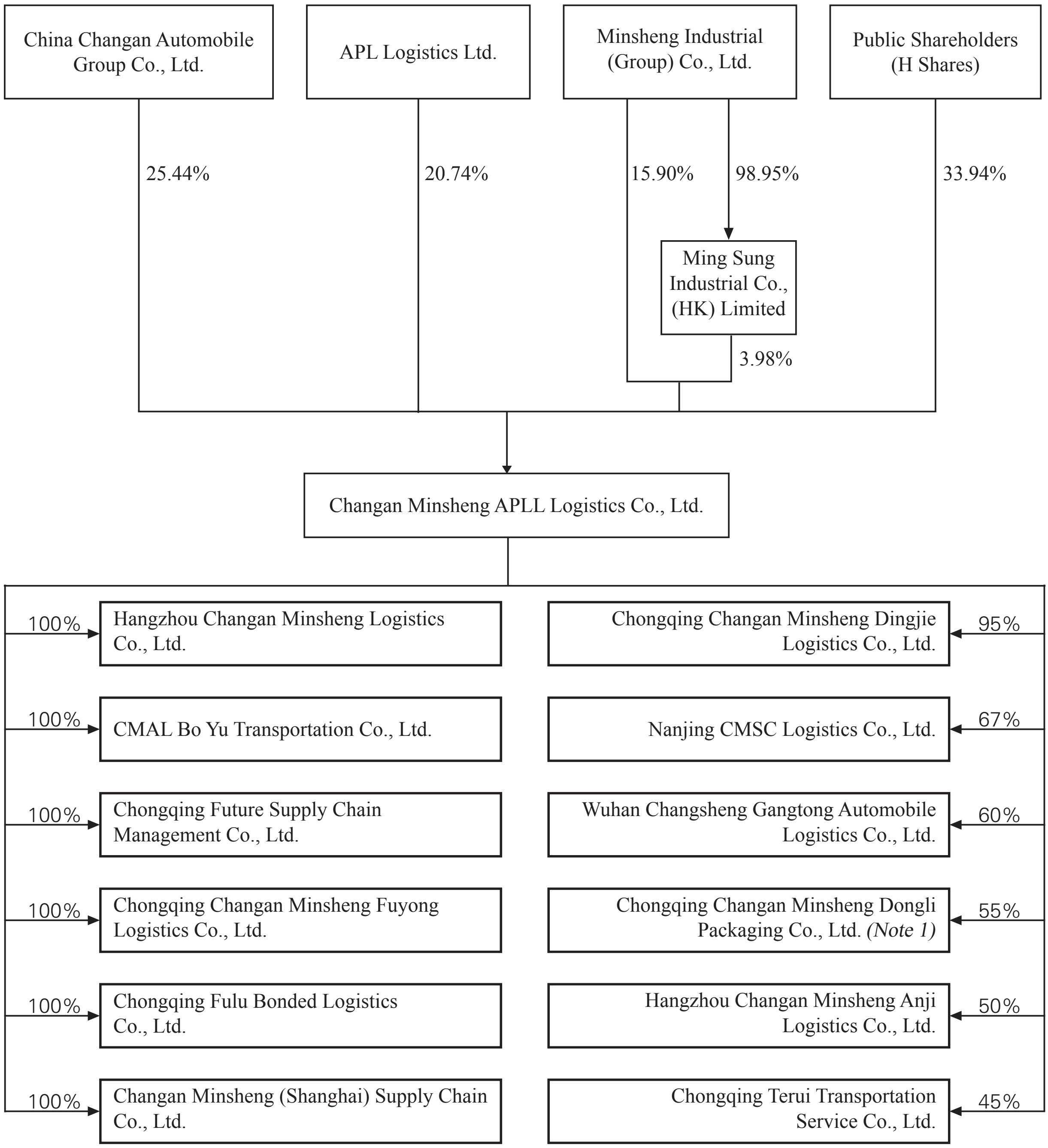
Head Office in Hong Kong
16/F, 144-151 Singga Commercial Centre
Connaught Road West, Hong Kong

Stock Code
01292

Website
http://www.camsl.com

GROUP'S SHAREHOLDING STRUCTURE

As at 31 December 2017, the Group's shareholding structure is as follows:



Note 1: Tonglit Logistics Co., Ltd. ("Tonglit Logistics") has transferred 45% of the equity interests held by it in Chongqing Changan Minsheng Dongli Packaging Co., Ltd. ("Dongli Packaging") to Suzhou Liangcai Technology Logistics Co., Ltd. ("Liangcai Technology") and the relevant registration of changes has been completed on 17 November 2017. After the equity transfer, the shareholding of the Company in Dongli Packaging remains the same and Dongli Packaging remains one of the subsidiaries of the Company.

Results

Set out below is the summary of the consolidated results of the Group for the five years ended 31 December 2017 (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				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	6,614,423	6,822,195	6,056,284	5,344,351	4,646,330
Profit before tax	218,905	188,583	336,731	304,409	269,302
Income tax expense	57,643	48,946	72,473	61,365	50,567
Profit for the year	161,262	139,637	264,258	243,044	218,735
Profit attributable to the following parties:					
Non-controlling interest	33,963	26,632	26,300	21,080	11,128
Owners of the parent	127,299	113,005	237,958	221,964	207,607
	RMB yuan	RMB yuan	RMB yuan	RMB yuan	RMB yuan
Earnings per share attributable to ordinary equity holders of the parent Basic and diluted-for profit for the year *(Note 1)*	0.79	0.70	1.47	1.37	1.28
Dividends per share	0.15 (including tax) *(Note 2)*	0.1 (including tax)	Nil (including tax)	0.27 (including tax)	0.25 (including tax)

Note 1: Earnings per share attributable to ordinary equity holders of the parent is calculated by dividing the profit attributable to the owners of the parent for the years ended 31 December 2013, 2014, 2015, 2016 and 2017 by the weighted average number of shares in issue for the respective years ended 31 December 2013, 2014, 2015, 2016 and 2017, respectively, being 162,064,000, 162,064,000, 162,064,000, 162,064,000 and 162,064,000 shares.

Note 2: This is the final dividend for the year ended 31 December 2017 which the board of directors proposed to distribute, pending approval at the annual general meeting of the Company.

Assets and Liabilities

Set out below is the summary of the Group's balance sheet for the five years ended 31 December 2017 (as extracted from the Group's audited consolidated statement of financial position, which are prepared in accordance with the HKFRS):

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	973,000	992,923	843,002	706,941	495,268
Current assets	3,832,318	3,641,866	3,337,623	2,828,438	2,457,174
Total assets	4,805,318	4,634,789	4,180,625	3,535,379	2,952,442
Non-current liabilities	28,838	12,794	6,422	3,388	2,096
Current liabilities	2,697,415	2,663,682	2,349,492	1,922,538	1,545,911
Total liabilities	2,726,253	2,676,476	2,355,914	1,925,926	1,548,007
Non-controlling interest	127,862	120,299	106,867	85,810	62,240
Equity attributable to owners of the parent	1,951,203	1,838,014	1,717,844	1,523,643	1,342,195
Total equity	2,079,065	1,958,313	1,824,711	1,609,453	1,404,435

On behalf of the board of directors (the "Board") of the Company, I am pleased to present the audited annual report of the Group for the year ended 31 December 2017 to all shareholders of the Company.

Annual Results

In 2017, the Chinese government adhered to the general tone of seeking progress in stability, unswervingly implemented the idea of new development, adhered to the principle of improving the quality and efficiency of development, and comprehensively promoted the "Five in One" general layout (i.e. economic construction, political construction, cultural construction, social construction and ecological construction) and the strategic layout of "Four Comprehensiveness" (i.e., building a well-off society in an all-round way, deepening reforms in an all-round way, comprehensively administering the country according to law, and strictly administering the Party). With the supply system reform as the main line, it also made overall plans to promote steady growth, promoted reforms, readjusted industrial structure, improved people's livelihood, and prevented risks. The economy was increasing steadily and was better than expected and the social economy maintained a stable and healthy development. In 2017, the GDP growth rate was 6.9% in the first, and second quarter, and 6.8% in the third and fourth quarters, finally with the annual GDP growth of 6.9% which was regarded as within moderate and reasonable growth range and achieved the forecast target of 6.5% as set in early 2017.

According to the analysis by China Association of Automobile Manufacturers, in 2017, guided by the new development ideas, the decisions and arrangements of the Party Central Committee and the State Council and the general principle of progress in stability, the automobile industry prioritized the supply system reform and aggressively propelled the transformation, upgrading and innovation to the high-quality development of the industry. In 2017, the national automobile production and sales volume were 29,015,000 vehicles and 28,879,000 vehicles respectively, representing a respective growth of 3.2% and 3% compared with last year, topping the world for nine consecutive years. The growth rate of economic benefits of the industry was above the growth rate of the production and sales volume, the new energy vehicles powered ahead with strong momentum, and the market share of the Chinese brand continued to expand, all contributing to the market growth both at home and abroad. The Group's customers are mainly in the automobile industry. The production volume and sales volume of the Group's major customer, Chongqing Changan Automobile Co., Ltd. ("Changan Automobile"), achieved approximately 2,814,800 vehicles and 2,872,500 vehicles, respectively, representing a decrease of 7.47% and 6.23% as compared with last year.

For the year ended 31 December 2017, the automobile production volume and sales volume of the Group's customers dropped, meanwhile, the Group was affected by the national policy of *Limits of Dimensions, Axle Load and Mass for Motor Vehicles, Trailers and Combined Vehicles (GB1589-2016)* and other factors such as increasing human resources and the tumbling logistics service prices. During the year, as one of the third-party logistics service providers in China, based on the idea of "enthusiasm, innovation, professionalism and efficiency" in logistics services, through professional logistics service technology, comprehensive logistics design and operating experience and well-established service network across the country, the Group effectively enhanced its service quality, extended its logistics service space, actively explored other logistics business besides consolidating our traditional business and finally achieved a certain effect. For the year ended 31 December 2017, the Group's revenue amounted to RMB6,614,423,000, down approximately 3.05% from the same period in 2016. The profits attributable to the equity holders of the Company amounted to RMB127,299,000, up approximately 12.65% from the same period in 2016. Earnings per share were RMB0.79 for the year ended 31 December 2017 (2016: RMB0.70).

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Annual Review

Business development

During 2017, the Company continued to improve its logistics service network and logistics service capability.

In order to facilitate the logistics node construction such as logistics hubs, station and dock in the important area of Chongqing, the Company established Multimodal Transportation Xi'nan Branch of Changan Minsheng APLL Logistics Co., Ltd. ("Xi'nan Branch") and the relevant business registration procedures has been completed on 30 August 2017.

In order to explore the automobile parts inbound logistics business, milk run business and integrated supply chain business in Sichuan province, the Company established Ya'an Branch of Changan Minsheng APLL Logistics Co., Ltd. ("Ya'an Branch") and the relevant business registration procedures has been completed on 15 September 2017.

Based on the Company's operation and development needs, at the same time of establishing new branches, the Company also integrated certain branches so as to cut back management costs, the Company cancelled Shenzhen Branch, and the registration procedures of which were completed on 5 May 2017. Wuhan Changan Minfutong Logistics Company Limited was cancelled since its business was taken over by one of the Company's controlling subsidiaries, Wuhan Changsheng Gangtong Automobile Logistics Co., Ltd. ("Changsheng Gangtong") and the relevant procedures were completed on 24 January 2017.

Attestation of high technology enterprise

On 28 December 2017, the Company successfully passed the attestation of High Technology Enterprise in Chongqing, the PRC.

The passing of the attestation as a High Technology Enterprise is the milestone of the Company's evolving technological innovation. The Company is constantly building its ability to innovate and vigorously promote the research and development of critical technology of the logistics industry. The Company is enhancing its core competitiveness by building an intensive, automatic, intelligent and computerized data platform based on big data and electronic information to facilitate the Company's upgrading and transformation.

The Company is seizing this as an opportunity to intensify its efforts in technology research and development so as to strengthen its presence in the industry and the competitiveness in the market and take a step forward in its development.

Awards

In September 2017, the Company was awarded *First Place for Progress in Science and Technology* and *Second Place for Progress in Science and Technology* and *Top 50 Logistics Enterprises in China* by China Federation of Logistics & Purchasing. In November 2017, the Company received *Automobile Logistics Enterprises Innovation Award* from China Federation of Logistics & Purchasing. In December 2017, the Company was granted the award of *2017 Changan Automobile Cooperative Operation Award* by Changan Automobile, *Outstanding Supplier* by Changan Ford Automobile Company Limited ("Changan Ford"). In December 2017, Nanjing CMSC Logistics Co., Ltd. ("Nanjing CMSC"), one of the subsidiaries of the Company, was awarded "*2017 Outstanding Supplier*" from Changan Mazda Automobile Co., Ltd. ("Changan Mazda").

Outlook and Prospects

As for the development of automobile industry, the Chinese automobile industry entered into an era of quality development from the previous rapid growth phase. The automobile industry, especially the automobile after-market still has room to grow. The automobile industry in China calls for continuous innovation and the supply system of the automobile industry needs to be further improved. Therefore, some new opportunities will emerge in the automobile logistics industry in China.

In 2018, the implications of the GB1589 regulation will last to 30 June 2018, and the expected growth of the automobile industry will slow down. The Company shall base on the orientation of "high quality, high benefit, high efficiency, and high brand image", act upon the key principles of "forward-thinking in strategy, benchmarking the best, problem-orientation in management, and endeavour in innovation" and bear in our mind the mission of "building a brighter future with innovated logistics services" to power innovation in operation, management and technology guaranteed by our talent cultivation programmes. In the coming year, the Company shall power through all the difficulties and obstacles, seize and take the advantage of the opportunities to carry out the transformation and upgrading strategy which takes the cost efficiency as the main body, and is driven by the two wings of excellent operation and innovation to accelerate the promotion in information construction, enhance continuously the building of lean operation and management system and improve employees' professional competences, so as to continue to promote the Company to become stronger and bigger.

The Board and I are confident in the Group's future development and we hope to work together with various parties to establish a stronger professional logistics services team, a more extensive logistics services network as well as a more flexible logistics services system. The Group is striving to become a leading logistics enterprise both at home and abroad.

I would like to take this opportunity to express my heartfelt thanks to the members of the Board and all the staff of the Group for their effective work and strenuous efforts. As in the past, the Company will strive to reward all its shareholders for their unwavering support.

Xie Shikang
Chairman

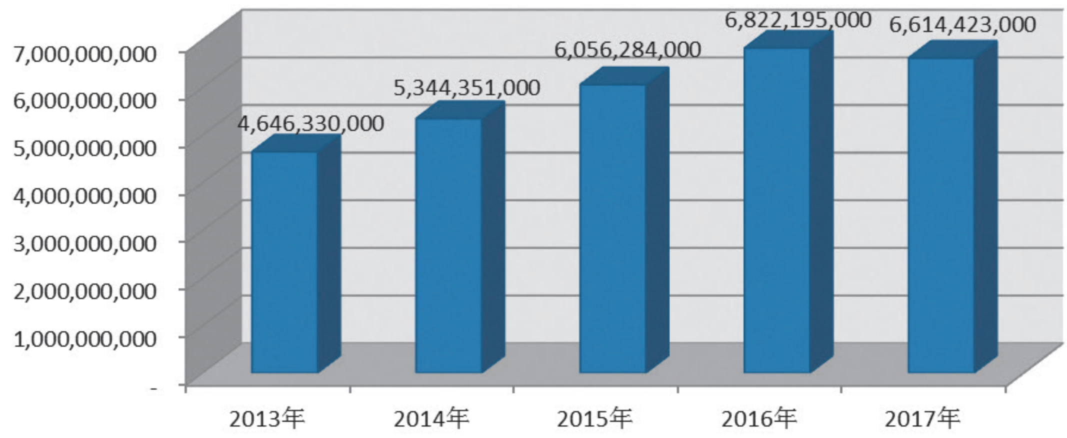
Chongqing, the PRC
29 March 2018

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. Besides, 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"), Baoding Changan Bus Manufacture Co., Ltd. and Chongqing Changan International Sales and Services Co., Ltd., etc.

During the reporting period, the Group's major customer, Changan Automobile, did not attain the average level of the industry with production and sales volume of vehicles respectively at approximately 2,814,800 vehicles and 2,872,500 vehicles, each down by 7.47% and 6.23%. Affected by the decline of the automobile production volume and sales volume of the Group's customers, for the year ended 31 December 2017, the revenue of the Group amounted to RMB6,614,423,000, approximately 3.05% down from RMB6,822,195,000 of last year.

Picture 1: Growth in revenue for the five years ended 31 December 2017
(Unit: RMB yuan)



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

1. Transportation of Finished Vehicles

For the year ended 31 December 2017, the revenue of the Group from finished vehicle transportation services was RMB2,740,650,000, down approximately 7.45% from RMB2,961,291,000 of last year.

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

During the reporting period, the revenue from supply chain management services of automobile raw materials & components and parts was RMB1,838,764,000, up approximately 1.58% from RMB1,810,213,000 of last year.

Transportation of Non-automobile Commodities and Other Logistics Services

During the reporting period, the revenue of the Group from such logistics services was RMB63,573,000, up approximately 7.89% from RMB58,924,000 of last year.

Automobile Components & Parts Packaging Sales and Tyres Sub-packaging

During the reporting period, the revenue of the Group from automobile components & parts packaging sales and tires sub-packaging was RMB1,882,972,000, down approximately 5.46% from RMB1,991,767,000 of last year.

Sales of Vehicles

The enactment of GB1589 has led to carriers' new demand for standard trucks. The Company took the opportunity and actively explored the relevant business. During the reporting period, the revenue of the Group from sales of vehicles was RMB88,464,000.

Logistics Services Network

As at 31 December 2017, the Company had a total of 26 branches, subsidiaries, associated companies and representative offices, which are mainly located in East China, Central China, North China, South China and Southwest China (Picture 2). The continuous enhancement of service network enables the Group to provide logistics services to different parts of the country.

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

Financial Review

Cash Flow and Financial Resources

As at 31 December 2017, the Group's cash and cash equivalents was RMB1,217,282,000 (31 December 2016: RMB1,074,394,000), among which, RMB520,143,000 attributed to the parent company and RMB697,139,000 attributed to the subsidiaries of the Group. As at 31 December 2017, the Group's total assets was RMB4,805,318,000 (31 December 2016: RMB4,634,789,000), the source of funds was current liabilities of RMB2,697,415,000 (31 December 2016: RMB2,663,682,000), non-current liabilities of RMB28,838,000 (31 December 2016: RMB12,794,000), equity attributable to owners of the parent of RMB1,951,203,000 (31 December 2016: RMB1,838,014,000) and non-controlling interests of RMB127,862,000 (31 December 2016: RMB120,299,000).

Cost of Sales and Gross Profit Margin

For the year ended 31 December 2017, the Group's cost of sales was RMB6,127,259,000 (2016: RMB6,333,873,000), down approximately 3.26% from the previous financial year. Facing the adverse factors such as the rising transportation cost and labour cost and tumbling logistics service price, the Group emphasised on management and continuously strengthened logistics and internal management cost control, the gross profit margin of the Group increased to 7.37% (2016: 7.16%).

Distribution Expenses

For the year ended 31 December 2017, the Group's selling and distribution expense was RMB88,464,000, representing approximately 1.34% of the Group's revenue during the period (2016: 1.62%).

During the year, the distribution expenses included salaries and benefits, travelling, business and communication expenses, and market promotion expenses incurred by the Group's sales and marketing department. Such expenses decreased by approximately 20.02% from last year.

Administrative Expenses

During the reporting year, the Group's administrative expenses increased from RMB171,087,000 in 2016 to RMB213,300,000 in 2017, up approximately 24.67% as compared with the corresponding period of last year.

Finance Costs

The Group's finance costs for the year amounted to RMB386,000 (2016: RMB1,798,000).

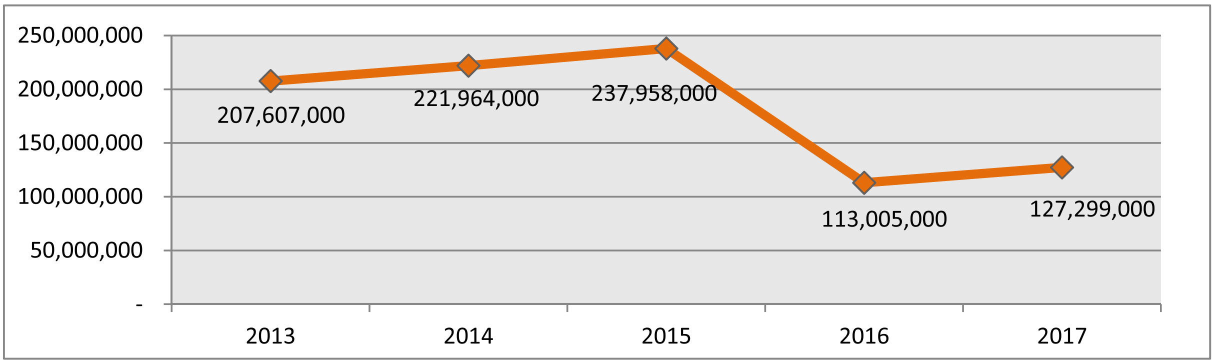
Taxation

For the year ended 31 December 2017, the weighted average applicable tax rate of the Group was 26.33% (2016: 25.95%); and the income tax expense was RMB57,643,000 (2016: RMB48,946,000).

Profit Attributable to Equity Holders of the Company

During the year, the profit attributable to owners of the parent was RMB127,299,000, up by approximately 12.65% compared to the previous financial year.

Picture 3: Profit attributable to owners of the parent for the five years ended 31 December 2017
(Unit: RMB yuan)



Capital Structure

For the year ended 31 December 2017, there was no change in the Company's share capital.

Loans and Borrowings

As at 31 December 2017, the balance of current interest-bearing bank and other loans of the Group was RMB17,130,000 (31 December 2016: RMB6,981,000). Please refer to note 28 to the consolidated financial statements of this report for further details.

Gearing Ratio

As at 31 December 2017, the gearing ratio (net debt divided by the adjusted capital plus net debt) of the Group was approximately 42.41% (31 December 2016: 45.34%).

Pledge of Assets

As at 31 December 2017, the Group had pledged bank deposits of approximately RMB19,799,000 and bills receivables of approximately RMB1,930,000 to secure bank acceptance bills.

On 31 December 2017, Harbin Branch of Changan Minsheng APLL Logistics Co., Ltd. ("Harbin Branch"), a branch company of the Company, entered into a sales contract and a leaseback contract to engage in finance leasing and leaseback business, pursuant to which, Harbin Branch sold and leaseback a set of automatic tire assembly line, whereby Harbin Branch raised financing with the automatic tire assembly line as security to the loan. Please refer to the announcement of the Company dated 1 January 2018, the description in section headed "Connected Transactions" of the Report of the Director and the note 28 to the consolidated financial statements of this report for further details.

On 31 December 2017, Hangzhou Changan Minsheng APLL Logistics Co., Ltd. ("Hangzhou Changan Minsheng"), a subsidiary of the Company, entered into a sales contract and a leaseback contract to engage in finance leasing and leaseback business, pursuant to which, Hangzhou Changan Minsheng sold and leaseback a set of tire assembly line, whereby Hangzhou Changan Minsheng raised financing with the tire assembly line as security to the loan. Please refer to the announcement of the Company dated 1 January 2018, the description in section headed "Connected Transactions" of the Report of the Director and the note 28 to the consolidated financial statements of this report for further details.

Contingent Liabilities

As at 31 December 2017, 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 now but could turn out to be material in the future.

Market Risks

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market price. 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.

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 2017, the Group's capital expenditure at the balance sheet date but not yet incurred was as follows:

	2017	2016
	RMB'000	RMB'000
Property, plant and equipment		
Contracted but not provided for	179,389	101,964
Approved but not signed the contract	-	-
	179,389	101,964

Significant Purchase or Sale of Subsidiaries and Associated Companies

During the reporting period, the Company had no major acquisition or sale of subsidiaries and associated companies.

Substantial Investment

During the reporting period, the Company had no substantial investment.

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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 facing the Group 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 12 of this annual 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	
	2017	2016
A Changan Ford Automobile Company Limited	55%	58%
B Chongqing Changan Automobile Co., Ltd.	16%	21%
C Changan Mazda Automobile Co., Ltd.	8%	7%
D Baoding Changan Bus Manufacture Co., Ltd.	2%	1%
E Chongqing Ante Import and Export Trading Company Limited	1%	**
F Chongqing Changan International Sales and Services Co., Ltd.	**	1%
Total of 5 largest customers	82%	88%

** Not one of the 5 largest customers

According to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("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	
	2017	2016
A Goodyear Tire Co., Ltd.	6%	9%
B Michelin (China) Investment Co., Ltd.	6%	6%
C CITIC Dicastal Co., Ltd.	5%	6%
D Minsheng Logistics Company Limited	5%	6%
E Maxxis Rubber (China) Co., Ltd.	4%	3%
Total of 5 largest suppliers	26%	30%

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 2017 are set out in the consolidated statement of comprehensive income in this report.

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 RMB0.15 (including tax) (2016: RMB0.1 (including tax)) per share for the year ended 31 December 2017. The above proposal of profit appropriation is subject to consideration and approval at the 2017 annual general meeting (the "AGM") of the Company. Subject to approval to the Board's proposal being obtained at the AGM, the final dividend is expected to be payable on or around 28 September 2018.

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 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, thus the individual shareholders which 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 2017 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 2017 final dividend.

Share Capital

For the year ended 31 December 2017, there had been no change in the share capital of the Company. Details 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 meet the public float requirement as stipulated under the Listing Rules.

Reserves

Details of changes in the Company's reserves during the reporting period are set out in the 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 annual report.

Subsidiaries

As at 31 December 2017, the Company had the following subsidiaries:

The registered capital of CMAL Bo Yu transportation Co., Ltd. ("CMAL Bo Yu") is RMB60,000,000 and the Company holds 100% of its equity interests. CMAL Bo Yu's main business includes general freight, storage, and logistics planning and consultation 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") 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, loading and unloading, handling, distribution, packaging, automobile components and parts sub-packaging and sales, import & export of goods, international freight forwarding services and sales via internet, 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") 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 was established on 17 May 2013. After 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 general freight and automobile components and parts manufacturing. Please refer to note 1 to the consolidated financial statement of this report for further details.

The registered capital of Nanjing CMSC is 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, station management and distribution. Please refer to note 1 to the consolidated financial statement of this report for further details.

The registered capital of Chongqing Changan Minsheng Dingjie Logistics Co., Ltd. ("Chongqing Dingjie") is RMB50,000,000. The Company holds 95% of its equity interests, Chongqing Dajiang Zhenyue Storage Co., Ltd. holds 2%, Chongqing Weitai Economic & Trade Co., Ltd. holds 2% and Chongqing Lingxin Storage Co., Ltd. holds 1% of its equity interests. Chongqing Dingjie mainly engages in production and sales of automobile components and parts packages, storage, distribution, logistics software developing, logistics planning and consultation services, etc. Please refer to note 1 to the consolidated financial statement of this report for further details.

On 9 April 2014, Chongqing Fulu Bonded Logistics Co., Ltd. ("Chongqing Fulu Bonded") was established by the Company in Chongqing. Chongqing Fulu Bonded mainly engages in storage services, loading and unloading, handling, distribution, processing; packaging products, packaging, sub-packaging and processing of automobile components and parts, import and export business, international freight forwarding, logistics information consultation and project design. Please refer to note 1 to the consolidated financial statement of this report for further details.

Dongli Packaging was established on 16 May 2014. The Company holds 55% of its equity interests and Liangcai Technology holds 45% of its equity interests. Dongli Packaging is mainly engaged in packaging services of solid products; production, sales, maintenance of packing container and related information consultation; processing and sales of automobile components and parts; storages services; international freight forwarding services; import and export of goods. 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 established on 5 August 2014. After capital increase of RMB28,000,000 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, general freight, import and export of goods and technology, exhibition and display services, development and design of computer software and hardware, storage, packaging, development of logistics software and information services. Please refer to note 1 to the consolidated financial statement of this report for further details.

On 22 May 2015, the Company acquired 60% of equity shares in Changsheng Gangtong. Changsheng Gangtong's principal activities are port management, storage services, general freight transport, freight forwarding, logistics planning and consulting, selling and providing after-sale services of the Hafei and Songhua River vehicles, auto beauty services and auto components and parts sales. Please refer to note 1 to the consolidated financial statement of this report for further details.

Capitalized Interests

For the year ended 31 December 2017, 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 package of employees and makes necessary adjustments to conform to the market standard. The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. During the reporting period, there was no material and significant dispute between the Group and its business partners or bank enterprises.

Retirement Plan

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

Employees

As at 31 December 2017, the Group had 8,530 employees (31 December 2016: 8,558 employees).

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

	As at 31 December	
	2017	2016
Administration	198	202
Specialists	1,702	1,900
Operators	6,630	6,456
Total	8,530	8,558

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

Remuneration Policy

Salaries of the Company's employees are determined by reference to market rates, performances, qualification and experience of the relevant employees. Discretionary bonus may also be given based on performance of individual staff during the year in order to award the employees for their contributions to the Company. Other employee benefits include pension insurance, 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 (2016: nil). Full time employees are entitled to participate in the government-sponsored housing fund. The Company contributes on a monthly basis to the fund at certain rates of the employees' basic salary.

Directors and Supervisors

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

Executive directors	
Xie Shikang (Chairman)	(appointed on 30 June 2016)
Lu Xiaozhong	(appointed on 14 November 2014)
William K Villalon	(appointed on 14 November 2014)
Shi Jinggang	(appointed on 30 June 2016)
Non-executive directors	
Tan Hongbin	(appointed on 30 June 2017)
Danny Goh Yan Nan	(appointed on 14 November 2014)
Li Xin	(appointed on 30 November 2016)
Independent non-executive directors	
Chong Teck Sin	(appointed on 14 November 2014)
Poon Chiu Kwok	(appointed on 14 November 2014)
Jie Jing	(appointed on 14 November 2014)
Zhang Yun	(appointed on 14 November 2014)
Supervisors	
Chen Jianfeng	(appointed on 30 November 2016)
Steven Ho Kok Keong	(appointed on 14 November 2014)
Tang Yizhong	(appointed on 30 June 2017)
Zhou Zhengli	(appointed on 14 November 2014)
Deng Gang	(appointed on 14 November 2014)

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

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 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 2017.

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 director's or supervisor's experience, responsibility and the time devoted to the Company.

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

As at 31 December 2017, 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 2017, the directors, chief executive and the supervisors of the Company were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2016, 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 2017, 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. ("South Group") *(Note 1)*	Interest of a controlled corporation	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
China Changan Automobile Group Co., Ltd. ("China Changan")	Beneficial owner	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
Kintetsu World Express, Inc.	Interest of a controlled corporation	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%
APL Logistics Ltd. ("APL Logistics")	Beneficial owner	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%
重慶盧作孚股權基金管理有限公司	Interest of a controlled corporation	32,219,200(L) (Domestic Shares and Non-H Foreign Shares)	30.09%	-	19.88%
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial") *(Note 2)*	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 2)*	Beneficial owner	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Pemberton Asian Opportunities Fund *(Note 3)*	Beneficial owner	5,000,000 (L)	-	9.09%	3.09%
788 China Fund Ltd.	Investment manager	4,000,000(L)	-	7.27%	2.47%
Mclntyre Steven *(Note 4)*	Interest of a controlled Corporation	3,423,000(L)	-	6.22%	2.11%
Braeside Investments, LLC *(Note 4)*	Investment manager	3,423,000(L)	-	6.22%	2.11%
Braeside Management, LP *(Note 4)*	Investment manager	3,423,000(L)	-	6.22%	2.11%

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

Note 1: The former name of China South Industries Group Co., Ltd. is China South Industries Group Corporation.

Note 2: Ming Sung (HK) is the subsidiary of Minsheng Industrial. Mr. Lu Xiaozhong, the Director of the Company, holds 6% of shareholdings of Mingsheng Industrial.

Note 3: According to the Corporate Substantial Shareholder Notice filed by Pemberton Asian Opportunities Fund, the H shares of the Company held by it increased to 5,000,000 shares, representing 9.09% of the issued H shares and 3.09% of the total issued share capital of the Company.

Note 4: According to the Corporate Substantial Shareholder Notice filed, Braeside Management, LP is a wholly-owned subsidiary of Braeside Investments, LLC. Mclntyre Steven is the controlling shareholder of Braeside Investments, LLC.

Note 5: (L) – long position, (S) – short position, (P) - Lending Pool.

Save as disclosed in this report, as at 31 December 2017, so far as is known to the directors and chief executive of the Company, there is no other person (other than the directors, supervisors, or chief executive of the Company) who had interests or short positions in the provisions of Divisions 2 and 3 of Part XV of the SFO; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Share Appreciation Right Incentive Scheme

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

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

Competing Interests

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

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

In February 2018, the Company received the confirmation regarding the above-mentioned non-competition undertakings from each of APL Logistics and China Changan (China Changan acquired all the shares in the Company held by Changan Industry Company on 9 March 2016).

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.

Connected Transactions

On 31 December 2017, Harbin Branch, a branch company of the Company, entered into a sales contract and a leaseback contract with United Prosperity Investment (Shenzhen) Co., Ltd. ("United Prosperity") to engage in finance leasing and leaseback business (the "Harbin Branch Finance Leasing and Leaseback Contract"). Pursuant to the Harbin Branch Finance Leasing and Leaseback Contract, Harbin Branch shall sell a set of automatic tire assembly line to United Prospertiy at the sale price of RMB12,435,897.44 while Harbin Branch shall leaseback the set of automatic tire assembly line at the rental of RMB13,416,560.88 (including lease principal of RMB12,435,897.44 and total interest of RMB980,663.44) for a term of 3 years or 36 months from the lease commencement date. Upon expiry of the lease term, Harbin Branch shall be entitled to repurchase the leased object at a nominal price of RMB100.

On 31 December 2017, Hangzhou Changan Minsheng, a subsidiary of the Company, entered into a sales contract and a leaseback contract with United Prosperity to engage in finance leasing and leaseback business (the "Hangzhou Changan Minsheng Finance Leasing and Leaseback Contract"). Pursuant to the Hangzhou Changan Minsheng Finance Leasing and Leaseback Contract, Hangzhou Changan Minsheng shall sell a set of tire assembly line to United Prospertiy at the sale price of RMB14,953,846.15 while Hangzhou Changan Minsheng shall leaseback the set of tire assembly line at the rental of RMB16,133,068.68 (including lease principal of RMB14,953,846.15 and total interest of RMB1,179,222.53) for a term of 3 years or 36 months from the lease commencement date. Upon expiry of the lease term, Hangzhou Changan Minsheng shall be entitled to repurchase the leased object at a nominal price of RMB100.

China Changan holds 25.44% equity interest in the Company and 5% equity interest in United Prosperty respectively. In addition, China Changan indirectly holds 85% equity interests in United Prosperity through its wholly-owned subsidiary United Prosperity Investment Co., Ltd. Therefore, United Prosperity is a connected person of the Company and the transactions contemplated under each of the Harbin Branch Finance Leasing and Leaseback Contract and the Hangzhou Changan Minsheng Finance Leasing and Leaseback Contract constituted connected transactions of the Company under the Listing Rules.

The Company considers that the transactions contemplated under the Harbin Branch Finance Leasing and Leaseback Contract and the Hangzhou Changan Minsheng Finance Leasing and Leaseback Contract could revitalize and activate its fixed assets to obtain additional working capital on reasonable terms to support its business and operational activities while at the same time could maintain the appropriate right over the leased objects, which the Company considers could strengthen the cash flow and accelerate the turnover of the capital of the Group.

Continuing Connected Transactions

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

Background of the Continuing Connected Transactions

China Changan is a substantial shareholder of the Company. China Changan is a holding subsidiary of South Group and 100% of China Changan's equity interests are held by it as of the date of the report. China Changan holds 40.88% of equity interests in Changan Automobile as of the date of the report. As of the date of the report, South Group holds 22.90% of equity interests in Binqi Zhuangbei Group Financial Limited Liability Company ("Zhuangbei Finance") and the Company holds 0.81% of its equity interests while member companies of South Group hold the remaining equity interests in Zhuangbei Finance. Changan Industry Company is a wholly owned subsidiary of South Group. Chongqing Changan Property Management Co., Ltd. ("Changan Property") is wholly owned by Changan Real Estate Development Company ("Changan Real Estate"), one of the subsidiaries of Changan Industry Company. Changan Industry Company holds 98.49% of equity shares in the Changan Real Estate.

Accordingly, China Changan, Changan Industry Company, Changan Automobile, Zhuangbei Finance, Changan Property and their respective associates are all the Company's connected persons according to the Listing Rules. Minsheng Industrial and APL Logistics are also the substantial shareholders of the Company. According to the Listing Rules, Minsheng Industrial and APL Logistics and their respective associates are also connected persons of the Company. As the Company and Sumitomo hold 67% and 33% of share capital of Nanjing CMSC respectively, Sumitomo is a substantial shareholder of Nanjing CMSC. Therefore, Sumitomo and its associates are also connected persons of the Company according to the Listing Rules. Sumitomo holds 49% of the share capital of Nanjing Baogang Zhushang Metal Products Company Limited ("Baogang Zhushang"), Baogang Zhushang is an associate of Sumitomo.

On 14 November 2014, the Company and each of Changan Industry Company, Changan Automobile, Minsheng Industrial, APL Logistics, Zhuangbei Finance and Changan Property entered into framework agreements, each for a term commencing on 1 January 2015 and expiring on 31 December 2017. On 14 November 2014, the holding subsidiary of the Company, Nanjing CMSC entered into a framework agreement with Baogang Zhushang with term effective from 1 January 2015 to 31 December 2017. Please refer to the announcement dated 14 November 2014, the circular dated 12 December 2014 and the announcement dated 30 December 2014 of the Company for further details.

In order to purchase property leasing services in an effective manner to fulfill the need for warehouses of the Group, on 14 September 2016, the Company entered into a framework agreement with China Changan for the purpose of purchasing property leasing services, pursuant to which, the Group shall purchase property leasing services from China Changan and its associates for a term commencing on 1 January 2016 to 31 December 2017. Please refer to the announcement of the Company dated 14 September 2016 for further details.

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

The Company is of the view that the continuing connected transactions pursuant to which the Group provides logistics services to each of Changan Industry Company, Changan Automobile, APL Logistics, Minsheng Industrial, Baogang Zhushang and their respective associates are in line with the Group's primary business and development strategies. For the purpose of providing logistics services to its clients, the Group is required to purchase transportation services on a continuous basis. The Group has built up long term partnership with each of Changan Industry Company, Minsheng Industrial, APL Logistics and their respective associates, and is generally satisfied with the quality of their transportation services.

In order to support the normal operation and investment activities, apart from the net cash inflows from the Group's operation activities, the Group needs to borrow loans as a means to raise additional capital. Following successive expansions in the business scale of the Group, cash inflows and outflows from operating activities have become more frequent and the amounts have also increased continuously, the settlement time for payments needs to be shortened and finance costs need to be decreased. In view of the good relationship between the Company and Zhuangbei Finance, the Company is of the view that the funds settlement and raising arrangements with Zhuangbei Finance are consistent with the Group's principal businesses and development strategies and can promote business growth.

In order to improve the management skills and security precaution on the access control of the relevant personnel, vehicles and cargos in and out of the affiliated projects working unit of the Group as well as the sanitary work in relevant working unit, the Group need to purchase security and cleaning services from Changan Property and its associates. The Group has established a long-term partnership with Changan Property and its associates and is in a good working relationship with them.

In order to enhance the Company's warehousing logistics services to meet with the storage demand of the Company, the Group requires purchasing property leasing services from China Changan and its associates.

Pricing of Continuing Connected Transactions

According to the framework agreements signed on 14 November 2014 between the Company and each of Changan Industry Company, Changan Automobile, Minsheng Industrial, APL Logistics, Zhuangbei Finance and the framework agreement signed between the Company's holding subsidiary, Nanjing CMSC, and Baogang Zhushang, the prices of the transactions for the services provided by the Group to our customers under such framework agreements are set in accordance with the following principles:

(a) according to the PRC Bidding Law, where a bidding price is arrived by bidding process, the bidding price prevails;
(b) where there is no bidding price available, the market price prevails; or
(c) where none of the above is available, the agreed price will be adopted.

According to the framework agreements signed on 14 November 2014 between the Company and Changan Industry Company, Minsheng Industrial, APL Logistics, Changan Property, Tonglit Logistics, the prices of the transactions for the services purchased by the Group from each of them under such framework agreements are set in accordance with the following principles:

(a) according to the PRC Bidding Law, where a bidding price is arrived by bidding process, the bidding price prevails; or
(b) where there is no bidding price available, the market price will be adopted.

According to the framework agreement signed on 14 November 2014 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.

According to the framework agreement signed on 14 September 2016 between the Company and China Changan, the prices for the property leasing services purchased by the Group from China Changan are set in accordance with the following principles:

(a) according to the PRC Bidding Law, where a bidding price is arrived by bidding process, the bidding price prevails; or
(b) where there is no bidding price available, the market price will be adopted.

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 Industry Company, Changan Automobile, APL Logistics, Minsheng Industrial, Zhuangbei Finance, Changan Property and their respective associates, which constitute related party transactions in accounting during the period. The details are set out in note 38 to the consolidated financial statements of the report. During the reporting period, for those related party transactions which also constituted connected transactions, the Group had strictly complied with the disclosure requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2017, 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 2017	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
Changan Industry Company and its associates:		
- Supply chain management services for automobiles and automobile raw materials, components and parts & non-automobile logistics services	13,939	40,000
Changan Automobile and its associates:		
- Supply chain management services for automobiles and automobile raw materials, components and parts	5,551,987	12,500,000
Minsheng Industrial and its associates:		
- logistics services	4,131	30,000
APL Logistics and its associates:		
- logistics services	-	30,000
Baogang Zhushang:		
- Supply chain management services for automobile raw materials, components and parts	10,356	40,000
Zhuangbei Finance		
- Finance logistics services	-	30,000

For the year ended 31 December 2017, 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 2017	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
Changan Industry Company and its associates:	6,702	40,000
Minsheng Industrial and its associates:	344,540	1,400,000
APL Logistics and its associates:	5,341	39,000

For the year ended 31 December 2017, the total consideration paid by the Group to each of the connected persons for the purchase of packaging process services is as follows:

	For the year ended 31 December 2017	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
Tonglit Logistics and its associates:	-	30,000

For the year ended 31 December 2017, 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 2017	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	2,357	25,000

For the year ended 31 December 2017, 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 2017	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB	RMB
Changan Property and its associates:	9,028,000	10,334,334

For the year ended 31 December 2017, the amount of transactions between the Group and Zhuangbei Finance are as follows:

	For the year ended 31 December 2017	
	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	410,433	700,000

In February 2018, the Company received confirmation letter 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 2017 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 Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with Rule 14A.71 of the Listing Rules, the Board of the Company confirmed that the external auditor of the Company had made a confirmation statement on the issues mentioned in Rule 14A.56 of the Hong Kong Listing Rules. The external auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out above. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Legal Proceedings

As at 31 December 2017, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

Designated Deposits

As at 31 December 2017, 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 2017 in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange. The Company will publish the ESG report on the Stock Exchange's website and the Company's website as close as possible to, and in any event no later than three months after, the publication of the Company's annual report of 2017.

Donation

During the year, the total amount of donation made by the Group was RMB1,000,000. (2016: nil).

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 2017.

Pre-emptive Rights

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

Auditors

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

By the Order of the Board
Xie Shikang
Chairman

Chongqing, the PRC
29 March 2018

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

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

The Supervisory Committee considers that in 2017, 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 satisfied with the achievement and efficient work of the Company in 2017 and is confident in the Company's future development.

The Supervisory Committee has conscientiously reviewed and agreed with the report of the Board, the audited consolidated financial statements, which will be submitted by the Board to the 2017 annual general meeting.

By order of the Supervisory Committee
Chen Jianfeng
Chairman

Chongqing, the PRC
29 March 2018

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 of the Company, help to establish a favorable corporate governance structure of the Group. For the period from 1 January 2017 to 31 December 2017, the Company has complied with the code provisions set out in the Code throughout.

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

Securities Transactions by the Directors

Since the Transfer of Listing on 18 July 2013, the Company has adopted a code of conduct regarding directors' securities transactions on terms of the required standard of dealings (the "Code of Conduct") prepared according to the Model Code. After making specific enquiries to all directors, the Company confirms that the directors had complied with the Code of Conduct during the period from 1 January 2017 to 31 December 2017.

Board

The Board comprises 11 directors, including 4 executive directors, 3 non-executive directors and 4 independent non-executive directors. Details of the members of the Board are set out in the paragraph headed "Directors, Supervisors, Senior Management" in this annual report. 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 February 2018. 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 (Provision of Information in Respect of and by Directors, Supervisors and Chief Executives Required Under Rule 13.51B of the Listing Rules)

On 10 May 2017, Mr. Wu Xiaohua resigned as the non-executive director of the fourth session of the Board of the Company due to retirement. The resignation of Mr. Wu Xiaohua took effect from the conclusion of the 2016 annual general meeting of the Company held on 30 June 2017. Please refer to the announcement of the Company dated 10 May 2017 and 30 June 2017 for further details.

On 10 May 2017, Ms. Zhang Tianming resigned as the shareholder representative supervisor of the fourth session of the Supervisory Committee of the Company due to job relocations. The resignation of Ms. Zhang Tianming took effect from the conclusion of the 2016 annual general meeting of the Company held on 30 June 2017. Please refer to the announcement of the Company dated 10 May 2017 and 30 June 2017 for further details.

At the 2016 AGM of the Company held on 30 June 2017, Mr. Tan Hongbin was elected as the non-executive director of the Company for a term commencing from the conclusion of the general meeting until the expiry of the term of the fourth session of the Board. Please refer to the announcement of the Company dated 30 June 2017 for further details.

At the 2016 AGM of the Company held on 30 June 2017, Mr. Tang Yizhong was elected as the shareholder representative supervisor of the Company for a term commencing from the conclusion of the general meeting until the expiry of the term of the fourth session of the Supervisory Committee. Please refer to the announcement of the Company dated 30 June 2017 for further details.

On 29 March 2018, the Company received resignation letter from Mr. Danny Goh Yan Nan. Mr. Danny Goh Yan Nan will resign as the non-executive director of the Company and the resignation shall take effect on the date on which the shareholders' meeting of the Company is held for the purposes of approving the election of a non-executive director as his successor. Please refer to the announcement of the Company dated 29 March 2018 for further details.

On 29 March 2018, the Company received resignation letter from Mr. Chen Jianfeng. Mr. Chen Jianfeng will resign as the shareholder representative supervisor and the chairman of the fourth session of the Supervisory Committee of the Company and the resignation shall take effect on the date on which the shareholders' meeting of the Company is held for the purposes of approving the election of a shareholder representative supervisor as his successor. Please refer to the announcement of the Company dated 29 March 2018 for further details.

During the reporting period, Mr. Poon Chiu Kwok, an independent non-executive director of the Company, has been appointed as the independent non-executive director of Jinchuan Group International Resources Co., Ltd, Honghua Group Limited and Yanzhou Coal Mining Company Limited, all the above companies are listed on the Stock Exchange. He is now a fellow member of CPA Australia.

Directors' Attendance of Regular Meetings

The Board has held four regular meetings in 2017 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 2017 are set out in the following table:

Director's name	Due attendance	Records for personal attendance	Records for attendance by alternate	Individual attendance rate
Executive director				
Xie Shikang	4	4	0	100%
Lu Xiaozhong	4	3	1	75%
William K Villalon	4	4	0	100%
Shi Jinggang	4	4	0	100%
Non-executive director				
Wu Xiaohua (resigned on 30 June 2017)	2	0	2	0%
Tan Hongbin (appointed on 30 June 2017)	2	2	0	100%
Danny Goh Yan Nan	4	2	2	50%
Li Xin	4	3	1	75%
Independent non-executive director				
Chong Teck Sin	4	3	1	75%
Poon Chiu Kwok	4	4	0	100%
Jie Jing	4	3	1	75%
Zhang Yun	4	4	0	100%

Composition of the Board

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

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

On diversity, the Board consists of directors with different backgrounds that are able to provide the Company with professional advice on various aspects. Currently the Board has one female director. The independent non-executive directors are independent of management of the Company and have adequate business and financial experience. They provide advices 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 annual report, apart from Mr. Chong Teck Sin, the independent non-executive director who has continuously been in office for over 9 years, the term of office of each of other 3 existing independent non-executive directors does not exceed 9 years.

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 2017. The Company confirmed that all the independent non-executive directors are independent of the Company.

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

Duties of Directors and Management

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

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

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

Chairman and General Manager

The Company's chairman is Mr. Xie Shikang, and the general manager is Mr. Shi Jinggang. The chairman is responsible for setting the strategic direction of the Company and formulating the business strategies, while the general manager is responsible for overseeing the daily operations of the Company. The chairman is also responsible for leading the Board and ensuring the effective operation of the Board. The chairman encourages all the directors (including the independent non-executive directors) to be fully dedicated in carrying out their duties to the Board and its three 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 2017 and 31 December 2017 based on the records provided by the directors and supervisors:

Name	Category of Continuing Professional Development
Directors	
Xie Shikang	A/B
Lu Xiaozhong	A
William K Villalon	A
Shi Jinggang	A/B
Wu Xiaohua	A
Tan Hongbin	A
Danny Goh Yan Nan	A
Li Xin	A
Chong Teck Sin	A
Poon Chiu Kwok	A/B
Jie Jing	A
Zhang Yun	A
Supervisors	
Chen Jianfeng	A
Steven Ho Kok Keong	A
Zhang Tianming	A
Tang Yizhong	A
Zhou Zhengli	A
Deng Gang	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.

Three Committees of the Board

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

(1) Audit Committee

The Company has set up an audit committee (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 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 will provide 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 meeting held on 24 March 2017 reviewed and discussed the Group's annual results, financial statements, principal accounting policies and internal audit matters for the year ended 31 December 2016, listened to the auditor's suggestions for the Company, and approved such reports.

The Audit Committee met on 4 May 2017 to review the income statement, cash flow statement and balance sheet of the Group for the three months ended 31 March 2017.

The Audit Committee met on 14 August 2017 to review the unaudited interim report of the Group for the six months ended 30 June 2017 and approved such report.

The Audit Committee met on 20 October 2017 to review the income statement, cash flow statement and balance sheet of the Group for the nine months ended 30 September 2017.

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	3	1	75%
Zhang Yun	4	4	0	100%

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

In 2017, the Audit Committee has worked actively mainly on the following aspects:

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

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

3. made two times of effective communication and discussions with the Group's external auditors with regard to the 2017 annual financial auditing nature and scope;

4. proposed to the Board to appoint Ernst & Young and Ernst & Young Hua Ming LLP as the Company's 2017 annual external auditors.

(2) Remuneration Committee

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

The major duties of the Remuneration Committee are:

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

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

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

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

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

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

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

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

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

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

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

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

In 2017, 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 2017, and suggested the establishment of a normal and transparent remuneration system;

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

(3) Nomination Committee

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

The major duties of the Nomination Committee are:

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

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

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

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

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

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

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

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

In 2017, the Nomination Committee has worked actively mainly on the following aspects:

1. Analyzed the framework, population and composition of the current Board of the Company;

2. Assessed and reviewed the independent non-executive directors of the Company, ensuring their independency;

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

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 2017, the Board reviewed the Company's compliance with the Code and other rules applicable according to the requirements of the Code; approved the annual corporate governance report of the Company and its disclosure on the websites of the Stock Exchange and the Company.

Auditors and their Remuneration

Ernst & Young was the Company's international auditor (Ernst & Young Hua Ming LLP was the Company's PRC auditor for 2017) for the year ended 31 December 2017. For three years ended 31 December 2017, the Company did not change its auditor.

The responsibilities of the external auditors about 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 2017.

The remuneration of the auditors for the year ended 31 December 2017 was set out below:

Services provided	Fees (RMB'000)
Audit Services	2,300
Non-audit services	218
Total	2,518

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

Company Secretary

During the year of 2017, 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 the voting right;

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

(4) the right to transfer, bestow, or pledge the shares held according to 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 the cost;

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

(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' Meeting.

(vi) audited financial report.

(6) the right to receive distribution of the remaining assets proportional to the number of shares held when the Company dissolves or liquidates;

(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 the 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 like 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, Remuneration Committee and Nomination Committee should make an effort to attend and answer questions raised by the shareholders. For the year ended 31 December 2017, the Company held conferences and/or conference calls, as well as arranged many field trips for investors.

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

Shareholders individually or together holding 10% or more of the shares conferring the right to vote at the forthcoming EGM can sign and submit one or more written requests in 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 possible upon receiving such written request(s). The number of the shares will be calculated upon 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 request, the Supervisory Committee shall call and preside over the meeting in a timely manner; if the Supervisory Committee fails to do so either, the shareholder(s), individually or jointly holding over 10% or more of 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 request by the Board, and the procedures for calling the meeting shall manage to meet the one that the Board would follow when calling the meeting.

Enquiries may be made to the Board either by contacting the Company Secretary of the Company through office and mailing address as set out under the Corporate Information of this annual report or directly by questions at the AGM or EGM or contact 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 the auditing and risk controlling department in 2012 to discharge duties of internal auditing, internal control assessment and supervision of rectification, and risk control.

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 meeting of the board of the Company held on 26 March 2018 examined and reviewed the work of the auditing and risk controlling department, the Group's external auditor and the regular reports on internal financial control, operation and compliance control, and risk management policies and systems.

The Company established and implemented such documents as *Internal Control Management Procedure*, *Annual Risk Management Procedure* and *Management Audit Working Instructions* and relevant rules and regulations regarding the risk management, internal control and internal audit to administer risks, internal control and material information. A sound system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance.

The Board of the Company oversees the Group's risk management and internal control systems on an ongoing basis and ensures that a review of the effectiveness of the Group's risk management and internal control systems has been conducted at least annually and reported in the Company's Corporate Governance Report. The review included:

(a) the scope and quality of management's ongoing monitoring of risks and of the risk management and internal control systems, the work and effectiveness of internal audit and the assurances provided by auditing and risk controlling department;

(b) the changes in the nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment;

(c) the extent and frequency with which the results of monitoring are communicated, enabling the Audit Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed;

(d) the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition;

(e) the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance;

(f) areas of risk identified by management;

(g) significant risks reported by auditing and risk controlling department;

(h) work programs proposed by both internal audit and the external auditors;

(i) significant issues arising from internal and external audit reports;

(j) the results of management's control self-assessment exercise;

(k) the Company's internal control on and publication of the material information in compliance with the requirements of the Listing Rules and the Securities and Futures Ordinance.

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 and have complied with the Corporate Governance Code provisions on risk management and internal control throughout the year and up to the date of this annual report.

General Meetings

On 30 June 2017, the executive director Mr. Xie Shikang (the chairman of the Board and the chairman of the Nomination Committee of the Board of the Company), Mr. Lu Xiaozhong, and Mr. Shi Jinggang, the non-executive director Mr. Danny Goh Yan Nan, the independent non-executive director Mr. Chong Teck Sin, Mr. Poon Chiu Kwok and Ms. Zhang Yun (the chairman of the Audit Committee of the Company) attended the 2016 AGM held by the Company.

On 15 December 2017, the executive director Mr. Xie Shikang, Mr. William K Villalon and Mr. Shi Jinggang, the non-executive director Mr. Tan Hongbin, Mr. Danny Goh Yan Nan and Mr. Li Xin, the independent non-executive director Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing (the chairman of Remuneration Committee of the Board of the Company) and Ms. Zhang Yun attended the 2017 first EGM held by the Company.

Amendments of Articles of Association

The amendment of the Articles of the Association of the Company was approved at the 2017 First EGM held on 15 December 2017. Please refer to the circular dated 29 November 2017 and the constitutional document dated 18 December 2017 of the Company for further details in relation to the amendment.

Executive Directors

Mr. Xie Shikang

Mr. Xie Shikang（謝世康）aged 48, senior economist, currently the secretary of the CPC Committee of the Company, the chairman, an executive director, the chairman of Nomination Committee and the member of Remuneration Committee of the fourth session of the Board, and the Authorized Representative of the Company. Mr. Xie graduated from Chongqing Normal University in 1992. His final academic degree obtained was postgraduate diploma in Master of Business Administration from Chongqing University School of Economics and Business Administration. From July 1992 to August 1998, Mr. Xie worked in China South Industry Group Corporation Southwest Division and after that, he joined the former Changan Automobile (Group) Company Liability Limited and served as the deputy director of Corporate Office, the deputy minister of the Customer Services Department, deputy general manager of the auto parts company, deputy general manager and the Party branch secretary of a joint venture company- Chongqing Changan Visteon Engine Control System Co., Ltd. Since March 2009, Mr. Xie worked in Changan Automobile Co., Ltd. (Listed in Shenzhen Stock Exchange) as the head of the office and Party branch secretary, press spokesperson, the general manager of the High-end Limousine Sales Department, the minister of the High-end Limousine Overall Development Department, the head of the Strategic Planning Department and assistant general manager. From 21 May 2013 to 23 March 2016, Mr. Xie also served as the supervisor of Chongqing Changan Automobile Co., Ltd. Mr. Xie has extensive experience in the strategic development planning, production and operation management and has been in a leadership position in leading enterprises in the automobile industry, thus he has enriched theoretical knowledge and working experiences in enterprise operation management and leading, development planning and customer services.

Mr. Lu Xiaozhong

Mr. Lu Xiaozhong（盧曉鐘）aged 70, an executive director of the fourth session of the Board and the Authorized Representative of the Company. He was born in 1948, graduated from Chongqing Normal University with a bachelor's degree in science, and joined the Company in 2001. Mr. Lu was the Company's general manager from October 2001 to February 2004. Mr. Lu was a member of the Standing Committee of the 11th CPPCC National Committee, deputy director of the 3rd Chongqing People's Congress Standing Committee, a member of the Central Committee of China National Democratic Construction Association (CNDCA), the chairperson of CNDCA Chongqing, deputy chairman of Chongqing General Chamber of Commerce (industrial and commercial association), deputy director of Chongqing Foreign Trade & Economic Relations Commission. Mr. Lu also served as managing deputy president of Minsheng Industrial and general manager of former Minsheng Shipping Company Limited. Mr. Lu is now the president and director of Minsheng Industrial; director of Minsheng Shipping Co., Ltd., and director & general manager of Ming Sung (HK). Mr. Lu won the prizes of "Model of Great Contribution for Developing Chongqing" in 2006 and "Construction Toast in the 10th Anniversary of Chongqing under Direct Jurisdiction of Central Government" in 2007.

Mr. William K Villalon

Mr. William K Villalon aged 69, an executive director of the fourth session of the Board of the Company. He joined the Company in 2010. He has served for American President Lines/Logistics from 1984 to the present. His most recent appointment is president, APL Logistics on January 1, 2017. He is a seasoned executive with more than 30 years of experience in the global transportation and logistics industry. His immediate past roles were global vertical leader for the Automotive Vertical and Regional Leader for North America. Prior to these, he served in different positions for American President Lines/Logistics, mainly including vice president of Americas' Logistics, vice president of American Consolidation Services, vice president of Global Marketing, vice president of Southeast Asia, vice president of Stacktrain Service and director of Stacktrain Marketing. Mr. William K Villalon served as general manager of Intermodal of Southern Pacific Railroad (subsequently merged into UNION PACIFIC RAILROAD) before 1984. Mr. Villalon holds an MBA in Finance from University of California, Berkeley and has a BA in Political Science from the Washington University, St. Louis.

Mr. Shi Jinggang

Mr. Shi Jinggang（石井崗）aged 51, engineer, currently an executive director of the fourth session of the Board, the general manager and the deputy secretary of the CPC Committee of the Company. Mr. Shi graduated from Xidian University in 1990. From July 1990 to June 1998, Mr. Shi worked in the Supporting Technology Archives, General Manager Office and the Coordination and Planning Department of former Changan Machinery Factory. From June 1998 to January 2009, Mr. Shi served as the office director of the Enterprise Management Department, director of the Development and Planning Department of former Changan Automobile (Group) Company Liability Limited. After that, he joined the Chongqing Changan Automobile Co., Ltd. and worked as the deputy minister of the Development and Planning Department, Party branch secretary, the director of the Capital Operation Department and the deputy minister of the Strategic Planning Department. From June 2011 to 31 May 2016, Mr. Shi served as the executive vice president of Jiangling Holding Company Limited. Mr. Shi has been engaged in the enterprise development planning, production and operation management and leading positions and hence Mr. Shi has enriched experience in enterprise operation and management.

Non-executive Directors

Mr. Tan Hongbin

Mr. Tan Hongbin（譚紅斌）aged 51, an economist and a non-executive director of the fourth session of the Board of the Company. Mr. Tan was born in October 1967 and graduated from former Southwest China Normal University (renamed to Southwest University) in July 1987 with a bachelor degree in science, majoring in Mathematics. From July 1987 to October 1992, Mr. Tan worked as a teacher in No. 29 Middle School of Chongqing. After that, Mr. Tan joined Minsheng Industrial and from October 1992 to February 2001, Mr. Tan served as the deputy head of the External Affairs Division, assistant general manager & manager of the General Office and manager of the Quality Management Department in Minsheng Industrial. From February 2001 to September 2016, Mr. Tan worked as assistant general manager, assistant president, vice president, executive vice president and director of Minsheng Industrial. Mr. Tan also served concurrently as the executive deputy general manager of Minsheng Shipping, and general manager and chairman of Minsheng International Freight Forwarding Co., Ltd. Since October 2015, Mr. Tan serves as a director in Sichuan Changhong Minsheng Logistics Co., Ltd. (a company listed on the National Equities Exchange and Quotations of the PRC, stock code: 836237). Since September 2016, Mr. Tan serves as a director of Minsheng Industrial and the general manager of Minsheng Shipping. Mr. Tan has rich experience in enterprise management.

Mr. Danny Goh Yan Nan

Mr. Danny Goh Yan Nan aged 59, a non-executive director of the fourth session of the Board of the Company. He was born in 1959 and was graduated from University of Oregon, USA in 1986, holding a Bachelor of Science, Finance. Mr. Danny Goh Yan Nan joined the Company in 2010 and is currently serving as chief operations officer in APLL. He served as senior vice president of North Asia Region of APLL from 2010 to 2014. He had been served different positions for APLL, mainly including vice president / managing director in Japan, vice president of International Services and Global Operations, vice president / managing director of Asia-Middle East Region, general manager of South East and West Asia Region of American Consolidation Services and Regional Operations Manager of South East and West Asia Region of American Consolidation Services.

Mr. Li Xin

Mr. Li Xin（李鑫）aged 37, engineer, currently a non-executive director of the fourth session of the Board of the Company. Mr. Li graduated from Shenyang University of Technology and later obtained his Master's Degree at Beijing Institute of Technology, majoring in Software Engineering. From July 2003 (when he started his career) to July 2006, Mr. Li worked in No. 208 Research Institute of China Ordnance Industries. From July 2006 to March 2014, Mr. Li served as assistant project manager, project manager and senior project manager in China Changan Automobile Group Co., Ltd. He was promoted as assistant general manager of the Development Strategy Department in March 2014. From April 2016 to March 2018, Mr. Li first served as the deputy general manager of the Development Strategy Department and then the deputy general manager of the Project Management Department. Mr. Li now is the deputy general manager of the Capital Operations Department of China Changan Automobile Group Co., Ltd. Mr. Li has rich experience in corporate development planning and project management.

Independent Non-executive Directors

Mr. Chong Teck Sin

Mr. Chong Teck Sin（張鐵沁）aged 63, an independent non-executive director, the member of Audit Committee and the member of Nomination Committee of the fourth session of the Board of the Company. Born in 1955, he joined the Company as an independent non-executive director in 2005. Mr. Chong was the group managing director (commercial) of Seksun Corporation Limited (the "Seksun"), which was listed on the Singapore Stock Exchanges (the "SGX"), from 1999 until May 2004. Prior to his appointment at Seksun, he was the strategic development director for China of Glaxo Wellcome Asia Pacific Pte Ltd. and before that, the senior general manager of China-Singapore Suzhou Industrial Park Development Co., Ltd., the Singapore Suzhou Industrial Park developer. He was with the Singapore Economic Development Board from 1986 to 1989. From April 2004 to March 2010, Mr. Chong sat on the Board of the Accounting and Corporate Regulatory Authority (ACRA) of the Ministry of Finance of Singapore. From 2005 to 2013, Mr. Chong sat as independent non-executive director of several public companies listed at SGX and Australian Stock Exchange 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-listed Civmec Ltd and its subsidiary Civmec Construction & Engineering Singapore Pte Ltd; Accordia Golf Trust Management Pte Ltd, trustee manager of SGX-listed Accordia Golf Trust and SGX-listed Inno Tek Ltd. 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 55, an independent non-executive director, the member of the Audit Committee, the member of Nomination Committee and the member of Remuneration Committee of the fourth session of the Board of the Company. He was born in 1962, obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. He is a Fellow member of CPA Australia, the Institute of Chartered Secretaries and Administrators, and The Hong Kong Institute of Chartered Secretaries and a member of its Professional Development Committee, Mainland China Focus Group, Audit Committee and Technical Consultation Panel. He is also a Fellow member and an Associate Instructor of Hong Kong Securities and Investment Institute. Mr. Poon now serves as an executive director, vice president and company secretary of Huabao International Holdings Limited (a listed company in Hong Kong Stock Exchange) (Stock Code: 00336), an independent non-executive director of the following Hong Kong listed companies: Yuanda China Holdings Limited (Stock Code: 02789), Sunac China Holdings Limited (Stock Code: 01918), Tonly Electronics Holdings Limited (Stock Code: 01249), Sany Heavy Equipment International Holdings Company Limited (Stock Code: 00631), TUS International Limited (Stock Code: 00872), AUX International Holdings Limited (Stock Code: 02080), and Greentown Service Group Co. Ltd. (Stock Code: 02869), Jinchuan Group International Resources Co., Ltd. (Stock Code:02362), Honghua Group Limited (Stock Code: 00196) since 15 June 2017, and Yanzhou Coal Mining Company Limited (Stock Code: 01171) since 29 June 2017. He has been a non-executive director of Chong Kin Group Holdings Limited (Stock Code: 01609) since 5 January 2018.

Mr. Jie Jing

Mr. Jie Jing（揭京）aged 50, an independent non-executive director, the chairman of Remuneration Committee, the member of Audit Committee and the member of Nomination Committee of the fourth session of the Board of the Company. He was born in 1968, obtained a Bachelor of Engineering degree from Wuhan University of Technology in 1989, a Master of Engineering degree from Chongqing University in 1997 and a Doctor of Psychology degree from Southwest University in 2008. Mr. Jie currently serves as the head of Exploring Department, associate professor of Institute of Finance and Economics of Chongqing Jiaotong University. He is also a member and special grade lecturer of the China Business Manager Association, executive member of Chongqing Economics Association and member of the CPPCC of Nan'an District of Chongqing. Mr. Jie previously served as the general manager and legal representative of Hong Kong Jinhong International Trade Company, the general manager and legal representative of Chongqing Hongda Property Development Company Limited, senior strategic consultant of Chongqing Xiexin Group, senior partner of Xinhuaxin Management Consulting Company and the Assistant GM of Chongqing Jiulong Electric Power Co., Ltd. (a listed company in Shanghai Stock Exchange, Stock Code: 600292). Mr. Jie Jing has rich experience in supply chain management, logistics system optimization and corporate governance, etc.

Ms. Zhang Yun

Ms. Zhang Yun（張運）aged 52, an independent non-executive director, the chairman of Audit Committee, the member of Nomination Committee and the member of Remuneration Committee of the fourth session of the Board of the Company. She was born in 1966, obtained a Bachelor degree from Chongqing Jiaotong University in 1986 and a Master degree from Chongqing University in 1994. Ms. Zhang now serves as the head of the Institute of Logistics Research, professor and master instructor of Chongqing Jiaotong University; drop and pull transportation expert of Ministry of Transport; transportation economy proposition expert of Ministry of Transport; 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. At the recommendation of the Ministry of Transportation of the PRC and sponsored by Germany government, Ms. Zhang studied logistics theories and practiced them in the TUD university, research organizations including TCAC and HPTI and logistics enterprise named KUEHNE & NAGEL in German. Ms. Zhang had been responsible for so many studies and researches including "Research on Chongqing's Community Infrastructure Guarantee Capacity in Western Development Strategy" and "Optimization of Logistics in City's Development" and had written many thesis. Ms. Zhang has rich experience in logistics theory research, tactics making and personnel training, etc.

Supervisors

Mr. Chen Jianfeng

Mr. Chen Jianfeng（陳劍鋒）aged 46, accountant, a shareholder representative supervisor and chairman of the fourth session of the Supervisory Committee of the Company. Mr. Chen graduated from Chongqing Institute of Industrial Administration and later obtained his Master's Degree at Chongqing University School of Economics and Business Administration, majoring in business administration. From June 1992 to January 1995, Mr. Chen worked at the former Jiangling Machinery Factory. From January 1995 to January 2009, Mr. Chen worked as division head of the Finance Department of former Changan Automobile (Group) Company Liability Limited (renamed to Chongqing Changan Industry (Group) Limited), during which period Mr. Chen also served as division head of the Finance Department in Chongqing Changan Automobile Co., Ltd. and head of the Finance Department in Jiangxi Jiangling Motors Co., Ltd. From January 2009 to January 2013, Mr. Chen was transferred to former Changan Automobile (Group) Company Liability Limited and served as division head and head of the Joint Venture and Cooperation Department. From January 2013 to April 2016, Mr. Chen served as deputy general manager of the Financial Accounting Department in China Changan Automobile Group Co., Ltd. From April 2016 to May 2017, he served as the general manager of the Financial Accounting Department. Now, Mr. Chen is the head of the Finance Department and the assistant president of Chongqing Changan Automobile Co., Ltd. Mr. Chen has rich experience in financial management, accounting auditing and financial budget.

Mr. Steven Ho Kok Keong

Mr. Steven Ho Kok Keong（何國強）aged 50, a shareholder representative supervisor of the fourth session of the Supervisory Committee of the Company. Mr. Ho was born in 1968 and is an MBA Finance graduate of University of Leeds (UK). Mr. Ho was appointed Corporate Finance Director (APLL), Singapore since September 2006. In this role, his primary accountabilities include: consolidating group accounts, reengineered the group's financial system, reviewing and developing product costing structures, group strategy, controlling the cash-flow movement and working capital requirements, drive the group's budget and forecast processes, credit control policy, operational risk, risk-control, information system implementation, due diligence analysis and overseeing the departments staffing and recruitment activities. Prior to joining APLL, he was working for TNT International Express (part of TPG group, headquarter in Amsterdam) from 1994-2006 as the Regional Financial Controller with coverage spanning across Asia Pacific to Middle East regions. During his decade long stay in TNT, he was responsible for financial performance reporting, planning, forecasting and budgeting. Particularly, he was part of the core team that involved in the joint-venture deal with Sino-Trans and was seconded to Beijing to facilitate the investment negotiation and administrate the back-office setup. Mr. Ho is now based in Singapore.

Mr. Tang Yizhong

Mr. Tang Yizhong (唐宜中) aged 55, a senior accountant and a shareholder representative supervisor of the fourth session of the Supervisory Committee of the Company. From July 1987 to May 1992, Mr. Tang worked as ship manager in Minsheng Shipping and deputy director of Finance Department in Shanghai Branch of Minsheng Shipping. From May 1992 to January 1996, Mr Tang served as the deputy director of Finance Department in Guangzhou Branch of Minsheng Industrial. From January 1996 to May 2003, Mr. Tang worked as the deputy manager and director of Planning and Finance Division in Minsheng Industrial. From May 2003 to February 2011, Mr. Tang worked as deputy head and head of Planning and Finance Department in Minsheng Industrial, and the head of Planning and Finance Department in Minsheng Shipping. From March 2011 to March 2012, Mr. Tang worked in Chongqing Vansign Investment Co., Ltd. as a finance director. From March 2012 to March 2017, Mr. Tang served as the deputy general manager & the chief accountant in Chongqing Qianneng Industry (Group) Co., Ltd. and as a director in Heibei Potential Gas Co., Ltd. (a company listed on the National Equities Exchange and Quotations of the PRC, Stock Code: 836116). Since March 2017, Mr. Tang serves as a finance director in Minsheng Shipping. Mr. Tang has rich experience in financial management. During the period from 8 December 2004 to 30 September 2011, Mr. Tang served as the shareholder representative supervisor of the Company.

Mr. Zhou Zhengli

Mr. Zhou Zhengli (周正利) aged 54, an employee representative supervisor of the fourth session of the Supervisory Committee of the Company. He was born in 1964, holding an MBA (Chongqing Business and Management Master College). Entered into former Changan Automobile (Group) Company Liability Limited in 1980, Mr. Zhou served as deputy director of Automobile Technology Department, deputy chief of handicraft research institute of technology research centre and secretary of the CPC Committee, director of Technology Planning Department and director of Science and Technology Management Department under Science & Technology Committee, deputy director and director of Science and Technology Department under Science & Quality Ministry, manager of Engineer Department of Changan Industry Park Managing Committee, deputy minister of Developing and Planning Department in the former Changan Automobile (Group) Company Liability Limited. Mr. Zhou also served as deputy minister of Developing and Planning Department of Changan Industry Company, non-executive director of the Company, employee representative supervisor of the third session of the Supervisory Committee and head of the Development and Planning Department of the Company. Mr. Zhou is currently the senior management expert of the Company.

Mr. Deng Gang

Mr. Deng Gang (鄧剛) aged 46, an employee representative supervisor of the fourth session of the Supervisory Committee of the Company. He was born in 1972, graduated from College of Business and Management of Chongqing University, holding a master degree, engineer. Since graduated in July 1992, Mr. Deng served as technical engineer of domestic large automobile group; responsible for joint government affairs in Enterprise & Industry Committee under Chongqing State-owned Assets Supervision and Administration Committee. Since December 2001, Mr. Deng entered into former Changan Automobile (Group) Company Liability Limited and worked in the General Manager Office, holding the post of comprehensive administration assistant, deputy director of Secretary Office, which mainly responsible for the administrative assists for the strategic development planning and international business. Mr. Deng joined the Company in March 2004. From December 2007 to end of 2012, Mr. Deng served as director of Development & Planning Department in the headquarter, taking the lead to make out the developing planning schemes, to establish the market planning system and to improve the Company's operation and management system, and also served as employee representative supervisor of the third session of the Supervisory Committee of the Company and the general manager of Shanghai Supply Chain. Mr. Deng now serves as the head of the Corporate Culture Centre (office for the Party and mass service).

General Manager and Senior Management

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

Ms. Ren Honglian (任紅蓮) aged 51, senior economist, currently the deputy secretary of the CPC Committee of the Company, secretary of the Discipline Inspection Commission of the Company and the Chief Compliance Officer of the Company. Ms. Ren graduated from Sichuan Normal College. From July 1989 to July 1991, Ms. Ren worked at Sichuan Laioyuan Machinery Factory. From July 1991 to May 1996, Ms. Ren worked at Chengdu Xingguang Machinery Factory as a deputy director of the Company Office. From May 1996 to January 1999, Ms. Ren worked in Chengdu Xingguang Moulding Limited Company, first as head of the office and chairman of the labour union. From January 1999 to February 2005, Ms. Ren served as the deputy secretary of the CPC Committee, secretary of the Discipline Inspection Commission, deputy head, and chairman of the labour union in one of the subordinate companies of China South Industries Group Co., Ltd. From February 2005 to January 2010, Ms. Ren worked in China South Industry Group Corporation Southwest Division as the deputy director of the Reform Office. Then, Ms. Ren joined the Wanyou Automobile Investment Co., Ltd. ("Wanyou Automobile") and served as the head of the New Business Department, head of the Discipline Inspection and Supervision Department, deputy secretary of the Discipline Inspection Commission and the head of Department of Party Affairs. Ms. Ren has enriched experiences in corporate clean governance, Party building and compliance management.

Mr. Chen Zhigang (陳治剛) aged 54, the deputy general manager of the Company. Mr. Chen was born in March 1964, an economic engineer, holding an MBA. Mr. Chen entered into Minsheng Industrial in 1992 and served as deputy director, director of Multi-Transportation Department, assistant general manager & manager of Multi-Transportation Department, deputy general manager and general manager of Minsheng International Cargo Transportation Agent Company Limited; deputy general manager & manager of Logistics Department of Minsheng Logistics Company Limited, etc. At the establishment of the Company, Mr. Chen had served as our deputy general manager and from 7 June 2011, Mr. Chen serves as the deputy general manager of the Company again. Mr. Chen is in charge of procurement and resource management, international freight and packaging business of the Company.

Mr. Sun Zhigang (孫志剛) aged 37, an auditor, the deputy general manager of the Company. Mr. Sun was born in 1981 and graduated from Shanxi University of Finance and Economics as an accounting major in 2005, and his final academic degree obtained was postgraduate diploma in economy management from the Party School of the Central Committee of C. P. C. From July 2005 to July 2010, Mr. Sun served as the section member and the deputy chief section member of the Taiyuan (Shanxi Province) Audit Office of China National Auditing Ministry. From August 2010 to July 2012, he worked in the Transportation Auditing Department under the China National Auditing Ministry as the deputy chief section member and then chief section member. From August 2012 to July 2014, Mr. Sun was the section chief member of the Enterprise Auditing Department under the Taiyuan Audit Office of China National Auditing Ministry. In August 2014, he joined China Changan and served as the assistant general manager of the Auditing and Legal Department as of July 2016. Mr. Sun is now responsible for managing Financial Operation Department, finished vehicle transportation business and new business of the Company. Mr. Sun has enriched experiences in auditing and enterprise management.

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

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

Opinion

We have audited the consolidated financial statements of Changan Minsheng APLL Logistics Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 54 to 124, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets	
As at 31 December 2017, the deferred tax assets recognised in the consolidated statement of financial position amounted to RMB54,886,000. The deferred tax assets were recognised based on the management's estimation of future taxable profits that would be available to utilise the deferred tax assets. As at 31 December 2017, deferred tax assets had not been provided on accumulated tax losses and deductible temporary differences of RMB18,590,000. Significant management judgement was required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, tax regulations, market or economic conditions. Related disclosures are included in notes 3 and 29 to the consolidated financial statements.	Our audit procedures included: • Evaluating and testing the management assessment on future available taxable profits by checking the Group's business plans, profit forecasts and historical financial and tax information; • Involving our tax specialists to assist us in assessing the Group's tax positions and the related assumptions; and • Assessing the related disclosures of deferred tax assets, and unrecognised tax losses and deductible temporary differences in the consolidated financial statements.
Provision for impairment of account receivables	
As at 31 December 2017, trade receivables and amounts due from related parties arising from the rendering of services and the sale of goods represented 48% of total assets of the Group. The determination of the provision for impairment of receivables involved significant management judgement and estimation. The Group had a process for assessing the credit risk and determining the provision for impairment of receivables. For individually significant receivables, management determined the provision on a case by case basis by considering the age of the balance, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of counterparties. For remaining balances other than individually significant receivables, management considers the creditworthiness of counterparties and the age of receivables in group to determine the provision. Related disclosures are included in notes 3, 23, 38(c) and 42 to the consolidated financial statements.	Our audit procedures included: • Checking bank receipts for the settlements made subsequent to the year end and the correctness of the ageing of receivables; • Evaluating the methodologies, inputs and assumptions used by the Group in calculating collectively assessing impairments by considering recent cash collection performance against historical trends and the level of bad debt charges recognised, and assessing the impairment allowances for individually assessed trade receivables by considering customers' background, historical amounts of trading and settlement as well as checking the recent communications with the counterparties; and • Assessing the disclosures about the Group's exposure to credit risk in the consolidated financial statements.

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

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

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

Certified Public Accountants
Hong Kong

29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	6,614,423	6,822,195
Cost of sales		(6,127,259)	(6,333,873)
Gross profit		487,164	488,322
Other income and gains	5	46,084	28,848
Selling and distribution expenses		(88,464)	(110,613)
Administrative expenses		(213,300)	(171,087)
Other expenses		(9,793)	(47,845)
Finance costs	7	(386)	(1,798)
Share of profits and losses of:			
Joint venture		892	769
Associates		(3,292)	1,987
PROFIT BEFORE TAX	6	218,905	188,583
Income tax expense	10	(57,643)	(48,946)
PROFIT FOR THE YEAR		161,262	139,637
Attributable to:			
Owners of the parent		127,299	113,005
Non-controlling interests		33,963	26,632
		161,262	139,637
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted:			
- For profit for the year	12	RMB0.79	RMB0.70

CONSOLIDATED STATEMENT OF COMPREHENSEIVE INCOME

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
PROFIT FOR THE YEAR	161,262	139,637
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	161,262	139,637
Attributable to:		
Owners of the parent	127,299	113,005
Non-controlling interests	33,963	26,632
	161,262	139,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	537,428	544,072
Investment property	14	8,528	9,705
Prepaid land lease payments	15	213,954	219,712
Goodwill	16	5,016	5,016
Other intangible assets	17	22,304	24,529
Investment in a joint venture	18	11,661	10,769
Investments in associates	19	22,452	33,548
An available-for-sale investment	20	28,900	28,900
Deferred tax assets	29	54,886	57,289
Other non-current assets	21	67,871	59,383
Total non-current assets		973,000	992,923
CURRENT ASSETS			
Inventories	22	37,103	44,120
Trade and bills receivables	23	582,448	387,978
Prepayments, deposits and other receivables	24	88,463	58,623
Due from related parties	38	1,849,513	2,012,615
Pledged deposits	25	29,799	51,136
Cash and cash equivalents	25	1,244,992	1,087,394
Total current assets		3,832,318	3,641,866
CURRENT LIABILITIES			
Trade and bills payables	26	1,952,149	1,975,076
Other payables and accruals	27	527,000	456,429
Due to related parties	38	197,292	223,354
Interest-bearing bank and other loans	28	17,130	6,981
Tax payable		3,844	1,842
Total current liabilities		2,697,415	2,663,682
NET CURRENT ASSETS		1,134,903	978,184
TOTAL ASSETS LESS CURRENT LIABILITIES		2,107,903	1,971,107

continued/…

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,107,903	1,971,107
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	28	18,260	1,460
Deferred tax liabilities	29	3,191	3,340
Deferred income	30	7,387	7,994
Total non-current liabilities		28,838	12,794
Net assets		2,079,065	1,958,313
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	162,064	162,064
Reserves	32	1,789,139	1,675,950
		1,951,203	1,838,014
Non-controlling interests		127,862	120,299
Total equity		2,079,065	1,958,313

Director

Director

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2017

	Attributable to owners of the parent							
	Share capital RMB'000 (note 31)	Share premium account RMB'000	Statutory reserve funds RMB'000 (note 32(a))	Safety fund surplus reserve RMB'000 (note 32(b))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	162,064	66,907	85,867	-	1,403,006	1,717,844	106,867	1,824,711
Total comprehensive income for the year	-	-	-	-	113,005	113,005	26,632	139,637
Provision for safety fund surplus reserve	-	-	-	2,008	-	2,008	-	2,008
Utilisation of safety fund surplus reserve	-	-	-	(109)	-	(109)	-	(109)
Dividend paid to the non-controlling shareholders by a subsidiary	-	-	-	-	-	-	(13,200)	(13,200)
Changes in safety fund surplus reserve of an associate	-	-	-	5,266	-	5,266	-	5,266
At 31 December 2016	162,064	66,907*	85,867*	7,165*	1,516,011*	1,838,014	120,299	1,958,313

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

* These reserve accounts comprise the consolidated reserves of RMB1,789,139,000 (2016: RMB1,675,950,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		218,905	188,583
Adjustments for:			
Finance costs	7	386	1,798
Share of profits and losses of a joint venture and associates		2,400	(2,756)
Interest income	6	(12,715)	(9,183)
Dividend income from an available-for-sale investment	6	(1,704)	(1,513)
Gain on disposal of items of property, plant and equipment	6	(886)	(485)
Depreciation of property, plant and equipment	13	91,062	83,520
Depreciation of an investment property	14	285	-
Recognition of prepaid land lease payments	15	5,616	5,676
Amortisation of other intangible assets	17	10,585	6,177
Provision/(reversal of provision) for impairment of trade and other receivables	6	(1,058)	17,765
Provision for impairment of amounts due from related parties	6	2,172	2,244
Provision for impairment of inventories	6	250	-
Deferred income released to profit or loss	30	(607)	(473)
Unrealised foreign exchange loss/(gains), net		845	(1,128)
		315,536	290,225
Decrease in inventories		6,767	629
Increase in trade and bills receivables		(193,564)	(11,025)
Decrease/(increase) in prepayments		(23,537)	1,867
Decrease in pledged deposits		21,337	19
Increase in deposits and other receivables		(5,842)	(2,840)
Decrease in amounts due from related parties		160,930	42,962
Increase/(decrease) in trade and bills payables		(22,927)	228,160
Increase in other payables and accruals		53,302	29,323
Increase in amounts due to related parties		24,792	28,094
Increase in safety fund surplus reserve		2,096	1,899
Cash generated from operations		338,890	609,313
Income taxes paid		(53,387)	(76,969)
Net cash flows from operating activities		285,503	532,344

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CHANGAN MINSHENG APLL LOGISTICS CO., LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Net cash flows from operating activities		285,503	532,344
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6	12,548	9,183
Dividends received from an associate	6	4,500	-
Dividends received from an available-for-sale investment	6	1,704	1,513
Purchases of items of property, plant and equipment		(118,510)	(91,266)
Proceeds from disposal of items of property, plant and equipment		2,285	9,027
Proceeds from disposal of items of other intangible assets		28	-
Receipt of government grants for property, plant and equipment	30	-	5,526
Additions to other intangible assets		(6,422)	(13,842)
Additions to prepaid lease payments		-	(1,683)
Additions to other non-current assets		(10,454)	(2,931)
Disposal of an associate		3,304	-
Investment in a joint venture		-	(10,000)
Decrease in time deposits with original maturity of more than three months		(14,710)	21,403
Net cash flows used in investing activities		(125,727)	(73,070)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank and other loans		35,390	308,441
Repayment of bank and other loans		(8,441)	(304,000)
Dividends paid		(16,206)	-
Dividends paid to the non-controlling shareholder by a subsidiary	33	(26,400)	(13,200)
Interest paid	7	(386)	(1,798)
Net cash flows used in financing activities		(16,043)	(10,557)
NET INCREASE IN CASH AND CASH EQUIVALENTS		143,733	448,717
Cash and cash equivalents at beginning of year		1,074,394	624,549
Effect of foreign exchange rate changes, net		(845)	1,128
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,217,282	1,074,394
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		1,217,282	1,074,394
Time deposits	25	27,710	13,000
Cash and cash equivalents as stated in the statement of financial position		1,244,992	1,087,394
Less: Time deposits with original maturity of more than three months when acquired	25	(27,710)	(13,000)
Cash and cash equivalents as stated in the statement of cash flows	25	1,217,282	1,074,394

1. CORPORATE AND GROUP INFORMATION

Changan Minsheng APLL Logistics Co., Ltd. (the "Company") is a limited liability company incorporated in the People's Republic of China (the "PRC") on 27 August 2001. In 2002, the Company was converted to a Sino-foreign equity joint venture. On 31 December 2004, the Company was transformed into a joint stock limited liability company. The H shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") on 23 February 2006, and have been transferred and traded on the Main Board since 18 July 2013. The registered office of the Company is located at Liangjing Village, Yuanyang Town, Yubei District, Chongqing, the PRC.

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

<u>Information about subsidiaries</u>
Particulars of the Company's subsidiaries are as follows:

Company name	Place of operations and date of incorporation/ registration	Paid-in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
重慶長安民生博宇運輸有限公司 CMAL Bo Yu Transportation Co., Ltd. ("CMAL Bo Yu")	PRC/Mainland China 3 November 2005	RMB 60,000,000	100	-	Rendering of logistics service
南京長安民生住久物流有限公司 Nanjing CMSC Logistics Co., Ltd. ("Nanjing CMSC")	PRC/Mainland China 26 July 2007	RMB 100,000,000	67	-	Rendering of logistics service
重慶福集供應鏈管理有限公司 Chongqing Future Supply Chain Management Co., Ltd.	PRC/Mainland China 18 March 2009	RMB 30,000,000	100	-	Rendering of logistics service and sale of packaging materials
重慶長安民生鼎捷物流有限公司 Chongqing Changan Minsheng Dingjie Logistics Co., Ltd.	PRC/Mainland China 30 April 2010	RMB 50,000,000	95	-	Rendering of logistics service
重慶長安民生福永物流有限公司 Chongqing Changan Minsheng Fuyong Logistics Co., Ltd.	PRC/Mainland China 28 April 2011	RMB 5,000,000	100	-	Rendering of logistics service
杭州長安民生物流有限公司 Hangzhou Changan Minsheng Logistics Co., Ltd. ("Hangzhou Changan Minsheng")	PRC/Mainland China 17 May 2013	RMB 610,000,000	100	-	Rendering of logistics service and the processing of tyres
重慶福路保稅物流有限公司 Chongqing Fulu Bonded Logistics Co., Ltd.	PRC/Mainland China 9 April 2014	RMB 3,000,000	100	-	Rendering of logistics service
重慶長安民生東立包裝有限公司 Chongqing Changan Minsheng Dongli Packaging Co., Ltd.	PRC/Mainland China 16 May 2014	RMB 18,000,000	55	-	Sale of packaging materials
長安民生(上海)供應鏈有限公司 Changan Minsheng (Shanghai) Supply Chain Co., Ltd.	PRC/Mainland China 5 August 2014	RMB 30,000,000	100	-	Rendering of logistics service
武漢長盛港通汽車物流有限公司 Wuhan Changsheng Gangtong Automobile Logistics Co., Ltd. ("Wuhan Changsheng Gangtong")	PRC/Mainland China 18 August 2010	RMB 23,070,000	60	-	Rendering of logistics service

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangement; and
(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 34 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have no significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investment currently held as available for sale will be measured at fair value through other comprehensive income as the investment is intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investment cannot be recycled to profit or loss when the investment is derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables and amounts due from the related parties. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that no material further provision for impairment will be made upon the initial adoption of the standard.

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

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

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. Also, the expected changes in accounting policies will not have a material impact on the Group's financial statements from 2018 onwards.

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption, and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 36(a) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB140,392,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. In addition, the application of new requirement may result in changes in measurement, presentation and disclosure as indicated above. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-values assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

or

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

Investment properties

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

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

Investment property – commercial buildings	4.85%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

(a) Customer relationship

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

(b) Software

Acquired software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 6 years.

(c) Trademark

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)
Loans and receivables (continued)

Available-for-sale financial investments

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

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

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

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

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

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

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

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

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

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, which are recognised initially at fair value, net of directly attributable transaction costs.

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

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

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

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 statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts for services

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

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

Pension schemes

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

Termination benefits

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

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2017 was RMB5,016,000 (2016: RMB5,016,000). Further details are given in note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

Provision for impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of receivables taking into consideration the estimation of future cash flows: for individually significant receivables, the provision is determined on a case by case basis by considering the age of the balance, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of counterparties; for remaining balances other than individually significant receivables, the creditworthiness of counterparties and the age of receivables in group is considered to determine the provision. The provision is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Provision is applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability of receivables is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment of receivables in the year in which such estimate has been changed.

Deferred tax assets

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Income taxes

The Group is subject to various taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax in the period in which such determination is made.

Revenue recognition

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

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

	2017 RMB'000	2016 RMB'000
Customer A	3,638,059	3,939,158
Customer B	1,055,968	1,407,269

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of logistics services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	Notes	2017 RMB'000	2016 RMB'000
Revenue			
Sale of goods		1,971,436	1,991,767
Rendering of logistics services		4,642,987	4,830,428
		6,614,423	6,822,195
Other income and gains			
Bank interest income	6	12,715	9,183
Penalty on transportation companies		7,621	6,132
Government grants		7,499	4,420
Management service		6,968	-
Sales of recycled packages of vehicle spare parts		5,203	4,451
Dividend income from an available-for-sale investment	6	1,704	1,513
Gain on disposal of items of property, plant and equipment		1,226	615
Rental income		946	-
Foreign exchange gains		-	1,226
Others		2,202	1,308
		46,084	28,848

6. PROFIT BEFORE TAX

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of inventories sold		1,909,591	1,892,337
Cost of logistics services rendered		3,527,361	3,651,791
Depreciation of property, plant and equipment	13	91,062	83,520
Depreciation of an investment property	14	285	-
Amortisation of other intangible assets	17	10,585	6,177
Minimum lease payments under operating leases		50,213	50,614
Amortisation of prepaid land lease payments	15	5,616	5,676
Auditor's remuneration		2,300	2,180
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries and relevant benefits		675,913	680,155
Pension scheme contributions		69,425	69,736
Termination benefits		13,409	20,483
		758,747	770,374
Foreign exchange differences, net		762	(1,226)
Provision/(reversal of provision) for impairment of trade receivables, prepayments, deposits and other receivables		(1,058)	17,765
Provision for impairment of amounts due from related parties		2,172	2,244
Provision for impairment of inventories		250	-
Dividend income from an available-for-sale investment	5	(1,704)	(1,513)
Dividend income from an associate		(4,500)	-
Bank interest income	5	(12,715)	(9,183)
Gain on disposal of items of property, plant and equipment, net		(886)	(485)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 RMB'000	2016 RMB'000
Interest on bank and other loans wholly repayable within five years	386	1,798

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:

	Group	
	2017	2016
	RMB'000	RMB'000
Fees	500	500
Other emoluments:		
Salaries, allowances and benefits in kind	1,176	958
Performance related bonuses	710	1,130
Pension scheme contributions	64	71
	1,950	2,159
	2,450	2,659

(a) Independent non-executive directors

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

	2017	2016
	RMB'000	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 (2016: Nil).

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

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

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2017				
Executive directors:				
Xie Shi Kang	333	250	16	599
Lu Xiao Zhong	-	-	-	-
William K. Villalon	-	-	-	-
Shi Jing Gang	328	250	16	594
Non-executive directors:				
Tan Hong Bin (i)	-	-	-	-
Danny Goh Yan Nan	-	-	-	-
Li Xin	-	-	-	-
Wu Xiao Hua (ii)	-	-	-	-
Supervisors:				
Chen Jian Feng	-	-	-	-
Steven Ho Kok Keong	-	-	-	-
Tang Yi Zhong (iii)	-	-	-	-
Zhang Tian Ming (iv)	-	-	-	-
Zhou Zheng Li	242	60	16	318
Deng Gang	273	150	16	439
	1,176	710	64	1,950
2016				
Executive directors:				
Xie Shi Kang	174	350	12	536
Lu Xiao Zhong	-	-	-	-
Zhu Ming Hui	-	-	-	-
William K. Villalon	-	-	-	-
Shi Jing Gang	174	350	9	533
Wang Yang	124	150	10	284
Non-executive directors:				
Wu Xiao Hua	-	-	-	-
Danny Goh Yan Nan	-	-	-	-
Li Xin	-	-	-	-
Wang Lin	-	-	-	-
Supervisors:				
Chen Jian Feng	-	-	-	-
Zhu Ying	-	-	-	-
Steven Ho Kok Keong	-	-	-	-
Zhang Tian Ming	-	-	-	-
Zhou Zheng Li	243	140	20	403
Deng Gang	243	140	20	403
	958	1,130	71	2,159

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

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

(i) Mr. Tan Hong Bin was appointed as a non-executive director since 30 June 2017.
(ii) Mr. Wu Xiao Hua was appointed as a non-executive director since 14 November 2014 and resigned in June 2017.
(iii) Mr. Tang Yi Zhong was appointed as a supervisor since 30 June 2017.
(iv) Ms. Zhang Tian Ming was appointed as a supervisor since 14 November 2014 and resigned in June 2017.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2016: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2016: three) highest paid employees who are neither directors nor supervisors nor the chief executive of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	803	753
Performance related bonuses	640	581
Pension scheme contributions	47	67
	1,490	1,401

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	
	2017	2016
Nil to HK$1,000,000	3	3

10. INCOME TAX

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

	2017 RMB'000	2016 RMB'000
Current - Mainland China		
Charge for the year	55,389	63,837
Deferred tax (note 29)	2,254	(14,891)
Total tax charge for the year	57,643	48,946

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

		2017		2016	
	Notes	RMB'000	%	RMB'000	%
Profit before tax		218,905		188,583	
Tax at the statutory tax rate		54,726	25.0	47,146	25.0
Lower tax rate for specific entities	i	(1,678)	(0.7)	(4,810)	(2.6)
Adjustments in respect of current tax of previous years		(1,118)	(0.5)	268	0.1
Income not subject to tax	ii	(584)	(0.3)	(640)	(0.3)
Expenses not deductible for tax		6,889	3.1	8,402	4.5
Tax losses utilised from previous years		(456)	(0.2)	(2,812)	(1.5)
Tax losses and deductible temporary differences not recognised		(136)	(0.1)	1,392	0.7
Tax charge at the Group's effective tax rate		57,643	26.3	48,946	25.9

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

(ii) The share of tax attributable to a joint venture and an associate amounting to RMB310,000 (2016: RMB413,000) is included in "Share of profits and losses of a joint venture and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Proposed final – RMB0.15 (2016: RMB0.10) per ordinary share	24,310	16,206

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 162,064,000 (2016: 162,064,000) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

The calculation of basic earnings per share is based on:

	2017 RMB'000	2016 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	127,299	113,005
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	162,064,000	162,064,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017						
Cost:						
At 1 January 2017	569,310	103,613	42,359	266,008	9,962	991,252
Additions	-	3,286	16,274	9,869	56,388	85,817
Disposals	(461)	(628)	(2,089)	(25,728)	-	(28,906)
Transfers	1,826	14,875	740	1,236	(18,677)	-
At 31 December 2017	570,675	121,146	57,284	251,385	47,673	1,048,163
Accumulated depreciation:						
At 1 January 2017	(197,875)	(57,820)	(27,807)	(163,678)	-	(447,180)
Depreciation provided during the year (note 6)	(26,380)	(16,711)	(7,753)	(40,218)	-	(91,062)
Disposals	77	587	2,003	24,840	-	27,507
At 31 December 2017	(224,178)	(73,944)	(33,557)	(179,056)	-	(510,735)
Net carrying amount:						
At 1 January 2017	371,435	45,793	14,552	102,330	9,962	544,072
At 31 December 2017	346,497	47,202	23,727	72,329	47,673	537,428
31 December 2016						
Cost:						
At 1 January 2016	324,525	99,414	36,972	253,313	164,021	878,245
Additions	27,023	6,153	5,614	26,896	72,367	138,053
Disposals	(866)	(2,884)	(1,669)	(19,627)	-	(25,046)
Transfers	218,628	930	1,442	5,426	(226,426)	-
At 31 December 2016	569,310	103,613	42,359	266,008	9,962	991,252
Accumulated depreciation:						
At 1 January 2016	(176,949)	(42,750)	(23,659)	(136,806)	-	(380,164)
Depreciation provided during the year (note 6)	(21,438)	(17,264)	(5,679)	(39,139)	-	(83,520)
Disposals	512	2,194	1,531	12,267	-	16,504
At 31 December 2016	(197,875)	(57,820)	(27,807)	(163,678)	-	(447,180)
Net carrying amount:						
At 1 January 2016	147,576	56,664	13,313	116,507	164,021	498,081
At 31 December 2016	371,435	45,793	14,552	102,330	9,962	544,072

As at 31 December 2017, certain of the Group's machineries with a net carrying amount of approximately RMB22,847,000 (2016: certain motor vehicles amounting to RMB2,174,000) were pledged to secure other loans granted to the Group (note 28).

14. INVESTMENT PROPERTY

	2017 RMB'000	2016 RMB'000
Cost		
At 1 January	9,705	-
Additions (from acquisition)	-	9,705
Adjustment	(892)	-
At 31 December	8,813	9,705
Accumulated depreciation		
At 1 January	-	-
Depreciation provided during the year (note 6)	(285)	-
At 31 December	(285)	-
Net carrying amount		
At 1 January	9,705	-
At 31 December	8,528	9,705

As at 31 December 2017, the fair value of the investment property estimated by the directors of the Company was approximately RMB8,788,000 (2016: RMB9,705,000), with reference to market prices and estimated future market rental of similar properties in the respective area.

The investment property is leased to the third party under operating leases.

15. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Cost		
At 1 January	267,077	209,301
Addition	-	57,776
At 31 December	267,077	267,077
Accumulated amortisation:		
At 1 January	(42,838)	(37,162)
Amortisation charge for the year (note 6)	(5,616)	(5,676)
At 31 December	(48,454)	(42,838)
Carrying amount at 31 December	218,623	224,239
Current portion included in prepayments, deposits and other receivables	(4,669)	(4,527)
Non-current portion at 31 December	213,954	219,712

16. GOODWILL

	Cash-generating units		
	Transportation services for finished vehicle RMB'000	Storage Management Services RMB'000	Total RMB'000
31 December 2017 and 31 December 2016			
Cost:			
At 1 January and 31 December 2017 and 2016	5,016	2,441	7,457
Accumulated impairment:			
At 1 January and 31 December 2017 and 2016	-	(2,441)	(2,441)
Net carrying amount:			
At 1 January and 31 December 2017 and 2016	5,016	-	5,016

Impairment testing of goodwill

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

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

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

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant unit. The discount rate applied to the cash flow projections is 17.0% (2016: 17.0%).

Growth rates – The growth rate used to extrapolate the cash flows beyond the five-year period is 2.0% (2016: 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 development, discount rates are consistent with external information sources. In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount as at 31 December 2017.

17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Customer relationships RMB'000	Trademark RMB'000	Wharf lease right RMB'000	Total RMB'000
31 December 2017					
Cost:					
At 1 January 2017	35,914	4,174	107	7,200	47,395
Additions	8,388	-	-	-	8,388
Disposal	(60)	-	-	-	(60)
At 31 December 2017	44,242	4,174	107	7,200	55,723
Accumulated amortisation:					
At 1 January 2017	(17,696)	(3,532)	(107)	(889)	(22,224)
Amortisation provided during the year (note 6)	(9,839)	-	-	(746)	(10,585)
Disposal	32	-	-	-	32
At 31 December 2017	(27,503)	(3,532)	(107)	(1,635)	(32,777)
Accumulated impairment:					
At 1 January and 31 December 2017	-	(642)	-	-	(642)
Net carrying amount:					
At 1 January 2017	18,218	-	-	6,311	24,529
At 31 December 2017	16,739	-	-	5,565	22,304
31 December 2016					
Cost:					
At 1 January 2016	18,410	4,174	107	7,200	29,891
Additions	17,504	-	-	-	17,504
At 31 December 2016	35,914	4,174	107	7,200	47,395
Accumulated amortisation:					
At 1 January 2016	(12,004)	(3,532)	(107)	(404)	(16,047)
Amortisation provided during the year (note 6)	(5,692)	-	-	(485)	(6,177)
At 31 December 2016	(17,696)	(3,532)	(107)	(889)	(22,224)
Accumulated impairment:					
At 1 January and 31 December 2016	-	(642)	-	-	(642)
Net carrying amount:					
At 1 January 2016	6,406	-	-	6,796	13,202
At 31 December 2016	18,218	-	-	6,311	24,529

18. INVESTMENT IN A JOINT VENTURE

	2017 RMB'000	2016 RMB'000
Share of net assets	11,661	10,769

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

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

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

* Not audited by Ernst & Young, Hong Kong or any other member firm of the Ernst & Young global network

The above investment is directly held by the Company.

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

	2017 RMB'000	2016 RMB'000
Share of the joint venture's profit for the year	892	769
Share of the joint venture's total comprehensive income	892	769
Carrying amount of the Group's investment in the joint venture	11,661	10,769

19. INVESTMENTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Share of net assets	22,452	33,548

The Group's trade receivable and payable balances due from the associates are disclosed in note 38 to the financial statements.

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

As at 31 December 2017, particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
Chongqing Terui Transportation Service Company Limited* ("Chongqing Terui")	Ordinary shares	PRC/Mainland China	45	Providing logistics services in Mainland China

*Not audited by Ernst & Young, Hong Kong or any other member firm of the Ernst & Young global network.

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

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

	2017 RMB'000	2016 RMB'000
Share of the associates' profit/(loss) for the year	(3,292)	1,987
Share of the associates' total comprehensive income/(loss)	(3,292)	1,987
Aggregate carrying amount of the Group's investment in the associates	22,452	33,548

20. AN AVAILABLE-FOR-SALE INVESTMENT

	2017 RMB'000	2016 RMB'000
Unlisted equity investment, at cost	28,900	28,900

The above investment represents the investment in equity which were designated as an available-for-sale financial asset and has no fixed maturity date or coupon rate.

As at 31 December 2017, the unlisted equity investment with a carrying amount of RMB28,900,000 (2016: RMB28,900,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

21. OTHER NON-CURRENT ASSETS

	Note	2017 RMB'000	2016 RMB'000
Prepayment for a land use right	(i)	56,100	56,100
Prepayment for purchases of property, plant and equipment		-	23
Prepayment for purchases of other intangible assets		11,771	3,260
		67,871	59,383

(i) The prepayment was made for the land use right, for which the total consideration was RMB99,000,000.

22. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	1,933	2,455
Work in progress	2,571	2,258
Finished goods	32,849	39,407
Impairment	(250)	-
	37,103	44,120

23. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Bills receivable	221,774	156,661
Trade receivables	411,957	283,532
Impairment	(51,283)	(52,215)
	582,448	387,978

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

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Within 3 months	316,711	198,304
3 to 6 months	23,940	16,943
6 months to 1 year	15,907	8,008
1 to 2 years	4,116	8,062
	360,674	231,317

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

	2017 RMB'000	2016 RMB'000
At 1 January	52,215	37,053
Impairment losses recognised/(reversed)	(906)	15,466
Amount written off as uncollectible	(26)	(304)
	51,283	52,215

Included in the above provision for impairment of trade receivables is a provision for individually and collectively impaired trade receivables of RMB51,283,000 (2016: RMB52,215,000) with a carrying amount before provision of RMB71,560,000 (2016: RMB73,020,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	316,487	197,953
Less than 3 month past due	23,910	12,559
	340,397	210,512

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

Receivables that were past due but not impaired relate to a number of independent customers 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.

Bills receivable amounting to RMB1,930,000 (2016: RMB14,347,000) were pledged by the Group to secure bank acceptance bills as at 31 December 2017.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments	44,295	20,758
Interest receivables	167	-
Deposits and other receivables	46,130	40,164
Impairment	(2,129)	(2,299)
	88,463	58,623

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

	2017 RMB'000	2016 RMB'000
At 1 January	2,299	-
Impairment losses recognised/(reversed)	(152)	2,299
Amount written off as uncollectible	(18)	-
	2,129	2,299

As at 31 December 2017, provision for impairment with an amount of RMB2,129,000 (2016: RMB2,299,000) was provided for long-aged deposits and other receivables with a carrying amount before provision of RMB2,578,000 (2016: RMB10,709,000).

25. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash and bank balances	1,247,081	1,125,530
Time deposits	27,710	13,000
	1,274,791	1,138,530
Less:		
Bank balances pledged for bank acceptance bills, letter of credit and bank letters of guarantee	(29,799)	(51,136)
Time deposits with original maturity of more than three months when acquired	(27,710)	(13,000)
Cash and cash equivalents	1,217,282	1,074,394

25. CASH AND CASH EQUIVALENTS (CONTINUED)

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,238,018,000 (2016: RMB1,067,292,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. TRADE AND BILLS PAYABLES

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

	2017 RMB'000	2016 RMB'000
Within 3 months	1,609,033	1,709,261
3 to 6 months	323,703	247,064
6 months to 1 year	9,032	11,625
1 to 2 years	7,603	4,871
2 to 3 years	793	1,369
Over 3 years	1,985	886
	1,952,149	1,975,076

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

As at 31 December 2017, bills payable with an aggregate amount of approximately RMB137,848,000 (2016: RMB210,872,000) were secured by the pledge deposits of RMB19,799,000 (2016: RMB39,329,000, note 25) and bills receivable of RMB1,930,000 (2016: RMB14,347,000, note 23).

27. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Advances from customers	2,548	1,475
Other payables	226,979	182,549
Other taxes	22,754	22,669
Accruals for payroll and welfare	274,719	249,736
	527,000	456,429

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

28. INTEREST-BEARING BANK AND OTHER LOANS

	2017			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Unsecured loans*	5.00	2018	8,000	5.20	2017	6,000
Other secured loans**	4.75	2018	9,130	4.75	2017	981
			17,130			6,981
Non-current						
Other secured loans**	4.75	2020	18,260	4.75	2019	1,460
			35,390			8,441

	2017 RMB'000	2016 RMB'000
Analysed into:		
Loans repayable:		
Within one year	17,130	6,981
Loans repayable:		
Beyond one year	18,260	1,460
	35,390	8,441

* As at 31 December 2017, the Group's interest-bearing loans from a financial institution bore interest at 5.0% per annum and were repayable in 2018.

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

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

During 2016, CMAL Bo Yu entered into a sale-leaseback arrangement with a leasing company to sell and lease back its 12 motor vehicles. Based on the substance of the sale-leaseback arrangement, which was a finance lease, whereby the lessor provided finance to CMAL Bo Yu, with the motor vehicles as security to the loan. CMAL Bo Yu fully repaid the loan during the year.

Other loans were secured by mortgages over the Group's production lines, which had an aggregate carrying amount as at 31 December 2017 of approximately RMB22,847,000 (2016: vehicles amounting to RMB2,174,000) (note 13).

29. DEFERRED TAX

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

Deferred tax liabilities

	2017 RMB'000	2016 RMB'000
Fair values adjustments arising from acquisition of a subsidiary		
At 1 January	3,340	3,481
Deferred tax credited to profit or loss during the year (note 10)	(149)	(141)
Gross deferred tax liabilities at 31 December	3,191	3,340

29. DEFERRED TAX (CONTINUED)

Deferred tax assets

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

29. DEFERRED TAX (CONTINUED)

Deferred tax assets (continued)

	Depreciation allowance in excess of related depreciation RMB'000	Provision for impairment of receivables RMB'000	Deferred income RMB'000	Accruals RMB'000	Payroll payable RMB'000	Tax losses RMB'000	Unrealised profit in inventories RMB'000	Total RMB'000
At 1 January 2016	10,774	10,050	609	3,596	17,259	145	106	42,539
Deferred tax credited/(charged) to profit or loss during the year (note 10)	4,701	3,083	529	1,127	5,561	(145)	(106)	14,750
Gross deferred tax assets at 31 December 2016	15,475	13,133	1,138	4,723	22,820	-	-	57,289

29. DEFERRED TAX (CONTINUED)

Deferred tax assets (continued)

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

	2017 RMB'000	2016 RMB'000
Tax losses	15,537	18,979
Deductible temporary differences	3,053	627
	18,590	19,606

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

30. DEFERRED INCOME

	2017 RMB'000	2016 RMB'000
Government grants		
At 1 January	7,994	2,941
Received during the year	-	5,526
Released during the year	(607)	(473)
At 31 December	7,387	7,994

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

31. SHARE CAPITAL

Shares

	2017 RMB'000	2016 RMB'000
Authorised:		
162,064,000 (2016: 162,064,000) ordinary shares of RMB1.00 each	162,064	162,064
Issued and fully paid:		
162,064,000 (2016: 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 2017 and 31 December 2017	162,064,000	162,064

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 58 of the financial statements.

(a) Statutory reserves of the PRC subsidiaries

In accordance with the Company Law of the PRC and the respective articles of association of the Company and its subsidiaries, the Company and each of the 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:

	2017 RMB'000	2016 RMB'000
Percentage of equity interest held by non-controlling interests	33%	33%
Profit for the year allocated to non-controlling interests	33,001	28,544
Dividends paid to non-controlling interests	26,400	13,200
Accumulated balances of non-controlling interests at the reporting date	108,687	102,086

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

	Nanjing CMSC	
	2017 RMB'000	2016 RMB'000
Revenue	607,791	581,179
Total expenses	(507,787)	(494,681)
Profit for the year	100,004	86,498
Total comprehensive income for the year	100,004	86,498
Current assets	488,008	448,464
Non-current assets	46,677	45,743
Current liabilities	(205,329)	(184,854)
Non-current liabilities	-	-
Net cash flows from operating activities	159,372	67,458
Net cash flows from/(used) in investing activities	(4,456)	15,867
Net cash flows used in financing activities	(80,000)	(40,000)
Effect of foreign exchange rate changes, net	(171)	198
Net increase in cash and cash equivalents	74,745	43,523

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities:

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

35. PLEDGE OF ASSETS

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

36. OPERATING LEASE ARRANGEMENTS

(a) As lessee

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

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	42,873	38,780
In the second to fifth years, inclusive	43,645	51,169
After five years	53,874	85,783
	140,392	175,732

(b) As lessor

The Group leases its investment property (note 14) under operating lease arrangements, with lease term of 10 years. As at 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	1,355	296
In the second to fifth years, inclusive	2,080	1,184
After five years	653	1,184
	4,088	2,664

37. COMMITMENTS

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

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
Plant and machinery	179,389	101,964

38. RELATED PARTY TRANSACTIONS

(a) For the years ended 31 December 2017 and 2016, related parties, other than the subsidiaries, and their relationship with the Group are as follows:

Name of related party	Relationship
China Changan Automobile Group Co., Ltd. ("China Changan")	Shareholder
APL Logistics Ltd. ("APL Logistics")	Shareholder
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial")	Shareholder
APL Logistics (China) Co., Ltd. ("APLLC")	Controlled by APL Logistics
APL Logistics Storage (Shanghai) Co., Ltd. ("APLL Shanghai")	Controlled by APL Logistics
China South Industries Group Co., Ltd. ("CSI Group")	Parent company of China Changan
China South Industries Group Finance Co., Ltd. ("Zhuangbei Finance")	Ultimately controlled by CSI Group
Chengdu Lingchuan Special Industrial Co., Ltd. ("Lingchuan Industrial")	Ultimately controlled by CSI Group
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd. ("Lingchuan Tank")	Ultimately controlled by CSI Group
Chengdu Ningxing Automobile Spring Co., Ltd. ("Chengdu Ningxing")	Ultimately controlled by CSI Group
Chengdu Wanyou Filter Co., Ltd. ("Chengdu Wanyou")	Ultimately controlled by CSI Group
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd. ("Chengdu Jialing Huaxi")	Ultimately controlled by CSI Group
Chongqing Dajiang Industry Group Yanxing Logistics Co., Ltd. ("Dajiang Yanxing")	Ultimately controlled by CSI Group
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd. ("Dajiang Xinda")	Ultimately controlled by CSI Group
Chongqing Dajiang Jiexin Forging Co., Ltd.("Dajiang Jiexin")	Ultimately controlled by CSI Group
Chongqing Changan Industry Company (Group) Limited ("Changan Industry Company")	Ultimately controlled by CSI Group
Chongqing Changan Construction Co., Ltd. ("Chongqing Changan Construction")	Ultimately controlled by CSI Group
Chongqing Changan Visteon Engine Control Systems Co., Ltd. ("Changan Visteon")	Ultimately controlled by CSI Group
Chongqing Changan Property Management Co., Ltd. ("Changan Property")	Ultimately controlled by CSI Group
Chongqing Changjiang Electric Industry Group Co., Ltd. ("Chongqing Changjiang Electric")	Ultimately controlled by CSI Group
Chongqing Changrong Machinery Co., Ltd. ("Changrong Machinery")	Ultimately controlled by CSI Group
Chongqing Jianshe Industrial (Group) Co., Ltd. ("Jianshe Industrial")	Ultimately controlled by CSI Group
Chongqing Jianshe Automobile Air-Conditioner Co., Ltd. ("Chongqing Jianshe Auto-Air")	Ultimately controlled by CSI Group
Chongqing Naishite Steering System Co., Ltd. ("Chongqing Naishite")	Ultimately controlled by CSI Group
Chongqing Shangfang Automobile Fittings Co., Ltd. ("Shangfang Fitting")	Ultimately controlled by CSI Group
Chongqing Yihong Engineering Plastic Products Co., Ltd. ("Yihong Plastic")	Ultimately controlled by CSI Group
Hubei Huazhong Maruili Automobile Lighting Co., Ltd. ("Hubei Huazhong Maruili")	Ultimately controlled by CSI Group
Hubei Xiaogan Huazhong Automotive Lighting Co., Ltd. ("Hubei Xiaogan")	Ultimately controlled by CSI Group
Sichuan Hongguang Machinery and Electrics Co., Ltd. ("Sichuan Hongguang")	Ultimately controlled by CSI Group
Sichuan Huaqing Machinery Co., Ltd. ("Sichuan Huaqing")	Ultimately controlled by CSI Group
Tiannake Lingchuan Chongqing Exhaust System Co., Ltd. ("Tiannake Lingchuan")	Ultimately controlled by CSI Group
Yunnan Xiyi Industrial Co., Ltd. ("Yunnan Xiyi")	Ultimately controlled by CSI Group
Chongqing Changfeng Jiquan Machinery Co., Ltd. ("Changfeng Jiquan")	Ultimately controlled by CSI Group
Chongqing Changxin Construction Co., Ltd. ("Chongqing Changxin")	Ultimately controlled by CSI Group

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) For the years ended 31 December 2017 and 2016, related parties, other than the subsidiaries, and their relationship with the Group are as follows (continued)

Name of related party	Relationship
Chengdu Huachuan Electric Equipment Co., Ltd. ("Chengdu Huachuan")	Controlled by China Changan
Chengdu Ningjiang Showa Autoparts Co., Ltd. ("Ningjiang Showa")	Controlled by China Changan
China Changan Automobile Group Ningbo Dongxiang Sales Co., Ltd. ("Ningbo Dongxiang")	Controlled by China Changan
China Changan Automobile Group Tianjin Sales Co., Ltd. ("Tianjin Sales")	Controlled by China Changan
China Changan Automobile Group Hangzhou Investment Co., Ltd.("Hangzhou Investment")	Controlled by China Changan
Chongqing Changan Automobile Co., Ltd. ("Changan Automobile")	Controlled by China Changan
Chongqing Wanyou Economic Development Co., Ltd.("Wanyou Economic")	Controlled by China Changan
Chongqing Wanyou Longrui Auto Sales and Service Co., Ltd.("Wanyou Longrui")	Controlled by China Changan
CSGC TRW Chassia Systems Co., Ltd. ("CTCS")	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
Sichuan Jian'an Industrial Co., Ltd. ("Sichuan Jian'an")	Controlled by China Changan
Sichuan Ningjiang Shanchuan Machinery Co., Ltd. ("Ningjiang Shock")	Controlled by China Changan
South Inter Air-Conditioner Co., Ltd. ("South Air")	Controlled by China Changan
Hafei Automobile Co., Ltd. ("Hafei Automobile")	Controlled by China Changan
Harbin Hafei Automobile Industry Group Co., Ltd. ("Hafei Industry")	Controlled by China Changan
Zhonghui Futong Finance Lease (Shenzhen) Co., Ltd.("Zhonghui Futong")	Controlled by China Changan
Ming Sung Industrial Co., (HK) Ltd. ("Ming Sung (HK)")	Controlled by Minsheng Industrial
Minsheng Shipping Co., Ltd. ("Minsheng Shipping")	Controlled by Minsheng Industrial
Shanghai Minsheng Shipping Co., Ltd. ("Shanghai Minsheng Shipping")	Controlled by Minsheng Industrial
Guangzhou Minsheng International Freight Co., Ltd. ("Guangzhou Minsheng International Freight")	Ultimately controlled by Minsheng Industrial
Hubei Minsheng International Freight Co., Ltd. ("Hubei Minsheng International Freight")	Ultimately controlled by Minsheng Industrial
Minsheng International Container Transportation Co., Ltd. ("Minsheng International Container")	Ultimately controlled by Minsheng Industrial
Minsheng International Freight Co., Ltd. ("Minsheng International Freight")	Ultimately controlled by Minsheng Industrial
Minsheng Logistics Co., Ltd. ("Minsheng Logistics")	Ultimately controlled by Minsheng Industrial
Shanghai Minsheng International Freight Co., Ltd. ("Shanghai Minsheng International Freight")	Ultimately controlled by Minsheng Industrial
Tianjin Minsheng International Shipping Agencies Co., Ltd. ("Tianjin Minsheng Shipping")	Ultimately controlled by Minsheng Industrial
Baoding Changan Bus Manufacture Co., Ltd. ("Changan Bus")	Controlled by Changan Automobile
Chongqing Changan Automobile Sales Co., Lit ("Changan Sales")	Controlled by Changan Automobile
Chongqing Changan Automobile Supporting Service Co., Ltd. ("Changan Service")	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 New Energy Vehicle Co., Ltd. ("Changan New Energy")	Controlled by Changan Automobile
Chongqing Changan Special Automobile Sales Co., Ltd.("Changan Special")	Controlled by Changan Automobile
Hefei Changan Automobile Co., Ltd. ("Hefei Changan")	Controlled by Changan Automobile
Hebei Changan Automobile Co., Ltd. ("Hebei Changan")	Controlled by Changan Automobile
Nanjing Changan Automobile Co., Ltd. ("Nanjing Changan")	Controlled by Changan Automobile
Changan Ford Automobile Co., Ltd. ("Changan Ford")	Joint venture of Changan Automobile
Changan Mazda Automobile Co., Ltd. ("Changan Mazda")	Joint venture of Changan Automobile
Chongqing Changan Suzuki Automobile Co., Ltd. ("Changan Suzuki")	Joint venture of Changan Automobile
Jiangling Holding Co., Ltd. ("Jiangling Holding")	Joint venture of Changan Automobile
Changan Ford Mazda Engine Co., Ltd. ("Changan Ford Engine")	Associate of Changan Automobile
Chongqing Changan Kuayue Automobile Co., Ltd. ("Changan Kuayue")	Associate of Changan Automobile
Chongqing Ante Import and Export Trading Co., Ltd. ("Chongqing Ante")	Subsidiary of Changan Ford
Hangzhou Anji	Joint venture of the Company
Wuhan Minfutong	Former Associate of the Company
Chongqing Terui	Associate of the Company

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with a joint venture:

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

	2017 RMB'000	2016 RMB'000
Hangzhou Anji	47,691	690

(ii) Revenue from the management services:

	2017 RMB'000	2016 RMB'000
Hangzhou Anji	6,968	-

(iii) Income from the leasing services:

	2017 RMB'000	2016 RMB'000
Hangzhou Anji	405	-

(iv) Transportation services provided by a joint venture:

	2017 RMB'000	2016 RMB'000
Hangzhou Anji	3,976	2,436

Transactions with associates:

(i) Revenue from the rendering of transportation services for finished vehicles:

	2017 RMB'000	2016 RMB'000
Chongqing Terui	227	780

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with associates: (continued)

(ii) Transportation services provided by associates:

	2017 RMB'000	2016 RMB'000
Chongqing Terui	1,422	19,943
Wuhan Minfutong	-	2,456
	1,422	22,399

Transactions with other related parties:

(i) Revenue from the rendering of transportation services for finished vehicles:

	2017 RMB'000	2016 RMB'000
Changan Ford	1,247,629	1,314,328
Changan Automobile	842,404	1,200,414
Changan Mazda	307,953	253,492
Changan Bus	115,572	79,514
Minsheng Logistics	4,030	3,028
Hebei Changan	790	17
Changan Connected	717	-
Wanyou Economic	136	-
Hefei Changan	100	275
Chongqing Naishite	47	-
Changan Suzuki	35	77
Dajiang Yanxing	35	326
Nanjing Changan	28	306
Lingchuan Tank	5	-
CTCS	4	-
Chongqing Jianshe Auto-Air	3	-
Changan Ford Engine	1	-
Ningbo Dongxiang	-	50
	2,519,489	2,851,827

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

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

	2017 RMB'000	2016 RMB'000
Changan Ford	539,661	684,656
Changan Mazda	233,634	256,311
Changan Automobile	163,814	202,075
Chongqing Ante	52,999	31,470
Changan International Sales	34,449	53,920
Changan Ford Engine	19,841	17,885
Hefei Changan	18,323	30,378
Sichuan Jian'an	18,015	1,009
Changan Suzuki	10,297	13,151
CTCS	7,083	11,669
Harbin DAE	6,499	4,594
Changan Service	6,302	3,306
Nanjing Changan	6,054	4,516
Hebei Changan	4,553	5,430
Harbin DAP	2,638	254
Ningjiang Showa	2,514	364
Hubei Xiaogan	1,573	1,436
Chengdu Huachuan	1,447	2,800
China Changan	1,332	1,970
Ningjiang Shock	1,243	1,668
Changan Bus	1,198	716
Chongqing Jianshe Auto-Air	1,115	1,155
Chengdu Wanyou	947	710
Changan Industry Company	739	2,867
Shangfang Fitting	637	419
Changfeng Jiquan	622	613
Chongqing Naishite	606	765
Lingchuan Tank	443	225
Hubei Huazhong Maruili	433	325
Yunnan Xiyi	408	657
South Air	283	236
Dajiang Xinda	279	503
Yihong Plastic	189	160
Changrong Machinery	176	281
Lingchuan Industrial	129	248
Sichuan Huaqing	100	120
Sichuan Hongguang	72	50
Minsheng Logistics	64	54
Chengdu Ningxing	57	211
Changan New Energy	44	-
Dajiang Jiexin	42	-
Zhonghui Futong	39	-
Minsheng International Container	37	1
Chongqing Changjiang Electric	34	-
Tiannake Lingchuan	20	31
Chengdu Jialing Huaxi	15	9
Hafei Automobile	-	60
Changan Visteon	-	9
Tianjin Sales	-	1
	1,140,999	1,339,288

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

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

	2017 RMB'000	2016 RMB'000
Changan Ford	1,850,769	1,940,174
Changan Automobile	49,750	4,780
Changan Industry Company	3,632	7,789
Changan International Sales	1,671	-
Jianshe Industrial	1,578	2,431
Changan Suzuki	1,081	542
Changan Bus	592	603
Changan New Energy	297	-
Hebei Changan	199	1,286
Hefei Changan	-	3,627
Changan Service	-	503
	1,909,569	1,961,735

(iv) Income from the leasing services:

	2017 RMB'000	2016 RMB'000
Hangzhou Investment	142	-

(v) Purchase of transportation services:

	2017 RMB'000	2016 RMB'000
Minsheng Logistics	296,491	345,003
Shanghai Minsheng Shipping	23,465	11,567
Minsheng International Container	14,489	4,440
Minsheng International Freight	8,331	10,954
Dajiang Yanxing	6,702	10,186
APLLC	3,215	186
APLL Shanghai	2,126	901
Hubei Minsheng International Freight	1,074	-
Tianjin Minsheng Shipping	385	1,057
Changan Special	375	-
Shanghai Minsheng International Freight	305	350
Hafei Automobile	122	-
Minsheng Shipping	-	444
Changan Industry Company	-	802
Guangzhou Minsheng International Freight	-	323
Changan Ford	-	174
	357,080	386,387

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

(vi) Purchase of construction services:

	2017 RMB'000	2016 RMB'000
Chongqing Changxin	1,488	779
Chongqing Changan Construction	951	41,057
	2,439	41,836

(vii) Purchase of security and cleaning services:

	2017 RMB'000	2016 RMB'000
Changan Property	9,028	6,209
Hafei Industry	230	-
	9,258	6,209

(viii) Operating lease - warehouse and venue:

	2017 RMB'000	2016 RMB'000
Dajiang Yanxing	900	750
Nanjing Changan	189	-
Changan Special	2,168	-
Hafei Automobile	-	2,274
Changan Industry Company	-	881
	3,257	3,905

(ix) Loans from related parties:

	2017 RMB'000	2016 RMB'000
Zhonghui Futong	27,390	-
Zhuangbei Finance	8,000	306,000
	35,390	306,000

The interest rates range from 4.75% to 5.00% per annum (2016: 4.35% to 5.20%).

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2017 and 2016, the related party balances were as follows:

Due from related parties:

	2017 RMB'000	2016 RMB'000
Balances from the rendering of services and the sale of goods		
Changan Ford	1,008,705	1,258,451
Changan Automobile	452,773	405,625
Changan Mazda	149,043	179,875
Chongqing Ante	63,930	20,165
Changan Bus	47,304	53,192
Hangzhou Anji	36,843	-
Hafei Automobile	28,097	28,729
Sichuan Jian'an	16,338	447
Changan Ford Engine	12,928	12,612
Changan Industry Company	12,039	8,696
Changan International Sales	11,210	26,035
Hefei Changan	7,333	9,723
Changan Suzuki	4,719	6,233
Minsheng Logistics	4,476	1,374
Changan Service	3,846	787
CTCS	2,749	1,981
Hebei Changan	2,637	1,299
Harbin DAE	1,302	1,634
Hubei Xiaogan	1,186	958
Nanjing Changan	1,173	2,645
Ningjiang Showa	773	509
Changfeng Jiquan	489	471
Shangfang Fitting	422	286
Changrong Machinery	411	561
Dajiang Yanxing	358	362
Jianshe Industrial	340	2,911
Dajiang Xinda	340	594
Chongqing Naishite	319	811
Lingchuan Tank	224	101
Chengdu Wanyou	216	263
Ningjiang Shock	212	746
Changan New Energy	142	-
Harbin DAP	120	32
Hubei Huazhong Maruili	120	271
Yihong Plastic	115	79
Chengdu Huachuan	102	562
Changan Kuayue	93	93
Dajiang Jiexin	76	-
South Air	45	10
China Changan	32	1,101
Chongqing Jianshe Auto-Air	31	92
Changan Connected	26	-
Chengdu Ningxing	22	63
Sichuan Huaqing	19	92
Chongqing Changjiang Electric	10	39
Yunnan Xiyi	7	57
Lingchuan Industrial	6	113
Sichuan Hongguang	5	23
Wanyou Longrui	5	-
Ningbo Dongxiang	1	-
Hangzhou Anji	-	766
Chengdu Jialing Huaxi	-	37
	1,873,712	2,031,506

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2017 and 2016, the related party balances were as follows: (continued)

Due from related parties: (continued)

	2017 RMB'000	2016 RMB'000
Deposits and other receivables		
Changan Ford	3,164	1,128
Changan Suzuki	2,806	2,806
Changan Mazda	1,030	1,031
Changan Automobile	973	1,004
Hafei Automobile	618	519
Hebei Changan	607	649
Changan Bus	300	300
Ming Sung (HK)	211	448
Changan Special	200	-
CTCS	100	-
Chongqing Ante	83	726
Chongqing Changan Construction	82	80
Hefei Changan	75	-
Changan Industry Company	55	5
Changan Ford Engine	13	13
Chengdu Huachuan	10	-
Minsheng Logistics	3	40
Minsheng International Freight	1	1
Jianshe Industrial	1	1
Chongqing Terui	-	100
Nanjing Changan	-	40
Wuhan Minfutong	-	12
China Changan	-	3
Hangzhou Anji	-	3,837
	10,332	12,743
Prepayments		
Changan Ford	90	84
Chongqing Changxin	8	-
Changan Service	6	-
Changan Automobile	-	17
Minsheng International Freight	-	728
	104	829
Less: Provision for impairment of amounts due from related parties	(34,635)	(32,463)
	1,849,513	2,012,615

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2017 and 2016, the related party balances were as follows: (continued)

Due from related parties: (continued)

An ageing analysis of the amounts from the rendering of services and the sale of goods due from related parties as at the end of the reporting period, net of provisions, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	1,817,198	1,984,579
3 to 6 months	10,624	14,755
6 months to 1 year	13,996	1,612
1 year to 2 years	300	1
	1,842,118	2,000,947

The movements in the provision for impairment of amounts due from related parties are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	32,463	30,219
Impairment losses recognised	2,172	2,244
	34,635	32,463

Included in the above provision for impairment of amounts due from related parties is a provision for individually and collectively impaired trade receivables of RMB31,594,000 (2016: RMB30,559,000) with a carrying amount before provision of RMB45,890,000 (2016: RMB31,782,000).

The ageing analysis of the amounts from the rendering of services and the sale of goods due from related parties that are not individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	1,817,198	1,984,969
Less than 3 month past due	10,624	14,755
	1,827,822	1,999,724

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.

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2017 and 2016, the related party balances were as follows: (continued)

Due to related parties:

	2017 RMB'000	2016 RMB'000
Balances from transportation services provided by related parties		
Minsheng Logistics	143,970	93,573
Shanghai Minsheng Shipping	11,686	2,952
Hangzhou Anji	3,976	-
Dajiang Yanxing	2,113	6,399
Minsheng International Freight	1,398	86
Hafei Automobile	1,197	1,106
APLLC	1,021	-
Hubei Minsheng International Freight	330	-
Minsheng International Container	271	423
Chongqing Terui	217	6,872
Hafei Industry	115	-
Shanghai Minsheng International Freight	85	15
Minsheng Shipping	76	6,122
Changan Industry Company	21	675
APLL Shanghai	1	382
Wuhan Minfutong	-	5,885
Tianjin Minsheng Shipping	-	1,455
Nanjing Changan	-	250
Changan Ford	-	36
	166,477	126,231

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2017 and 2016, the related party balances were as follows: (continued)

Due to related parties: (continued)

	2017 RMB'000	2016 RMB'000
Other payables		
Chongqing Changan Construction	16,446	66,230
Changan Property	4,675	5,030
Minsheng Logistics	2,195	2,026
Chongqing Changxin	1,649	10,069
Changan Industry Company	1,453	2,432
Changan Ford	1,196	1,170
Chongqing Terui	1,002	1,002
Dajiang Yanxing	1,000	1,000
Changan Automobile	577	7,308
Hafei Industry	115	-
APLLC	100	90
Ningjiang Shock	86	86
Hafei Automobile	83	83
Changan Ford Engine	60	60
Minsheng Industrial	56	11
Changan Mazda	32	32
Hefei Changan	31	-
Nanjing Changan	29	32
Jiangling Holding	20	20
China Changan	5	33
Minsheng Shipping	1	1
South Air	1	-
Wuhan Minfutong	-	210
Ming Sung (HK)	-	162
	30,812	97,087
Advances from customers		
Changan Sales	3	3
Changrong Machinery	-	17
Changan Automobile	-	12
Chengdu Huachuan	-	4
	3	36
	197,292	223,354

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2017 and 2016, the related party balances were 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:

	2017 RMB'000	2016 RMB'000
Within 3 months	165,485	123,909
3 to 6 months	910	1,760
6 months to 1 year	59	229
1 to 2 years	-	33
Over 2 years	23	300
	166,477	126,231

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 2017 and 2016, all related party balances above were unsecured.

The carrying values of amounts due from and due to a related party approximate to their fair values due to the short term maturity.

Deposits	2017 RMB'000	2016 RMB'000
Zhuangbei Finance	244,856	266,061

The interest rates range from 0.46% to 1.76% per annum (2016: 0.46% to 1.76%).

Loans	2017 RMB'000	2016 RMB'000
Zhonghui Futong	27,390	-
Zhuangbei Finance	8,000	6,000
	35,390	6,000

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2017

Financial assets

	Loans and receivables RMB'000	An available-for-sale financial investment RMB'000	Total RMB'000
An available-for-sale investment	-	28,900	28,900
Trade and bills receivables	582,448	-	582,448
Financial assets included in prepayments, deposits and other receivables	44,168	-	44,168
Due from related parties	1,849,409	-	1,849,409
Pledged deposits	29,799	-	29,799
Cash and cash equivalents	1,244,992	-	1,244,992
	3,750,816	28,900	3,779,716

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,952,149
Financial liabilities included in other payables and accruals	226,979
Due to related parties	197,289
Interest-bearing bank and other loans	35,390
	2,411,807

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

31 December 2016

Financial assets

	Loans and receivables RMB'000	An available-for-sale financial investment RMB'000	Total RMB'000
An available-for-sale investment	-	28,900	28,900
Trade and bills receivables	387,978	-	387,978
Financial assets included in prepayments, deposits and other receivables	40,164	-	40,164
Due from related parties	2,011,786	-	2,011,786
Pledged deposits	51,136	-	51,136
Cash and cash equivalents	1,087,394	-	1,087,394
	3,578,458	28,900	3,607,358

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,975,076
Financial liabilities included in other payables and accruals	182,549
Due to related parties	223,318
Interest-bearing bank and other loans	8,441
	2,389,384

40. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

As at 31 December 2017, the Group endorsed certain bills (notes) receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB17,717,000 (2016: RMB58,349,000) (the "Endorsement"). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in Mainland China, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's and the Company's financial instruments reasonably approximate to fair value.

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

The fair values of the non-current portion of interest-bearing bank and other loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying ammounts.

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 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank and other loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, prepayments, deposits and other receivables, trade and bills payables, other payables and accruals, and amounts due from/to related parties which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rates and terms of repayment of interest-bearing bank and other loans are disclosed in note 28. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any significant long term receivables and loans which are subject to floating interest rates.

Foreign currency risk

The Group's principal businesses are located in the Mainland China and most of the transactions are conducted in RMB. During the year, 99% (2016: 99%) of the Group's sales were denominated in the Group's functional currencies, whilst approximately 1% (2016: 1%) of costs were denominated in currencies other than the functional currencies of the Group. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents that are denominated in US$ and other currencies.

The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, trade and other receivables, arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy related partied and third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 44% (2016: 54%) and 75% (2016: 83%) of the Group's receivables arising from rendering services and sales of goods (including trade receivables and amounts due from related parties) were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and amounts due from related parties are disclosed in note 23 and note 38 to the financial statements.

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 2016, almost all the Group's debts would mature in less than one year as at 31 December 2017 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:

2017

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	83,744	1,796,374	72,031	-	-	1,952,149
Financial liabilities included in other payables and accruals	226,979	-	-	-	-	226,979
Due to related parties	197,289	-	-	-	-	197,289
Interest-bearing bank and other loans	-	2,562	15,451	19,700	-	37,713
	508,012	1,798,936	87,482	19,700	-	2,414,130

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

2016

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	27,736	1,870,488	76,852	-	-	1,975,076
Financial liabilities included in other payables and accruals	182,549	-	-	-	-	182,549
Due to related parties	223,318	-	-	-	-	223,318
Interest-bearing bank and other loans	-	6,251	658	1,756	-	8,665
	433,603	1,876,739	77,510	1,756	-	2,389,608

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other loans, amounts due to related parties, trade and bills payables and other payables and accruals, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2017 RMB'000	2016 RMB'000
Interest-bearing bank and other loans	35,390	8,441
Trade and bills payables	1,952,149	1,975,076
Other payables and accruals	527,000	456,429
Due to related parties	197,292	223,354
Less: Cash and cash equivalents	(1,244,992)	(1,087,394)
Pledged deposits	(29,799)	(51,136)
Net debt	1,437,040	1,524,770
Equity attributable to owners of the parent	1,951,203	1,838,014
Adjusted capital and net debt	3,388,243	3,362,784
Gearing ratio	42%	45%

43. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the 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:

	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	271,575	285,205
Investment property	8,528	9,705
Prepaid land lease payments	101,655	104,208
Goodwill	2,222	2,222
Other intangible assets	12,827	16,505
Investments in subsidiaries	900,613	900,613
Investment in a joint venture	10,000	10,000
Investments in associates	9,000	12,100
An available-for-sale investment	28,900	28,900
Deferred tax assets	48,722	51,005
Other non-current assets	65,015	57,536
Total non-current assets	1,459,057	1,477,999
CURRENT ASSETS		
Inventories	24,116	25,498
Trade and bills receivables	354,588	271,995
Prepayments, deposits and other receivables	154,187	37,895
Due from related parties	1,513,884	1,638,032
Pledged deposits	23,859	51,136
Cash and cash equivalents	520,143	689,837
Total current assets	2,590,777	2,714,393
CURRENT LIABILITIES		
Interest-bearing loans	4,145	-
Trade and bills payables	1,800,339	1,829,847
Other payables and accruals	406,375	557,884
Due to related parties	132,500	155,126
Tax credit	(17,353)	(14,435)
Total current liabilities	2,326,006	2,528,422
NET CURRENT ASSETS	264,771	185,971
TOTAL ASSETS LESS CURRENT LIABILITIES	1,723,828	1,663,970

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	1,723,828	1,663,970
NON-CURRENT LIABILITIES		
Interset-bearing loans	8,291	-
Deferred income	6,977	7,584
Total non-current liabilities	15,268	7,584
Net assets	1,708,560	1,656,386
EQUITY		
Equity attributable to owners of the parent		
Share capital	162,064	162,064
Reserves (note)	1,546,496	1,494,322
Total equity	1,708,560	1,656,386

Note:

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

	Share premium account RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2016	75,150	85,867	1,277,805	1,438,822
Total comprehensive income for the year	-	-	55,500	55,500
At 31 December 2016	75,150	85,867	1,333,305	1,494,322
Total comprehensive income for the year	-	-	68,380	68,380
Dividend declared to shareholders	-	-	(16,206)	(16,206)
At 31 December 2017	75,150	85,867	1,385,479	1,546,496

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

Note (continued):

Statutory reserves

In accordance with the PRC Company Law, the Company and its subsidiaries are required to appropriate 10% of its annual statutory net profit, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve before distributing the net profit to shareholders. When the balance of the statutory surplus reserve reaches 50% of a company's registered capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory surplus reserve after such issue is not less than 25% of registered capital.

As the balance of the statutory surplus reserve amounting to RMB81,032,000 reached 50% of the Company's registered capital, no amount was appropriated to the statutory surplus reserve from net profit for the year ended 31 December 2017 (2016: 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 2017, the balance of the discretionary surplus reserve was RMB4,835,000 (2016: RMB4,835,000).

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.