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)

Results Announcement for the year ended 31 December 2019

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2019, the audited consolidated revenue of the Group was approximately RMB4,341,585,000, representing a decrease of approximately 15.08% from the previous year.
- For the year ended 31 December 2019, the audited loss attributable to equity holders of the Company was approximately RMB55,967,000, representing a decrease of 221.38% from the corresponding period in 2018.
- For the year ended 31 December 2019, the audited basic earnings per share was negative RMB0.35 (in 2018: RMB0.28).

ANNUAL RESULTS

The board of directors of Changan Minsheng APLL Logistics Co., Ltd. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 and the comparative figures for the corresponding period of 2018 as follows:

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	4,341,585	5,112,410
Cost of sales		(4,158,920)	(4,764,448)
Gross profit		182,665	347,962
Other income and gains	5	72,054	44,534
Selling and distribution expenses		(52,849)	(84,266)
Administrative expenses		(205,527)	(203,275)
Other expenses		(25,197)	(7,323)
Finance costs	7	(8,500)	(1,803)
Share of profits and losses of:			
Joint venture		322	1,062
Associate		335	4,886
PROFIT/(LOSS) BEFORE TAX	6	(36,697)	101,777
Income tax expense	10	(7,840)	(35,363)
PROFIT/(LOSS) FOR THE YEAR		(44,537)	66,414
Attributable to:			
Owners of the parent		(55,967)	46,109
Non-controlling interests		11,430	20,305
		(44,537)	66,414
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted:			
- For profit/(loss) for the year	12	RMB(0.35)	RMB0.28

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
PROFIT/(LOSS) FOR THE YEAR		(44,537)	66,414
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	20, 40	21,976	-
Income tax effect	29	(3,296)	-
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		18,680	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		18,680	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(25,857)	66,414
Attributable to:			
Owners of the parent		(37,287)	46,109
Non-controlling interests		11,430	20,305
		(25,857)	66,414

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	618,420	599,479
Investment properties	14	24,107	17,500
Right-of-use assets	15(b)	323,316	-
Prepaid land lease payments	15(a)	-	228,416
Goodwill	16	5,016	5,016
Other intangible assets	17	28,231	34,868
Investment in a joint venture	18	13,045	12,723
Investment in an associate	19	84,931	84,535
An equity investment designated at fair value through other comprehensive income	20	67,000	28,900
Deferred tax assets	29	69,423	59,851
Other non-current assets	21	51,532	50,394
Total non-current assets		1,285,021	1,121,682
CURRENT ASSETS			
Inventories	22	10,876	17,539
Trade and bills receivables	23	753,841	664,211
Prepayments, other receivables and other assets	24	76,752	102,449
Due from related parties	37	1,591,306	1,525,678
Pledged deposits	25	15,587	1,809
Cash and cash equivalents	25	826,203	1,189,749
Total current assets		3,274,565	3,501,435
CURRENT LIABILITIES			
Trade and bills payables	26	1,682,016	1,638,607
Other payables and accruals	27	449,100	520,307
Due to related parties	37	239,213	229,145
Interest-bearing bank and other loans	28	13,564	19,344
Lease liabilities	15(c)	18,024	-
Bank advances for discounted bills	39	14,411	114,266
Tax payable		(3,659)	(12,123)
Total current liabilities		2,412,669	2,509,546
NET CURRENT ASSETS		861,896	991,889
TOTAL ASSETS LESS CURRENT LIABILITIES		2,146,917	2,113,571

continued/…

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,146,917	2,113,571
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	28	-	9,344
Lease liabilities	15(c)	79,791	-
Deferred tax liabilities	29	6,189	3,042
Deferred income	30	22,183	9,604
Total non-current liabilities		108,163	21,990
Net assets		2,038,754	2,091,581
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	162,064	162,064
Reserves	32	1,755,431	1,807,750
		1,917,495	1,969,814
Non-controlling interests		121,259	121,767
Total equity		2,038,754	2,091,581

....

Director Director

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

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

continued/…

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2019

	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))	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	162,064	66,907	85,867	6,073	-	1,648,903	1,969,814	121,767	2,091,581
Total comprehensive loss for the year	-	-	-	-	18,680	(55,967)	(37,287)	11,430	(25,857)
Provision for safety fund surplus reserve	-	-	-	5,875	-	-	5,875	560	6,435
Utilisation of safety fund surplus reserve	-	-	-	(4,762)	-	-	(4,762)	(203)	(4,965)
Final 2018 dividends declared	-	-	-	-	-	(16,206)	(16,206)	-	(16,206)
Changes in safety fund surplus reserve of an associate	-	-	-	61	-	-	61	-	61
Dividends paid to the non-controlling shareholder by a subsidiary	-	-	-	-	-	-	-	(12,295)	(12,295)
At 31 December 2019	162,064	66,907*	85,867*	7,247*	18,680*	1,576,730*	1,917,495	121,259	2,038,754

* These reserve accounts comprise the consolidated reserves of RMB1,755,431,000 (2018 RMB1,807,750,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(36,697)	101,777
Adjustments for:			
Finance costs	7	8,500	1,803
Share of profits and losses of a joint venture and associates		(657)	(5,948)
Interest income	6	(11,290)	(13,741)
Dividend income from an equity investment designated at fair value through other comprehensive income	6	(1,753)	(1,680)
Loss/(gain) on disposal of items of property, plant and equipment	6	(8,094)	175
Depreciation of property, plant and equipment	13	85,496	92,928
Depreciation of investment properties	14	893	448
Depreciation of right-of-use assets/recognition of prepaid land lease payments	15	32,699	6,570
Amortisation of other intangible assets	17	18,211	16,365
Reversal of loss allowances on trade and other receivables	6	(6,352)	(4,809)
Loss allowances/(reversal of loss allowances) on impairment of amounts due from related parties	6	25,110	(1,849)
Provision for impairment of inventories	6	300	-
Impairment of property, plant and equipment	13	-	5,354
Deferred income released to profit or loss	30	(6,434)	(663)
Unrealised foreign exchange gains, net		(97)	(332)
		99,835	196,398
Decrease in inventories		6,363	19,564
Increase in trade and bills receivables		(83,206)	(76,416)
Decrease in prepayments and other assets		18,273	6,239
Decrease/(increase) in pledged deposits		(13,778)	27,990
Increase in deposits and other receivables		(129)	(20,285)
Decrease/(increase) in amounts due from related parties		(90,738)	325,684
Increase/(decrease) in trade and bills payables		50,105	(313,542)
Decrease in other payables and accruals		(36,220)	(59,423)
Increase in amounts due to related parties		10,797	48,044
Increase in safety fund surplus reserve		1,470	2,078
Cash generated from operations		(37,228)	156,331
Income taxes paid		(9,097)	(56,444)
Net cash flows from/(used) in operating activities		(46,325)	99,887

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Net cash flows from/(used) in operating activities		(46,325)	99,887
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		11,290	13,908
Dividends received from an equity investment designated at fair value through other comprehensive income	6	1,753	1,680
Increase in an equity investment designated at fair value through other comprehensive income	40	(16,124)	-
Purchases of items of property, plant and equipment		(150,674)	(133,648)
Proceeds from disposal of items of property, plant and equipment		10,394	259
Receipt of government grants for property, plant and equipment	30	19,013	2,880
Additions to other intangible assets		(16,913)	(28,929)
Additions to right-of-use assets/prepaid lease payments		(7,864)	(4,606)
Additions to other non-current assets		(1,138)	406
Disposal of an associate		-	22,609
Investment in an associate		-	(85,072)
Decrease/(increase) in time deposits with original maturity of more than three months		-	27,710
Net cash flows used in investing activities		(150,263)	(182,803)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank and other loans		4,000	10,000
Proceeds from bank advances for discounted bills		14,411	114,266
Repayment of bank and other loans		(19,124)	(16,702)
Repayment of bank advances for discounted bills		(114,266)	-
Principal portion of lease payments		(15,279)	-
Dividends paid		(16,206)	(24,310)
Dividends paid to the non-controlling shareholder by subsidiaries		(12,091)	(26,400)
Interest paid	7	(8,500)	(1,803)
Net cash flows from/(used) in financing activities		(167,055)	55,051
NET DECREASE IN CASH AND CASH EQUIVALENTS		(363,643)	(27,865)
Cash and cash equivalents at beginning of year		1,189,749	1,217,282
Effect of foreign exchange rate changes, net		97	332
CASH AND CASH EQUIVALENTS AT END OF YEAR		826,203	1,189,749

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Corporate category	Place of operations /Country of incorporation and date of incorporation /registration	Paid-in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
重庆长安民生博宇运输有限公司 CMAL Bo Yu Transportation Co., Ltd. ("CMAL Bo Yu")	Limited liability company	PRC/Mainland China 3 November 2005	RMB60,000,000	100	-	Rendering of logistics services
南京长安民生住久物流有限公司 Nanjing CMSC Logistics Co., Ltd. ("Nanjing CMSC")	Limited liability company	PRC/Mainland China 26 July 2007	RMB100,000,000	67	-	Rendering of logistics services
重庆福集供应链管理有限公司 Chongqing Future Supply Chain Management Co., Ltd.	Limited liability company	PRC/Mainland China 18 March 2009	RMB30,000,000	100	-	Rendering of logistics services and sale of packaging materials
重庆长安民生鼎捷物流有限公司 Chongqing Changan Minsheng Dingjie Logistics Co., Ltd.	Limited liability company	PRC/Mainland China 30 April 2010	RMB50,000,000	95	-	Rendering of logistics services
重庆长安民生福永物流有限公司 Chongqing Changan Minsheng Fuyong Logistics Co., Ltd.	Limited liability company	PRC/Mainland China 28 April 2011	RMB5,000,000	100	-	Rendering of logistics services
杭州长安民生物流有限公司 Hangzhou Changan Minsheng Logistics Co., Ltd. ("Hangzhou Changan Minsheng")	Limited liability company	PRC/Mainland China 17 May 2013	RMB610,000,000	100	-	Rendering of logistics services and processing of tyres
福路国际物流有限公司 Fulu International Logistics Co., Ltd. (previously known as Chongqing Fulu Bonded Logistics Co., Ltd.)	Limited liability company	PRC/Mainland China 9 April 2014	RMB3,000,000	100	-	Rendering of logistics services
重庆长良物流科技有限公司 Chongqing Changliang Logistics Technology Co.Ltd.	Limited liability company	PRC/Mainland China 16 May 2014	RMB18,000,000	55	-	Sale of packaging materials

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Corporate category	Place of operations /Country of incorporation and date of incorporation /registration	Paid-in capital	Percentage of equity attributable to the Company		Principal activities
长安民生(上海)供应链有限公司 Changan Minsheng (Shanghai) Supply Chain Co., Ltd.	Limited liability company	PRC/Mainland China 5 August 2014	RMB30,000,000	100	-	Rendering of logistics services
武汉长盛港通供应链管理有限公司 Wuhan Changsheng Gangtong Supply Chain Management Co., Ltd.	Limited liability company	PRC/Mainland China 18 August 2010	RMB23,070,000	60	-	Rendering of logistics services
沈阳长友供应链有限公司 Shenyang Changyou Supply Chain Co., Ltd.	Limited liability company	PRC/Mainland China 6 November 2019	-	51	-	Processing of tyres, rendering of logistics services

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. 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.

2.1 BASIS OF PREPARATION (CONTINUED)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at cost, the Group has continued to include them as investment properties at 1 January 2019 and apply HKAS 40.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/(decrease) RMB'000
Assets	
Increase in right-of-use assets	351,102
Decrease in prepaid land lease payments	(228,416)
Decrease in other intangible assets	(5,339)
Decrease in prepayments, other receivables and other assets	(7,481)
Increase in total assets	109,866

	Increase/(decrease) RMB'000
Liabilities	
Increase in lease liabilities	116,562
Decrease in trade and bills payables	(6,696)
Increase in total liabilities	109,866

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Financial impact at 1 January 2019 (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	178,009
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(33,166)
	144,843
Weighted average incremental borrowing rate as at 1 January 2019	4.83%
Discounted operating lease commitments as at 1 January 2019	116,562
Lease liabilities as at 1 January 2019	116,562

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in the associate and the joint venture upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in the associate and the joint venture continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after 1 January 2022
[4] No mandatory effective date yet determined but available for adoption

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

An associate is an entity in which the Group has 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 an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. 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 the associate and joint venture 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 associate or joint venture are eliminated to the extent of the Group's investments in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associate or joint venture is included as part of the Group's investments in the associate or joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)
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
The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)
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.

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, machinery and other equipment	9.7%-50.0%
Office equipment	19.4%-32.3%
Motor vehicles	12.1%-24.3%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Investment property – commercial buildings	4.85%

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

(c) Trademark

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

Leases (applicable from 1 January 2019)

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

Group as a lessee

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

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

(a) Right-of-use assets

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

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

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

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (continued)
Group as a lessee (continued)

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

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

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

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

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Operating leases (applicable before 1 January 2019)
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

General approach

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, 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, the associate and joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Other income
Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension schemes

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute 14% to 20% of its payroll cost to the central pension scheme. The contributions are charged to the 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).

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

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

<u>Estimation uncertainty</u>
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 2019 was RMB5,016,000 (2018: RMB5,016,000). Further details are given in note 16 to the financial statements.

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and amounts due from related parties is disclosed in notes 23 and 37 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

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

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

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

Fair value of an unlisted equity investment

The unlisted equity investment has been valued based on a market-based valuation technique as detailed in note 40 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of such investment as Level 3. The fair value of the unlisted equity investment at 31 December 2019 was RMB67,000,000. Further details are included in note 20 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

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

	2019 RMB'000	2018 RMB'000
Customer A	1,416,869	1,224,107
Customer B	1,143,579	2,142,154

5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	4,341,585	5,112,410

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019 RMB'000	2018 RMB'000
Sale of industrial products	413,772	1,048,804
Rendering of logistics services		
Transportation of finished vehicles	2,343,133	2,210,555
Supply chain management for vehicle raw materials, components and parts	1,584,680	1,853,051
Total revenue from contracts with customers	4,341,585	5,112,410

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

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services	4,107	1,418

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(a) (continued):
(ii) Performance obligations

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

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

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

(b) Other income and gains

	Notes	2019 RMB'000	2018 RMB'000
Bank interest income	6	11,290	13,741
Government grants		31,583	10,899
Penalty on transportation companies		4,329	6,891
Sales of recycled packages of vehicle spare parts		3,531	4,713
Rental income from investment property operating leases		2,141	2,009
Dividend income from an equity investment designated at fair value through other comprehensive income	6, 20	1,753	1,680
Gain on disposal of items of property, plant and equipment		8,274	103
Management services		2,073	-
Others		7,080	4,498
		72,054	44,534

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Cost of inventories sold		399,410	1,008,848
Cost of logistics services rendered		3,225,868	3,240,924
Depreciation of property, plant and equipment	13	85,496	92,928
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	15(a)/ 15(b)	32,699	6,570
Depreciation of investment properties	14	893	448
Amortisation of other intangible assets	17	18,211	16,365
Minimum lease payments under operating leases		-	67,108
Lease payments not included in the measurement of lease liabilities		34,890	-
Impairment losses recognised on property, plant and equipment	13	-	5,354
Auditor's remuneration		2,450	2,450
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8):			
Wages and salaries and relevant benefits		496,445	626,963
Pension scheme contributions		38,277	63,482
Termination benefits		37,718	8,473
		572,440	698,918
Foreign exchange differences, net		451	68
Impairment/(reversal) of receivables, net	23, 24	(6,352)	(4,809)
Impairment of amounts due from related parties, net		25,110	(1,849)
Provision for impairment of inventories		300	-
Dividend income from an equity investment designated at fair value through other comprehensive income	5	(1,753)	(1,680)
Bank interest income	5	(11,290)	(13,741)
Loss/(gain) on disposal of items of property, plant and equipment, net		(8,094)	175

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	2019 RMB'000	2018 RMB'000
Interest on bank and other loans		1,624	1,803
Interest on lease liabilities	15(c)	6,876	-
		8,500	1,803

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:

	2019 RMB'000	2018 RMB'000
Fees	500	500
Other emoluments:		
Salaries, allowances and benefits in kind	1,318	1,275
Performance related bonuses	621	744
Pension scheme contributions	200	171
	2,139	2,190
	2,639	2,690

(a) Independent non-executive directors

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

	2019 RMB'000	2018 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 (2018: Nil).

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

(a) 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
2019				
Executive directors:				
Xie Shi Kang	367	218	50	635
Chen Wen Bo	-	-	-	-
William K. Villalon	-	-	-	-
Shi Jing Gang	367	218	50	635
Non-executive directors:				
Chen Xiao Dong	-	-	-	-
Li Xin	-	-	-	-
Man Hin Wai Paul	-	-	-	-
Supervisors:				
Wang Huai Cheng	-	-	-	-
Yang Gang (i)	-	-	-	-
Tang Yi Zhong (ii)	-	-	-	-
Jin Jie	-	-	-	-
Deng Li	271	89	50	410
Deng Gang	313	96	50	459
	1,318	621	200	2,139

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

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

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018				
Executive directors:				
Xie Shi Kang	362	275	43	680
Chen Wen Bo	-	-	-	-
William K. Villalon	-	-	-	-
Lu Xiao Zhong	-	-	-	-
Shi Jing Gang	348	275	43	666
Non-executive directors:				
Chen Xiao Dong	-	-	-	-
Li Xin	-	-	-	-
Man Hin Wai Paul	-	-	-	-
Tan Hong Bin	-	-	-	-
Danny Goh Yan Nan	-	-	-	-
Supervisors:				
Wang Huai Cheng	-	-	-	-
Steven Ho Kok Keong	-	-	-	-
Chen Jian Feng	-	-	-	-
Tang Yi Zhong (ii)	-	-	-	-
Jin Jie	-	-	-	-
Zhou Zheng Li	121	37	21	179
Deng Li	134	43	21	198
Deng Gang	310	114	43	467
	1,275	744	171	2,190

(i) Mr.Yang Gang was appointed as a supervisor on 28 June 2019.
(ii) Mr.Tang Yi Zhong was appointed as a supervisor on 30 June 2017 and resigned in June 2019.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2018: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither directors nor supervisors nor the chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	932	918
Performance related bonuses	522	553
Pension scheme contributions	95	137
	1,549	1,608

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 2019	2018
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.

	2019 RMB'000	2018 RMB'000
Current - Mainland China		
Charge for the year	17,561	40,477
Deferred tax (note 29)	(9,721)	(5,114)
Total tax charge for the year	7,840	35,363

10. INCOME TAX (CONTINUED)

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

		2019		2018	
	Notes	RMB'000	%	RMB'000	%
Profit/(loss) before tax		(36,697)		101,777	
Tax at the statutory tax rate		(9,174)	25.0	25,444	25.0
Lower tax rate for specific entities	i	7,775	(21.2)	(301)	(0.3)
Adjustments in respect of current tax of previous years		(51)	0.1	(596)	(0.6)
Income not subject to tax	ii	(385)	1.0	(352)	(0.3)
Expenses not deductible for tax		560	(1.5)	3,003	2.9
Tax losses utilised from previous years		(686)	1.9	(117)	(0.1)
Tax losses and deductible temporary differences not recognised		9,801	(26.7)	8,282	(8.1)
Tax charge at the Group's effective tax rate		7,840	(21.4)	35,363	34.7

(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 the tax incentive, and the applicable CIT rate for both of them is 15%.

(ii) The share of tax attributable to a joint venture and associate amounting to RMB105,000 (2018: RMB84,000) is included in “Share of profits and losses of a joint venture and an associate” in the consolidated statement of profit or loss.

11. DIVIDENDS

At a meeting of the Directors held on 30 March 2020, the Directors did not recommend a final dividend for the year ended 31 December 2019 (2018 final dividend: RMB16,206,000).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss (2018: earnings) per share amount is based on the loss ((2018: profit) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 162,064,000 (2018: 162,064,000) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculation of basic earnings/(loss) per share is based on:

	2019 RMB'000	2018 RMB'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/loss per share calculation	(55,967)	46,109
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/loss per share calculation	162,064,000	162,064,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant, machinery and other equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019						
Cost:						
At 1 January 2019	586,679	126,207	67,326	282,005	132,431	1,194,648
Additions	83	44,162	3,772	2,388	56,849	107,254
Disposals	-	(1,126)	(1,071)	(89,851)	-	(92,048)
Transfers	147,459	23,540	-	1,046	(172,045)	-
At 31 December 2019	734,221	192,783	70,027	195,588	17,235	1,209,854
Accumulated depreciation:						
At 1 January 2019	(245,172)	(87,832)	(42,071)	(214,740)	-	(589,815)
Depreciation provided during the year (note 6)	(29,205)	(20,350)	(10,426)	(25,515)	-	(85,496)
Disposals	-	607	1,033	83,690	-	85,330
At 31 December 2019	(274,377)	(107,575)	(51,464)	(156,565)	-	(589,981)
Impairment:						
At 1 January 2019	-	-	-	(5,354)	-	(5,354)
Disposals	-	-	-	3,901	-	3,901
At 31 December 2019	-	-	-	(1,453)	-	(1,453)
Net carrying amount:						
At 1 January 2019	341,507	38,375	25,255	61,911	132,431	599,479
At 31 December 2019	459,844	85,208	18,563	37,570	17,235	618,420

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Plant, machinery and other equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018						
Cost:						
At 1 January 2018	570,675	121,146	57,284	251,385	47,673	1,048,163
Additions	71	6,543	11,388	5,357	137,408	160,767
Disposals	(5,605)	(1,890)	(1,482)	(5,305)	-	(14,282)
Transfers	21,538	408	136	30,568	(52,650)	-
At 31 December 2018	586,679	126,207	67,326	282,005	132,431	1,194,648
Accumulated depreciation:						
At 1 January 2018	(224,178)	(73,944)	(33,557)	(179,056)	-	(510,735)
Depreciation provided during the year (note 6)	(26,431)	(15,731)	(9,936)	(40,830)	-	(92,928)
Disposals	5,437	1,843	1,422	5,146	-	13,848
At 31 December 2018	(245,172)	(87,832)	(42,071)	(214,740)	-	(589,815)
Impairment:						
At 1 January 2018	-	-	-	-	-	-
Impairment provided during the year (note 6)	-	-	-	(5,354)	-	(5,354)
At 31 December 2018	-	-	-	(5,354)	-	(5,354)
Net carrying amount:						
At 1 January 2018	346,497	47,202	23,727	72,329	47,673	537,428
At 31 December 2018	341,507	38,375	25,255	61,911	132,431	599,479

As at 31 December 2019, certain of the Group's machineries with a net carrying amount of approximately RMB9,332,000 (2018: RMB16,090,000) were pledged to secure other loans granted to the Group (note 28).

14. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Cost：		
At 1 January	18,233	8,813
Additions (from acquisition)	7,500	9,420
Adjustment	-	-
At 31 December	25,733	18,233
Accumulated depreciation：		
At 1 January	(733)	(285)
Depreciation provided during the year (note 6)	(893)	(448)
At 31 December	(1,626)	(733)
Net carrying amount		
At 1 January	17,500	8,528
At 31 December	24,107	17,500

The Group's investment properties consist of eight commercial properties in China. As at 31 December 2019, the fair value of the investment properties was estimated to be approximately RMB24,122,000 (2018: RMB17,770,000). The valuation was performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer. Selection criteria including market knowledge, reputation, independence and whether professional standards are maintained are considered to appoint the external valuer. The valuation was determined with reference to market prices and estimated future market rental of similar properties in the respective areas. The fair value measurement hierarchy of the investment properties requires certain significant unobservable inputs (Level 3).

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

15. LEASES

The Group as a lessee

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

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	218,623
Additions	21,677
Recognised in profit or loss during the year	(6,570)
Carrying amount at 31 December 2018	233,730

15. LEASES (CONTINUED)

(b) Right-of-use assets

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

	Plant and machinery	Motor vehicles	Other equipment	Prepaid land lease payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	107,975	5,027	3,374	234,726	351,102
Additions	18,681	316	-	-	18,997
Lease modification	(12,843)	(473)	(768)	-	(14,084)
Depreciation charge (note 6)	(24,222)	(1,161)	(1,029)	(6,287)	(32,699)
As at 31 December 2019	89,591	3,709	1,577	228,439	323,316

(c) Lease liabilities

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

	RMB'000
As at 1 January 2019	116,562
New leases	11,133
Accretion of interest recognised during the year (note 7)	6,876
Payments	(22,155)
Lease modification	(14,601)
As at 31 December 2019	97,815
Analysed into:	
Current portion	18,024
Non-current portion	79,791

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

15. LEASES (CONTINUED)

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

	2019 RMB'000
Interest on lease liabilities	6,876
Depreciation charge of right-of-use assets	32,699
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	34,890
Total amount recognised in profit or loss	74,465

The Group as a lessor

The Group leases its investment properties (note 14) consisting of eight commercial properties in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB2,141,000 (2018: RMB2,009,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	3,095	3,621
After one year but within two years	1,342	558
After two years but within three years	708	548
After three years but within four years	422	422
After four years but within five years	296	295
After five years	209	357
	6,072	5,801

16. GOODWILL

	Cash-generating units		
	Transportation services for finished vehicles RMB'000	Storage management services RMB'000	Total RMB'000
31 December 2019 and 31 December 2018			
Cost:			
At 1 January and 31 December 2019 and 2018	5,016	2,441	7,457
Accumulated impairment:			
At 1 January and 31 December 2019 and 2018	-	(2,441)	(2,441)
Net carrying amount:			
At 1 January and 31 December 2019 and 2018	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 vehicles cash-generating unit; and
- Storage management services cash-generating unit.

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

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

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit. The discount rate applied to the cash flow projections is 14.0% (2018: 17.0%).

Growth rate – The growth rate used to extrapolate the cash flows beyond the five-year period is 2.0% (2018: 2.0%), which is based on the estimated growth rate of each unit, taking into account the industry growth rate, past experience and the medium or long term growth target.

The values assigned to the key assumptions on market conditions and the discount rate are consistent with external information sources. In the opinion of the Company's directors, 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 2019.

17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Customer relationships RMB'000	Trademark RMB'000	Wharf lease right RMB'000	Total RMB'000
31 December 2019					
Cost:					
At 31 December 2018	73,171	4,174	107	7,200	84,652
Effect of adoption of HKFRS 16	-	-	-	(7,200)	(7,200)
At 1 January 2019 (restated)	73,171	4,174	107	-	77,452
Additions	16,913	-	-	-	16,913
At 31 December 2019	90,084	4,174	107	-	94,365
Accumulated amortisation:					
At 31 December 2018	(43,642)	(3,532)	(107)	(1,861)	(49,142)
Effect of adoption of HKFRS 16	-	-	-	1,861	1,861
At 1 January 2019 (restated)	(43,642)	(3,532)	(107)	-	(47,281)
Amortisation provided during the year (note 6)	(18,211)	-	-	-	(18,211)
At 31 December 2019	(61,853)	(3,532)	(107)	-	(65,492)
Accumulated impairment:					
At 1 January and 31 December 2019	-	(642)	-	-	(642)
Net carrying amount:					
At 31 December 2018	29,529	-	-	5,339	34,868
Effect of adoption of HKFRS 16	-	-	-	(5,339)	(5,339)
At 1 January 2019 (restated)	29,529	-	-	-	29,529
At 31 December 2019	28,231	-	-	-	28,231

17. OTHER INTANGIBLE ASSETS (CONTINUED)

	Software RMB'000	Customer relationships RMB'000	Trademark RMB'000	Wharf lease right RMB'000	Total RMB'000
31 December 2018					
Cost:					
At 1 January 2018	44,242	4,174	107	7,200	55,723
Additions	28,929	-	-	-	28,929
At 31 December 2018	73,171	4,174	107	7,200	84,652
Accumulated amortisation:					
At 1 January 2018	(27,503)	(3,532)	(107)	(1,635)	(32,777)
Amortisation provided during the year (note 6)	(16,139)	-	-	(226)	(16,365)
At 31 December 2018	(43,642)	(3,532)	(107)	(1,861)	(49,142)
Accumulated impairment:					
At 1 January and 31 December 2018	-	(642)	-	-	(642)
Net carrying amount:					
At 1 January 2018	16,739	-	-	5,565	22,304
At 31 December 2018	29,529	-	-	5,339	34,868

18. INVESTMENT IN A JOINT VENTURE

	2019 RMB'000	2018 RMB'000
Share of net assets	13,045	12,723

The Group's trade receivable balances due from the joint venture are disclosed in note 37 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

The above investment is directly held by the Company.

18. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The following table illustrates the financial information of Hangzhou Anji:

	2019 RMB'000	2018 RMB'000
Share of the joint venture's profit for the year	322	1,062
Share of the joint venture's total comprehensive income	322	1,062
Carrying amount of the Group's investment in the joint venture	13,045	12,723

19. INVESTMENT IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Share of net assets	84,931	84,535

As at 31 December 2019, particulars of the Company's associate are as follows:

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

The Group's shareholding in the associate comprise equity shares held by the Company.

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

	2019 RMB'000	2018 RMB'000
Share of the associate's profit for the year	335	4,886
Effective portion of changes in special reserves	61	-
Share of the associate's total comprehensive income	396	4,886
Carrying amount of the Group's investment in the associate	84,931	84,535

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

	2019 RMB'000	2018 RMB'000
An equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value China South Industries Group Finance Co., Ltd. (“Zhuangbei Finance")	67,000	28,900

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

On 20 May 2019, the Company and Zhuangbei Finance entered into the Zhuangbei Finance Capital Increase Agreement, to agree upon the capital increase in Zhuangbei Finance on a pro-rata basis. Pursuant to which, the Company injected RMB16,124,000 in Zhuangbei Finance. Immediately after the completion of the capital increase in Zhuangbei Finance, the shareholders and shareholding ratio of Zhuangbei Finance remain the same. During the year ended 31 December 2019, a fair value gain of RMB21,976,000 was recognised in other comprehensive income. The fair value measurement of the equity investment designated at fair value through other comprehensive income is categorised within level 3 of the fair value hierarchy.

During the year ended 31 December 2019, the Group received dividends in the amount of RMB1,753,000 (2018: RMB1,680,000) from Zhuangbei Finance.

21. OTHER NON-CURRENT ASSETS

	Note	2019 RMB'000	2018 RMB'000
Prepayment for a land use right	(i)	39,029	39,029
Prepayment for purchases of other intangible assets		12,503	11,365
		51,532	50,394

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

22. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	743	1,397
Work in progress	1,650	187
Finished goods	8,783	16,205
Impairment	(300)	(250)
	10,876	17,539

23. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Bills receivable	347,818	377,270
Trade receivables	445,495	332,840
Impairment	(39,472)	(45,899)
	753,841	664,211

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

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

As at 31 December 2019, bills receivable amounting to RMB22,246,000 (2018: Nil) were pledged by the Group to secure bank acceptance bills.

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2019 RMB'000	2018 RMB'000
Within 3 months	365,410	175,156
3 to 6 months	20,875	77,150
6 months to 1 year	17,358	28,929
Over 1 year	2,380	5,706
	406,023	286,941

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

	2019 RMB'000	2018 RMB'000
At beginning of year	45,899	51,283
Impairment losses/(reversal), net (note 6)	(6,424)	(5,347)
Amount written off as uncollectible	(3)	(37)
At end of year	39,472	45,899

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

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

As at 31 December 2019

		Past due			
	Current	Less than 3 months	4 to 9 months	Over 9 months	Total
Expected credit loss rate	0.47%	1.68%	2.59%	93.94%	8.86%
Gross carrying amount (RMB’000)	367,150	21,231	17,820	39,294	445,495
Expected credit losses (RMB’000)	1,740	356	462	36,914	39,472

As at 31 December 2018

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

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments	12,302	38,056
Deposits and other receivables	66,585	66,456
Impairment allowance	(2,135)	(2,063)
	76,752	102,449

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

	2019 RMB'000	2018 RMB'000
At beginning of year	2,063	2,129
Impairment losses (note 6)	72	538
Amount written off as uncollectible	-	(604)
At end of year	2,135	2,063

Deposits and other receivables mainly represent deposits with suppliers or clients. Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2019 ranged from 0.1% to 4% (31 December 2018: 0.5% to 10%).

25. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	841,790	1,191,558
Less: Bank balances pledged for bank acceptance bills, letters of credit and bank letters of guarantee	(15,587)	(1,809)
Cash and cash equivalents	826,203	1,189,749

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB821,506,000 (2018: RMB1,181,916,000). 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, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	1,613,920	1,306,626
3 to 6 months	27,034	312,490
6 months to 1 year	15,235	8,868
1 to 2 years	24,811	5,937
2 to 3 years	17	3,126
Over 3 years	999	1,560
	1,682,016	1,638,607

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

As a result of the initial application of HKFRS 16, accrued lease payments of RMB6,696,000 previously included in “Trade and bills payables” were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2 to the financial statements for further details).

As at 31 December 2019, bills payable with an aggregate amount of approximately RMB64,126,000 (2018: RMB16,588,000) were secured by the pledge deposits of RMB15,587,000 (2018: RMB1,809,000) and bills receivable of RMB22,246,000 (2018: Nil).

27. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Dividends payable	204	-
Contract liabilities	3,471	4,793
Other payables	249,227	272,712
Other taxes	7,342	3,883
Accruals for payroll and welfare	188,856	238,919
	449,100	520,307

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

28. INTEREST-BEARING BANK AND OTHER LOANS

	2019			2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Unsecured loans*	5.30	2020	4,000	5.30-5.50	2019	10,000
Other secured loans**	4.75	2020	9,564	4.75	2019	9,344
			13,564			19,344
Non-current						
Other secured loans**			-	4.75	2020	9,344
			13,564			28,688

	2019 RMB'000	2018 RMB'000
Analysed into:		
Loans repayable:		
Within one year	13,564	19,344
Loans repayable:		
Beyond one year	-	9,344
	13,564	28,688

* As at 31 December 2019, the Group's interest-bearing loans from a financial institution bore interest of 5.3% per annum and were repayable in 2020.

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

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

Other loans were secured by mortgages over the Group's production lines, which had an aggregate carrying amount as at 31 December 2019 of approximately RMB13,631,000 (2018: RMB16,090,000) (note 13).

29. DEFERRED TAX

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

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Fair value adjustments of an equity investment at fair value through other comprehensive income RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2018	3,042	-	-	3,042
Effect of adoption of HKFRS 16	-	-	23,548	23,548
At 1 January 2019 (restated)	3,042	-	23,548	26,590
Deferred tax credited to profit or loss during the year (note 10)	(149)	-	(4,966)	(5,115)
Deferred tax charged to other comprehensive income during the year	-	3,296	-	3,296
Gross deferred tax liabilities at 31 December 2019	2,893	3,296	18,582	24,771

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

29. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Depreciation allowance in excess of related depreciation and amortisation RMB'000	Impairment of financial assets RMB'000	Provision for impairment of inventories RMB'000	Deferred income RMB'000	Loss available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Payroll payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At 31 December 2018	18,164	12,895	63	1,385	-	6,345	20,999	-	59,851
Effect of adoption of HKFRS 16	-	-	-	-	-	-	-	25,016	25,016
At 1 January 2019 (restated)	18,164	12,895	63	1,385	-	6,345	20,999	25,016	84,867
Deferred tax credited/(charged) to profit or loss during the year (note 10)	1,821	2,527	-	2,549	5,461	(767)	(5,196)	(3,257)	3,138
Gross deferred tax assets at 31 December 2019	19,985	15,422	63	3,934	5,461	5,578	15,803	21,759	88,005

29. DEFERRED TAX (CONTINUED)

Deferred tax assets (Continued)

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

29. DEFERRED TAX (CONTINUED)

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

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	88,005	59,851
Net deferred tax liabilities recognised in the consolidated statement of financial position	(18,582)	-
Net deferred tax assets	69,423	59,851

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

	2019 RMB'000	2018 RMB'000
Tax losses	115,240	55,934
Deductible temporary differences	4,293	2,120
	119,533	58,054

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

	2019 RMB'000	2018 RMB'000
Government grants		
At 1 January	9,604	7,387
Addition	19,013	2,880
Released during the year	(6,434)	(663)
At 31 December	22,183	9,604

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

	2019 RMB'000	2018 RMB'000
Authorised:		
162,064,000 (2018: 162,064,000) ordinary shares of RMB1.00 each	162,064	162,064
Issued and fully paid:		
162,064,000 (2018: 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 2019 and 31 December 2019	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 7 of the financial statements.

(a) Statutory reserves of the PRC subsidiaries

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

(b) Safety fund surplus reserve

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

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

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

	2019 RMB'000	2018 RMB'000
Percentage of equity interest held by non-controlling interests	33%	33%
Profit for the year allocated to non-controlling interests	11,186	19,258
Dividends paid to non-controlling interests	11,895	26,400
Accumulated balances of non-controlling interests at the reporting date	100,840	101,545

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

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

	Nanjing CMSCL	
	2019 RMB'000	2018 RMB'000
Revenue	465,298	511,118
Total expenses	(431,400)	(452,761)
Profit for the year	33,898	58,357
Total comprehensive income for the year	33,898	58,357
Current assets	424,759	440,427
Non-current assets	87,841	51,809
Current liabilities	(202,370)	(184,523)
Non-current liabilities	(4,654)	-
Net cash flows from operating activities	60,404	10,660
Net cash flows used in investing activities	(26,367)	(3,250)
Net cash flows used in financing activities	(36,045)	(80,000)
Effect of foreign exchange rate changes, net	(9)	46
Net decrease in cash and cash equivalents	(2,017)	(72,544)

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,133,000 and RMB11,133,000, respectively, in respect of lease arrangements for plant and equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities:

	Interest-bearing bank and other loans RMB'000	Lease liabilities RMB'000	Bank advances for discounted bills RMB'000	Total RMB'000
At 31 December 2018	28,688	-	114,266	142,954
Effect of adoption of HKFRS 16	-	116,562	-	116,562
At 1 January 2019 (restated)	28,688	116,562	114,266	259,516
Changes from financing cash flows	(15,124)	(15,279)	(99,855)	(130,258)
New leases	-	11,133	-	11,133
Lease modification	-	(14,601)	-	(14,601)
At 31 December 2019	13,564	97,815	14,411	125,790

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

(b) Changes in liabilities arising from financing activities: (continued)

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

(c) Total cash outflow for leases

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

	2019 RMB'000
Within operating activities	33,401
Within financing activities	15,279
	48,680

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. COMMITMENTS

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

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Plant and machinery	70,444	66,959
Capital contributions payable to equity investment	22,700	-
	93,144	66,959

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties and equipment under operating lease arrangements. Leases for properties were negotiated for terms ranging from one to ten years. As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	71,420
In the second to fifth years, inclusive	65,808
After five years	40,781
	178,009

37. RELATED PARTY TRANSACTIONS

(a) For the years ended 31 December 2019 and 2018, 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
Hubei Huazhong Maruili Automobile Lighting Co., Ltd. (“Hubei Huazhong Maruili”)	Ultimately controlled by CSI Group
Chongqing Dajiang Industry Group Xingchen Logistics Co., Ltd. (“Dajiang Xingchen”)	Ultimately controlled by CSI Group
Chongqing Naishite Steering System Co., Ltd. (“Chongqing Naishite”)	Ultimately controlled by CSI Group
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd. (“Lingchuan Tank”)	Ultimately controlled by CSI Group
Chongqing Jianshe Automobile Air-Conditioner Co., Ltd. (“Chongqing Jianshe Auto-Air”)	Ultimately controlled by CSI Group
Chengdu Wanyou Filter Co., Ltd. (“Chengdu Wanyou”)	Ultimately controlled by CSI Group
Hubei Xiaogan Huazhong Automotive Lighting Co., Ltd. (“Hubei Xiaogan”)	Ultimately controlled by CSI Group
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd. (“Dajiang Xinda”)	Ultimately controlled by CSI Group
Chongqing Changfeng Jiquan Machinery Co., Ltd. (“Changfeng Jiquan”)	Ultimately controlled by CSI Group
Yunnan Xiyi Industrial Co., Ltd. (“Yunnan Xiyi”)	Ultimately controlled by CSI Group
Chongqing Shangfang Automobile Fittings Co., Ltd. (“Shangfang Fitting”)	Ultimately controlled by CSI Group
Sichuan Hongguang Machinery and Electrics Co., Ltd. (“Sichuan Hongguang”)	Ultimately controlled by CSI Group
Chongqing Changan Industry Company (Group) Limited (“Changan Industry Company”)	Ultimately controlled by CSI Group
Tiannake Lingchuan Chongqing Exhaust System Co., Ltd. (“Tiannake Lingchuan”)	Ultimately controlled by CSI Group
Sichuan Huaqing Machinery Co., Ltd. (“Sichuan Huaqing”)	Ultimately controlled by CSI Group
Chongqing Yihong Engineering Plastic Products Co., Ltd. (“Yihong Plastic”)	Ultimately controlled by CSI Group
Chongqing Changrong Machinery Co., Ltd. (“Changrong Machinery”)	Ultimately controlled by CSI Group
Chongqing Construction Toneluck Industrial Co., Ltd ("Chongqing Jianshe Toneluck")	Ultimately controlled by CSI Group
China South Industries Group Factoring Co., Ltd. ("Zhuangbei Factoring")	Ultimately controlled by CSI Group
Chongqing Dajiang Jiexin Forging Co., Ltd. (“Dajiang Jiexin”)	Ultimately controlled by CSI Group
Chongqing Changjiang Electric Industry Group Co., Ltd. (“Chongqing Changjiang Electric”)	Ultimately controlled by CSI Group
Chengdu Lingchuan Special Industrial Co., Ltd. (“Lingchuan Industrial”)	Ultimately controlled by CSI Group
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd. (“Chengdu Jialing Huaxi”)	Ultimately controlled by CSI Group
Chongqing Jianshe Industrial (Group) Co., Ltd. (“Jianshe Industrial”)	Ultimately controlled by CSI Group
Chongqing Changan Property Management Co., Ltd. (“Changan Property”)	Ultimately controlled by CSI Group
Chongqing Changxin Construction Co., Ltd. (“Chongqing Changxin”)	Ultimately controlled by CSI Group
Chongqing Changan Construction Co., Ltd. (“Chongqing Changan Construction”)	Ultimately controlled by CSI Group

continued/…

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) For the years ended 31 December 2019 and 2018, related parties, other than the subsidiaries, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
China South Industries Group Finance Co., Ltd. (“Zhuangbei Finance”)	Ultimately controlled by CSI Group
Chongqing Changan Automobile Co., Ltd. (“Changan Automobile”)	Controlled by China Changan
Chongqing Anfu Automobile Co.,Ltd. (“Chongqing Anfu”)	Controlled by China Changan
Harbin Dongan Automotive Engine Manufacturing Co., Ltd. (“Harbin DAE”)	Controlled by China Changan
Nanning Wanyou Auto Sales and Service Co.,Ltd. (“Nanning Wanyou”)	Controlled by China Changan
Harbin Dongan Automotive Power Co., Ltd. (“Harbin DAP”)	Controlled by China Changan
Guangxi Wanyou Auto Sales and Service Co.,Ltd. (“Guangxi Wanyou”)	Controlled by China Changan
Chongqing Wanyou Economic Development Co., Ltd. (“Wanyou Economic”)	Controlled by China Changan
CSGC TRW Chassia Systems Co., Ltd. (“CTCS”)	Controlled by China Changan
China Changan Automobile Group Ningbo Dongxiang Sales Co., Ltd. (“Ningbo Dongxiang”)	Controlled by China Changan
Anhui Jian'an Chassis System Co., Ltd. (“Anhui Jian'an”)	Controlled by China Changan
Chengdu Huachuan Electric Equipment Co., Ltd. (“Chengdu Huachuan”)	Controlled by China Changan
Chengdu Ningjiang Showa Autoparts Co., Ltd. (“Ningjiang Showa”)	Controlled by China Changan
South Inter Air-Conditioner Co., Ltd. (“South Air”)	Controlled by China Changan
Sichuan Ningjiang Shanchuan Machinery Co., Ltd. (“Ningjiang Shock”)	Controlled by China Changan
Zhonghui Futong Finance Lease (Shenzhen) Co., Ltd. (“Zhonghui Futong”)	Controlled by China Changan
Hafei Automobile Co., Ltd. (“Hafei Automobile”)	Controlled by China Changan
Harbin Hafei Automobile Industry Group Co., Ltd. (“Hafei Industry”)	Controlled by China Changan
Sichuan Jian'an Industrial Co., Ltd. (“Sichuan Jian’an”)	Controlled by China Changan
Chongqing Wanyou Longrui Auto Sales and Service Co., Ltd. (“Wanyou Longrui”)	Controlled by China Changan
Yunnan Wanyou Auto Sales and Service Co.,Ltd. (“Yunnan Wanyou”)	Controlled by China Changan
Dehong Wanfu Automobile Sales & Service Co., Ltd. (“Dehong Wanfu”)	Controlled by China Changan
Liupanshui Wanfu Automobile Sales & Service Co., Ltd. (“Liupanshui Wanfu”)	Controlled by China Changan
Wanyou Automobile Investment Co.,Ltd. (“Wanyou Investment”)	Controlled by China Changan
Chongqing Wanyou Ducheng Automobile Sales Service Co., Ltd. ("Chongqing Wanyou Ducheng")	Controlled by China Changan
Guizhou Wanfu Automobile Sales & Service Co., Ltd. ("Guizhou Wanfu ")	Controlled by China Changan
Minsheng Logistics Co., Ltd. (“Minsheng Logistics”)	Ultimately controlled by Minsheng Industrial
Minsheng International Container Transportation Co.,Ltd. (“Minsheng International Container”)	Ultimately controlled by Minsheng Industrial
Minsheng International Freight Co., Ltd. (“Minsheng International Freight”)	Ultimately controlled by Minsheng Industrial
Tianjin Minsheng International Shipping Agencies Co., Ltd. (“Tianjin Minsheng Shipping”)	Ultimately controlled by Minsheng Industrial
Shanghai Minsheng International Freight Co., Ltd. (“Shanghai Minsheng International Freight”)	Ultimately controlled by Minsheng Industrial
Hubei Minsheng International Freight Co., Ltd. (“Hubei Minsheng International Freight”)	Ultimately controlled by Minsheng Industrial
Chongqing Minsheng Customs Clearance Co., Ltd. ("Chongqing Minsheng Customs")	Ultimately controlled by Minsheng Industrial
Chongqing Minsheng Comprehensive Logistics Co., Ltd. ("Minsheng Comprehensive")	Ultimately controlled by Minsheng Industrial
Shanghai Minsheng Shipping Co., Ltd. (“Shanghai Minsheng Shipping”)	Controlled by Minsheng Industrial
Ming Sung Industrial Co., (HK) Ltd. (“Ming Sung (HK)”)	Controlled by Minsheng Industrial
Minsheng Shipping Co., Ltd. (“Minsheng Shipping”)	Controlled by Minsheng Industrial
Baoding Changan Bus Manufacture Co., Ltd. (“Changan Bus”)	Controlled by Changan Automobile
Chongqing Changan Special Automobile Sales Co., Ltd. (“Changan Special”)	Controlled by Changan Automobile
Chongqing Changan Connected Car Technology Co., Ltd. (“Changan Connected”)	Controlled by Changan Automobile
Hefei Changan Yixing Technology Co.,Ltd. (“Hefei Changan Yixing”)	Controlled by Changan Automobile
Hebei Changan Automobile Co., Ltd. (“Hebei Changan”)	Controlled by Changan Automobile
Nanjing Changan Automobile Co., Ltd. (“Nanjing Changan”)	Controlled by Changan Automobile
Hefei Changan Automobile Co., Ltd. (“Hefei Changan”)	Controlled by Changan Automobile
Chongqing Changan International Sales and Services Co., Ltd. (“Changan International Sales”)	Controlled by Changan Automobile
Chongqing Changan Automobile Supporting Service Co., Ltd. (“Changan Service”)	Controlled by Changan Automobile

continued/…

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) For the years ended 31 December 2019 and 2018, related parties, other than the subsidiaries, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Chongqing Changan New Energy Vehicle Co., Ltd. ("Changan New Energy")	Controlled by Changan Automobile
Chongqing Changan New Energy Automobile Technology Co., Ltd. ("Changan New Energy Technology")	Controlled by Changan Automobile
Chongqing Changan Suzuki Automobile Co., Ltd. ("Changan Suzuki")	Controlled by Changan Automobile
Changan Ford Automobile Co., Ltd. ("Changan Ford")	Joint venture of Changan Automobile
Changan Mazda Automobile Co., Ltd. ("Changan Mazda")	Joint venture of Changan Automobile
Changan Mazda Engine Co., Ltd. ("Changan Mazda Engine")	Joint venture of Changan Automobile
Jiangling Holding Co., Ltd. ("Jiangling Holding")	Associate of Changan Automobile
Changan Automobile Finance Co.,Ltd. ("Changan Automobile Finance")	Associate of Changan Automobile
Nanjing Chelai Travel Technology Co.,Ltd. ("Nanjing Chelai")	Associate of Changan Automobile
Chongqing Changan Kuayue Automobile Co., Ltd. ("Changan Kuayue")	Associate of Changan Automobile
Chongqing Ante Import and Export Trading Co., Ltd. ("Chongqing Ante")	Subsidiary of Changan Ford
Changan Ford (Hangzhou) Trading Co., Ltd. ("Hangzhou Trading")	Subsidiary of Changan Ford
Changan Ford New Energy Automobile Sale Service Co., Ltd. ("Guangzhou New Energy")	Subsidiary of Changan Ford
Changan Ford New Energy Automobile Sale Service Co., Ltd. ("Shenzhen New Energy")	Subsidiary of Changan Ford
Hangzhou Anji	Joint venture of the Company
Chongqing Terui Transportation Service Company Limited ("Chongqing Terui")	Former associate of the Company

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

Transactions with a joint venture:

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

	2019 RMB'000	2018 RMB'000
Hangzhou Anji	40,526	62,623

(ii) Income from the leasing services:

	2019 RMB'000	2018 RMB'000
Hangzhou Anji	378	300

(iii) Supply chain management services for automobile raw materials, components and parts services provided by a joint venture:

	2019 RMB'000	2018 RMB'000
Hangzhou Anji	8	-

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties:

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

	2019 RMB'000	2018 RMB'000
Changan Automobile	1,200,975	917,284
Changan Ford	355,319	737,625
Changan Mazda	226,767	255,308
Changan Bus	193,891	144,450
Hebei Changan	48,635	161
Hefei Changan	19,218	-
Minsheng Logistics	11,088	8,885
Changan New Energy Technology	4,600	-
Shenzhen New Energy	925	-
Changan Connected	820	257
Hefei Changan Yixing	589	252
Guangzhou New Energy	513	-
Chongqing Anfu	153	220
Wanyou Economic	98	-
Dajiang Xingchen	57	653
Changan Automobile Finance	46	7
Chengdu Huachuan	18	-
Chongqing Wanyou Ducheng	12	-
Guangxi Wanyou	3	6
Nanning Wanyou	3	62
Changrong Machinery	2	-
Changan Special	-	592
Sichuan Jian'an	-	348
Nanjing Changan	-	129
Harbin DAE	-	98
Harbin DAP	-	31
Changan Suzuki	-	13
	2,063,732	2,066,381

37. 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:

	2019 RMB'000	2018 RMB'000
Changan Ford	424,362	555,902
Changan Automobile	210,623	257,833
Changan Mazda	171,858	207,764
Changan International Sales	110,736	71,106
Sichuan Jian'an	39,655	33,230
Chongqing Ante	36,117	63,685
Hefei Changan	27,434	16,670
Hangzhou Trading	24,792	-
Changan Bus	15,939	8,552
Chengdu Huachuan	14,047	1,953
Changan Service	11,107	11,341
Changan Mazda Engine	7,416	13,904
Hebei Changan	6,694	6,084
Anhui Jian'an	4,618	2,363
Jiangling Holding	3,174	6,441
Nanjing Changan	2,794	2,729
Changan Suzuki	2,494	5,228
Chengdu Wanyou	1,800	1,948
Ningjiang Showa	1,239	1,818
Harbin DAE	1,010	4,470
Harbin DAP	790	2,217
Hubei Xiaogan	789	1,063
Ningjiang Shock	615	622
CTCS	599	3,311
South Air	572	1,137
Chongqing Naishite	564	254
Chongqing Jianshe Auto-Air	528	563
Minsheng Logistics	456	203
Changfeng Jiquan	311	522
Yunnan Xiyi	281	330
Shangfang Fitting	221	130
Minsheng Comprehensive	177	-
Jianshe Industrial	140	-
Hubei Huazhong Maruili	119	504
Lingchuan Tank	77	75
Sichuan Hongguang	74	129
Sichuan Huaqing	55	92
Chongqing Jianshe Toneluck	48	-
China Changan	41	2,300
Minsheng International Container	40	-
Changrong Machinery	28	64
Dajiang Jiexin	24	29
Nanjing Chelai	22	8
Tiannake Lingchuan	20	107
Dajiang Xinda	19	790
Yihong Plastic	17	89
Chengdu Jialing Huaxi	10	6
Changan Property	7	-
Guizhou Wanfu	5	-
Changan Industry Company	-	115
Chongqing Changjiang Electric	-	25
Lingchuan Industrial	-	17
	1,124,558	1,287,723

37. 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:

	2019 RMB'000	2018 RMB'000
Changan Ford	363,898	848,627
Changan Automobile	5,271	48,990
Hebei Changan	1,990	2,980
Jiangling Holding	1,405	-
Changan Bus	1,369	1,266
Sichuan Jian'an	889	-
Changan Suzuki	251	589
Changan International Sales	240	84
Hefei Changan	165	-
Nanjing Changan	90	-
Changan New Energy	-	1,634
	375,568	904,170

(iv) Income from the financing logistics services:

	2019 RMB'000	2018 RMB'000
Zhuangbei Factoring	182	-

(v) Purchases of transportation services:

	2019 RMB'000	2018 RMB'000
Minsheng Logistics	161,623	163,228
Minsheng International Freight	24,514	20,562
Shanghai Minsheng Shipping	21,534	11,321
Dajiang Xingchen	6,262	829
Minsheng International Container	2,671	7,032
APLLC	975	135
Changan Mazda	767	1,298
Changan Suzuki	343	-
Chongqing Minsheng Customs	223	-
Changan Bus	206	-
Shanghai Minsheng International Freight	125	71
Minsheng Shipping	33	-
APLL Shanghai	30	46
Changan Property	12	28
Tianjin Minsheng Shipping	5	202
Sichuan Jian'an	-	920
Hubei Minsheng International Freight	-	34
	219,323	205,706

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

(vi) Purchases of construction services:

	2019 RMB'000	2018 RMB'000
Chongqing Changxin	1,518	2,504

(vii) Purchases of security and cleaning services:

	2019 RMB'000	2018 RMB'000
Changan Property	7,464	7,305

(viii) Operating leases - warehouse and venue:

	2019 RMB'000	2018 RMB'000
Hefei Changan	916	857
Changan Suzuki	342	-
Changan Special	63	1,332
Hebei Changan	21	105
Dajiang Xingchen	-	225
	1,342	2,519

(ix) Loans from related parties:

	2019 RMB'000	2018 RMB'000
Zhuangbei Finance	4,000	10,000

The interest rate is 5.30% per annum (2018: 5.30% to 5.50%).

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2019 and 2018, the related party balances were as follows:

Due from related parties:

	2019 RMB'000	2018 RMB'000
Balances from the rendering of services and the sale of goods		
Changan Automobile	613,270	588,262
Changan Ford	482,187	467,922
Changan Mazda	154,509	172,019
Changan Bus	103,421	66,795
Hefei Changan	49,799	4,779
Hebei Changan	45,063	2,523
Jiangling Holding	37,860	33,359
Hafei Automobile	27,666	28,097
Hangzhou Anji	27,255	30,405
Chongqing Ante	26,508	46,937
Sichuan Jian'an	17,892	11,278
Changan International Sales	14,403	5,054
Hangzhou Trading	9,074	-
Changan New Energy Technology	4,876	-
Changan Service	4,811	4,341
Chengdu Huachuan	4,070	544
Anhui Jian'an	2,737	2,099
Changan Mazda Engine	2,314	17,310
Chengdu Wanyou	923	390
Harbin DAP	778	462
Hubei Xiaogan	742	1,133
CTCS	666	1,929
Nanjing Changan	632	1,390
Changan Suzuki	619	1,491
Chongqing Naishite	463	354
Minsheng Logistics	354	7,402
Ningjiang Showa	329	704
Dajiang Xingchen	319	34,562
Changrong Machinery	257	308
Ningjiang Shock	188	279
Minsheng Comprehensive	187	-
Hubei Huazhong Maruili	155	290
Jianshe Industrial	149	4,009
Shangfang Fitting	108	179
Changfeng Jiquan	96	169
Changan Kuayue	93	93
Dajiang Jiexin	74	70
Changan Industry Company	67	-
Sichuan Huaqing	59	7
China Changan	49	76
Sichuan Hongguang	47	85
South Air	41	24
Chongqing Jianshe Toneluck	31	-
Tiannake Lingchuan	19	3
Nanjing Chelai	14	-
Yunnan Xiyi	12	14
Chongqing Changjiang Electric	10	10
Minsheng International Container	9	-
Hefei Changan Yixing	7	-
Zhuangbei Factoring	7	-
Lingchuan Tank	5	53
Wanyou Longrui	5	5
Chongqing Jianshe Auto-Air	4	21
Yihong Plastic	3	125
Yunnan Wanyou	2	2
Chengdu Jialing Huaxi	1	-
Dehong Wanfu	1	1
Liupanshui Wanfu	1	1
Ningbo Dongxiang	1	1
Changan New Energy	-	791
Changan Special	-	627
Harbin DAE	-	604
Dajiang Xinda	-	386
Changan Connected	-	279
	1,635,242	1,540,053

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2019 and 2018, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

	2019 RMB'000	2018 RMB'000
Deposits and other receivables		
Changan Ford	4,705	3,007
Changan Suzuki	2,807	2,807
Changan Mazda	1,472	1,611
Zhonghui Futong	1,244	2,739
Changan Automobile	957	957
Hafei Automobile	713	621
Hebei Changan	612	612
Changan Bus	304	304
Jiangling Holding	300	-
Nanjing Changan	212	-
Hangzhou Anji	111	4,669
Sichuan Jian'an	100	-
Chongqing Changan Construction	82	82
Hefei Changan	79	75
Chongqing Ante	44	83
Ming Sung (HK)	38	94
Minsheng Logistics	20	-
Changan Mazda Engine	13	13
Changan Industry Company	5	5
China Changan	3	-
Changan Property	3	-
Jianshe Industrial	1	1
Changan Special	-	200
Chengdu Huachuan	-	10
Minsheng Shipping	-	2
Minsheng International Freight	-	1
	13,825	17,893
Prepayments		
Minsheng Shipping	122	33
Hefei Changan	6	225
Changan Industry Company	6	-
Changan Automobile	1	1
Changan Ford	-	175
Shanghai Minsheng International Freight	-	84
	135	518
Less: Loss allowance for impairment of amounts due from related parties	(57,896)	(32,786)
	1,591,306	1,525,678

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2019 and 2018, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

(i) Balances from the rendering of services and the sale of goods

An ageing analysis of the amounts from the rendering of services and the sale of goods due from related parties as at the end of the reporting period, based on the invoice date and net of impairment losses, is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	1,559,200	1,439,560
3 to 6 months	9,710	34,641
6 months to 1 year	10,856	34,628
Over 1 year	-	546
	1,579,766	1,509,375

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

	2019 RMB'000	2018 RMB'000
At 1 January	30,678	31,594
Impairment losses recognised	24,798	(916)
	55,476	30,678

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

Set out below is the information about the credit risk exposure on the Group's amounts due from related parties from the rendering of services and the sale of goods using a provision matrix:

As at 31 December 2019

		Past due			
	Current	Less than 3 months	4 to 9 months	Over 9 months	Total
Expected credit loss rate	0.06%	0.15%	14.56%	98.31%	3.39%
Gross carrying amount (RMB'000)	1,559,196	9,715	12,771	53,560	1,635,242
Expected credit losses (RMB'000)	945	15	1,860	52,656	55,476

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2019 and 2018, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

(i) Balances from the rendering of services and the sale of goods (continued)

As at 31 December 2018

		Past due			
	Current	Less than 3 months	4 to 9 months	Over 9 months	Total
Expected credit loss rate	0.07%	0.16%	0.54%	97.25%	1.99%
Gross carrying amount (RMB'000)	1,439,560	34,641	35,597	30,255	1,540,053
Expected credit losses (RMB'000)	1,008	55	192	29,423	30,678

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

Receivables that were past due but not impaired relate to a number of related parties that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(ii) Deposits and other receivables

	2019 RMB'000	2018 RMB'000
Deposits and other receivables	13,825	17,893
Impairment allowance	(2,420)	(2,108)
	11,405	15,785

Deposits and other receivables mainly represent deposits with suppliers or clients. Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2019 ranged from 0.1% to 20% (2018: 0.2% to 17%).

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2019 and 2018, the related party balances were shown as follows: (continued)

Due to related parties:

	2019 RMB'000	2018 RMB'000
Balances from transportation services provided by related parties		
Minsheng Logistics	148,765	174,421
Changan Automobile	33,935	29,617
Minsheng International Freight	5,585	5,401
Shanghai Minsheng Shipping	4,279	3,640
Sichuan Jian'an	1,751	1,030
Hafei Automobile	1,106	1,173
Minsheng International Container	862	1,101
Dajiang Xingchen	754	1,743
Changan Suzuki	361	-
APLLC	340	408
Changan Mazda	178	10
Jiangling Holding	100	-
Nanjing Changan	64	-
Shanghai Minsheng International Freight	9	-
Hangzhou Anji	8	-
APLL Shanghai	7	5
Minsheng Shipping	5	5
Chongqing Minsheng Customs	1	-
Chongqing Terui	-	257
Hafei Industry	-	115
Changan Industry Company	-	21
	198,110	218,947

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2019 and 2018, the related party balances were shown as follows: (continued)

Due to related parties: (continued)

	2019 RMB'000	2018 RMB'000
Other payables		
Zhuangbei Factoring	24,955	-
Changan Ford	6,029	-
Minsheng Logistics	3,016	2,045
Changan Property	1,903	1,195
Chongqing Changxin	1,006	1,938
Dajiang Xingchen	1,000	1,000
Minsheng Industrial	834	55
Changan Automobile	763	604
Sichuan Jian'an	567	216
Changan Industry Company	367	1,551
APLLC	142	44
China Changan	138	69
Changan Mazda Engine	60	60
Nanjing Changan	55	86
Changan Mazda	32	32
Chongqing Changan Construction	29	79
Changan Bus	28	11
Jiangling Holding	20	20
Changan Service	9	9
Chengdu Huachuan	8	8
Minsheng Shipping	1	1
South Air	1	1
Wanyou Economic	1	1
Changan Special	-	381
Zhonghui Futong	-	143
Hafei Industry	-	115
Ningjiang Shock	-	86
Hafei Automobile	-	83
Shanghai Minsheng Shipping	-	66
Minsheng International Freight	-	47
Wanyou Investment	-	27
	40,964	9,973
Contract liabilities		
Changan Suzuki	80	109
Harbin DAE	56	-
Changan Automobile	3	3
Hubei Xiaogan	-	50
Changan Industry Company	-	63
	139	225
	239,213	229,145

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2019 and 2018, the related party balances were shown as follows: (continued)

Due to related parties: (continued)

An ageing analysis of the amounts from transportation services provided by related parties as at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	163,853	217,574
3 to 6 months	1,585	735
6 months to 1 year	9,367	85
1 to 2 years	23,302	530
Over 2 years	3	23
	198,110	218,947

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 2019 and 2018, 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	2019 RMB'000	2018 RMB'000
Zhuangbei Finance	344,970	442,985

The interest rates range from 0.46% to 1.89% per annum (2018: 0.46% to 1.89%).

Loans	2019 RMB'000	2018 RMB'000
Zhonghui Futong (note 28)	9,564	18,688
Zhuangbei Finance (note 28)	4,000	10,000
	13,564	28,688

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2019

<u>Financial assets</u>

	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income		Total RMB'000
		Equity investments RMB'000	Debt investments RMB'000	
An equity investment designated at fair value through other comprehensive income	-	67,000	-	67,000
Trade and bills receivables	406,023	-	347,818	753,841
Financial assets included in prepayments, other receivables and other assets	64,450	-	-	64,450
Due from related parties	1,591,171	-	-	1,591,171
Pledged deposits	15,587	-	-	15,587
Cash and cash equivalents	826,203	-	-	826,203
	2,903,434	67,000	347,818	3,318,252

<u>Financial liabilities</u>

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,682,016
Financial liabilities included in other payables and accruals	249,227
Due to related parties	239,074
Lease liabilities	97,815
Bank advances for discounted bills	14,411
Interest-bearing bank and other loans	13,564
	2,296,107

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

31 December 2018

Financial assets

		Financial assets at fair value through other comprehensive income		
	Financial assets at amortised cost RMB'000	Equity investments RMB'000	Debt investments RMB'000	Total RMB'000
An equity investment designated at fair value through other comprehensive income	-	28,900	-	28,900
Trade and bills receivables	286,941	-	377,270	664,211
Financial assets included in prepayments, other receivables and other assets	64,393	-	-	64,393
Due from related parties	1,525,160	-	-	1,525,160
Pledged deposits	1,809	-	-	1,809
Cash and cash equivalents	1,189,749	-	-	1,189,749
	3,068,052	28,900	377,270	3,474,222

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,638,607
Financial liabilities included in other payables and accruals	272,712
Due to related parties	228,920
Bank advances for discounted bills	114,266
Interest-bearing bank and other loans	28,688
	2,283,193

39. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are not derecognised in their entirety

At 31 December 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB14,411,000 (2018: Nil) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). The Endorsed Bills had a maturity of one to ten months at 31 December 2019. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills have a right of recourse against the Group if the PRC banks default. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB14,411,000 (2018: Nil) as at 31 December 2019.

39. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Financial assets that are derecognised in their entirety

As at 31 December 2019, 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 RMB24,615,000 (referred to as the "Derecognised Bills", 2018: RMB19,487,000). The Derecognised Bills have a maturity from one to nine months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in 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.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At the end of each reporting period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of an unlisted equity investment designated at fair value through other comprehensive income has been estimated using the comparable transaction method based on assumptions that are not supported by observable market prices or rates. The key ratio used in the computation of fair value is a price to book value ("P/B") multiple at 1.02. The key assumptions of using the P/B multiple under the compareable transaction method are 1) Zhuangbei Finance is a finance company and lack of comparable public companies; and 2) the P/B multiple matches Zhuangbei Finance's income composition, which is consistent with the identified comparable samples in the comparable transactions. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

For the fair value of the unlisted equity investment at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model. The fair value measurement is positively correlated to the P/B ratio. As at 31 December 2019, it is estimated that with all other variables held constant, an increase/decrease in the P/B multiple by 10% would have increased/decreased the fair value by RMB6,682,000.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bills receivable measured at fair value through other comprehensive income	-	347,818	-	347,818
An equity investment designated at fair value through other comprehensive income	-	-	67,000	67,000
	-	347,818	67,000	414,818

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bills receivable measured at fair value through other comprehensive income	-	377,270	-	377,270
An equity investment designated at fair value through other comprehensive income	-	-	28,900	28,900
	-	377,270	28,900	406,170

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

Foreign currency risk

The Group's principal businesses are located in the Mainland China and most of the transactions are conducted in RMB. During the year of 2019 and 2018, almost all of the Group's sales and costs were denominated in RMB, the Group's functional currency. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents that are denominated in US$ and other currencies.

The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rates between US$, other currencies and RMB as a reasonable possible change of 5% in RMB against US$ and other currencies would have no significant financial impact on the Group's profit.

Credit risk

The Group trades only with recognised and creditworthy related parties and third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances including amounts due from related parties are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	-	-	-	445,495	445,495
Bills receivable	347,818	-	-	-	347,818
Financial assets included in due from related parties:					
(i) Balances from the rendering of services and the sale of goods*	-	-	-	1,635,242	1,635,242
(ii) Deposits and other receivables					
- Normal**	11,424	-	-	-	11,424
- Doubtful**	-	-	2,401	-	2,401
Financial assets included in prepayments, other receivables and other assets					
- Normal**	64,746	-	-	-	64,746
- Doubtful**	-	-	1,839	-	1,839
Pledged deposits					
- Not yet past due	15,587	-	-	-	15,587
Cash and cash equivalents					
- Not yet past due	826,203	-	-	-	826,203
	1,265,778	-	4,240	2,080,737	3,350,755

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	-	-	-	332,840	332,840
Bills receivable	377,270	-	-	-	377,270
Financial assets included in due from related parties:					
(i) Balances from the rendering of services and the sale of goods*	-	-	-	1,540,053	1,540,053
(ii) Deposits and other receivables					
- Normal**	15,794	-	-	-	15,794
- Doubtful**	-	-	2,099	-	2,099
Financial assets included in prepayments, other receivables and other assets					
- Normal**	64,622	-	-	-	64,622
- Doubtful**	-	-	1,834	-	1,834
Pledged deposits					
- Not yet past due	1,809	-	-	-	1,809
Cash and cash equivalents					
- Not yet past due	1,189,749	-	-	-	1,189,749
	1,649,244	-	3,933	1,872,893	3,526,070

* For trade receivables and amounts due from related parties to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 37 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Since the Group trades only with recognised and creditworthy related parties and third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 29% (2018: 25%) and 67% (2018: 69%) of the Group’s receivables arising from the rendering of services and the sale of goods (including trade receivables and amounts due from related parties) were due from the Group’s largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables and amounts due from related parties are disclosed in notes 23 and 37 to the financial statements, respectively.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the settlement from customers and the payment to vendors. Same as 2018, almost all the Group's debts would mature in less than one year as at 31 December 2019 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:

2019

	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	35,007	1,442,190	204,819	-	-	1,682,016
Financial liabilities included in other payables and accruals	249,227	-	-	-	-	249,227
Bank advances for discounted bills	-	1,150	13,261	-	-	14,411
Lease liabilities	-	4,588	13,764	50,847	44,650	113,849
Due to related parties	47,717	191,357	-	-	-	239,074
Interest-bearing bank and other loans	-	2,462	11,440	-	-	13,902
	331,951	1,641,747	243,284	50,847	44,650	2,312,479

2018

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	115,627	1,449,723	73,257	-	-	1,638,607
Financial liabilities included in other payables and accruals	272,712	-	-	-	-	272,712
Due to related parties	11,346	217,574	-	-	-	228,920
Interest-bearing bank and other loans	-	2,596	17,534	9,850	-	29,980
	399,685	1,669,893	90,791	9,850	-	2,170,219

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

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

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

	2019 RMB'000	2018 RMB'000
Interest-bearing bank and other loans	13,564	28,688
Bank advances for discounted bills	14,411	114,266
Trade and bills payables	1,682,016	1,638,607
Other payables and accruals	449,100	520,307
Due to related parties	239,213	229,145
Less: Cash and cash equivalents	(826,203)	(1,189,749)
Pledged deposits	(15,587)	(1,809)
Net debt	1,556,514	1,339,455
Equity attributable to owners of the parent	1,917,495	1,969,814
Adjusted capital and net debt	3,474,009	3,309,269
Gearing ratio	45%	40%

42. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the coronavirus disease 2019 (COVID-19) has caused disruptions to many industries, including logistics, in China. Despite the challenges, governments and organisations have implemented a series of measures to contain the epidemic.

To protect the safety and health of employees as top priority, the Group has taken a proactive approach and adopted various anti-epidemic measures. At the same time, depending on the progress and duration of epidemic prevention and control, and the implementation of local prevention and control policies, the postponed resumption of work and related epidemic control may have adversely impact on the Group's business. The Group will closely monitor the development of the epidemic as well as the various control policies, assess and react actively to its impacts on the Group's operations.

43. 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 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	255,902	268,118
Investment properties	24,107	17,500
Right-of-use assets	138,564	-
Prepaid land lease payments	-	119,170
Goodwill	2,222	2,222
Other intangible assets	23,860	25,920
Investments in subsidiaries	900,613	900,613
Investment in a joint venture	10,000	10,000
Investments in an associate	85,072	85,072
An equity investment designated at fair value through other comprehensive income	67,000	28,900
Deferred tax assets	53,952	48,936
Other non-current assets	46,701	45,119
Total non-current assets	1,607,993	1,551,570
CURRENT ASSETS		
Inventories	2,618	8,989
Trade and bills receivables	567,915	500,853
Prepayments, other receivables and other assets	51,268	47,036
Due from related parties	1,397,781	1,385,192
Pledged deposits	15,587	1,509
Cash and cash equivalents	519,676	788,647
Total current assets	2,554,845	2,732,226
CURRENT LIABILITIES		
Trade and bills payables	868,950	986,588
Other payables and accruals	351,291	411,596
Due to related parties	1,178,601	994,657
Interest-bearing loans	4,343	4,242
Bank advances for discounted bills	8,070	114,266
Lease liabilities	6,664	-
Tax credit	(16,487)	(21,250)
Total current liabilities	2,401,432	2,490,099
NET CURRENT ASSETS	153,413	242,127
TOTAL ASSETS LESS CURRENT LIABILITIES	1,761,406	1,793,697

continued/…

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	1,761,406	1,793,697
NON-CURRENT LIABILITIES		
Lease liabilities	17,780	-
Deferred tax liabilities	3,296	-
Interest-bearing loans	-	4,242
Deferred income	13,604	9,235
Total non-current liabilities	34,680	13,477
Net assets	1,726,726	1,780,220
EQUITY		
Share capital	162,064	162,064
Reserves (note)	1,564,662	1,618,156
Total equity	1,726,726	1,780,220

Note:

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

	Share premium account RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Safety fund surplus reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2018	75,150	-	-	85,867	1,385,479	1,546,496
Total comprehensive income for the year	-	-		-	95,970	95,970
Dividend declared to shareholders	-	-	-	-	(24,310)	(24,310)
At 31 December 2018	75,150	-	-	85,867	1,457,139	1,618,156
Total comprehensive loss for the year	-	18,680	-	-	(55,968)	(37,288)
Establishment for safety fund surplus reserve			3,963			3,963
Utilisation of safety fund surplus reserve	-	-	(3,963)	-	-	(3,963)
Dividend declared to shareholders	-	-	-	-	(16,206)	(16,206)
At 31 December 2019	75,150	18,680	-	85,867	1,384,965	1,564,662

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

Statutory reserves

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

As the balance of the statutory surplus reserve amounting to RMB81,032,000 reached 50% of the Company's registered capital, no amount was appropriated to the statutory surplus reserve from net profit for the year ended 31 December 2019 (2018: 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 2019, the balance of the discretionary surplus reserve was RMB4,835,000 (2018: RMB4,835,000).

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

FINANCIAL SUMMARY

Results

Set out below is the summary of the consolidated results of the Group for the five years ended 31 December 2019 (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				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	4,341,585	5,112,410	6,614,423	6,822,195	6,056,284
Profit before tax	(36,697)	101,777	218,905	188,583	336,731
Income tax expense	7,840	35,363	57,643	48,946	72,473
Profit for the year	(44,537)	66,414	161,262	139,637	264,258
Profit attributable to the following parties:					
Non-controlling interest	11,430	20,305	33,963	26,632	26,300
Owners of the parent	(55,967)	46,109	127,299	113,005	237,958
	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)*	(0.35)	0.28	0.79	0.70	1.47
Dividends per share	Nil (including tax) *(Note 2)*	0.1 (including tax)	0.15 (including tax)	0.1 (including tax)	Nil (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 2015, 2016, 2017, 2018 and 2019 by the weighted average number of shares in issue for the respective years ended 31 December 2015, 2016, 2017, 2018 and 2019 respectively, being 162,064,000, 162,064,000, 162,064,000, 162,064,000 and 162,064,000 shares.*

Note 2: *The Board does not recommend the payment of the final dividend for the year ended 31 December 2019.*

Assets and Liabilities

Set out below is the summary of the Group's balance sheet for the five years ended 31 December 2019 (as extracted from the Group's audited consolidated statement of financial position, which are prepared in accordance with the HKFRS):

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	1,285,021	1,121,682	973,000	992,923	843,002
Current assets	3,274,565	3,501,435	3,832,318	3,641,866	3,337,623
Total assets	4,559,586	4,623,117	4,805,318	4,634,789	4,180,625
Non-current liabilities	108,163	21,990	28,838	12,794	6,422
Current liabilities	2,412,669	2,509,546	2,697,415	2,663,682	2,349,492
Total liabilities	2,520,832	2,531,536	2,726,253	2,676,476	2,355,914
Non-controlling interest	121,259	121,767	127,862	120,299	106,867
Equity attributable to owners of the parent	1,917,495	1,969,814	1,951,203	1,838,014	1,717,844
Total equity	2,038,754	2,091,581	2,079,065	1,958,313	1,824,711

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Director(s)") of the Company, I am pleased to present the audited annual results of the Group for the year ended 31 December 2019 to all shareholders of the Company.

Annual Results

2019 marks the 70th anniversary of the founding of the People's Republic of China (the "PRC") and a crucial year for the first "Hundredth-Year Marathon". In 2019, with the external risks emerging, the downward pressure on the national economy kept increasing. According to the preliminary calculation of the National Bureau of Statistics, the growth rate of the gross domestic product (the "GDP") of the PRC remained at the second place in the world and that the PRC was one of the fastest-growing countries among the global economies. However, the average annual GDP growth rate was 6.1%, down by approximately 0.5 percentage point from 2018. Apart from the overall economic downturn and industrial transition, the automobile industry has been operating under an extreme pressure due to other unfavourable factors such as the influence of US-China trade dispute, stricter environmental protection standard, subsidy slide for new energy vehicles,etc. In 2019, the national overall production and sales volume were respectively at approximately 25,721,000 vehicles and 25,769,000 vehicles, ranking first place globally again but each went down by approximately 7.5% and 8.2%, a further drop of approximately of 3.3 percentage points and 5.4 percentage points respectively as compared to the growth rates of 2018.

Under such a sluggish overall automobile market, Chongqing Changan Automobile Co., Ltd. ("Changan Automobile"), one of the major customers of the Company, fared worse than the industrial average, with each of production volume and sales volume only at approximately 1,797,400 vehicles and 1,759,900 vehicles, representing a decrease of 10.08% and 15.16% as compared with 2018. Changan Automobile's JV brands used to stand out both in sales volume and revenue contribution for Changan Automobile, only to perform unsatisfactorily in recent years, among which, the sales volume of the JV companies of Changan Automobile, Chang Ford Automobile Company Limited ("Changan Ford"), decreased by approximately 51.3% year-on-year and Changan Mazda Automobile Co., Ltd.("Changan Mazda") decrased by about 19.7% year-on-year.

Changan Automobile and its associates reduced significantly the volume of the logistics services from the Group due to sales slump on their part, while the overall logistics service rate has been on the decline, and the operational costs has been on the rise. All of the unfavourable factors have caused the Group's revenue for the year ended 31 December 2019 to decrease to RMB4,341,585,000 from RMB5,112,410,000 of the same period in 2018, representing a decrease of approximately 15.08%.

The loss attributable to the equity holders of the Company was RMB55,967,000, down approximately 221.38% from the same period in 2018. Earnings per share were negative RMB0.35 for the year ended 31 December 2019 (2018: RMB0.28).

Annual Review

Business development

During 2019, the Company continued to improve its logistics service network and logistics service capability.

The GB1589 national policy has increased the cost of land transportation, the Company intends to cut back the cost of logistics services by increasing the proportion of waterway transportation. In such circumstances, in order to have better access to major ro-ro port like Tianjin port, the Company, Tianjin Gang Economic and Technical Cooperation Limited ("Tianjin Technology"), Yiqi Logistics Co., Ltd. ("Yiqi Logistics") and GAC Business Co., Ltd. ("GAC Business") entered into a joint venture agreement on 29 October 2019 and established a joint venture company by the name of Tianjin Port International Ro-Ro Terminal Co., Ltd. ("Tianjin Port Joint Venture"). Pursuant to the terms of the joint venture agreement, the Company shall own 5% equity interest in Tianjin Port Joint Venture. As of the date of the announcement, business registration of Tianjin Port Joint Venture was still in process. Tianjin Port Joint Venture will be principally engaged in wharf construction, port operation, international freight forwarding, customs clearance and inspection, labor services, provision of consulting services with respect to automobiles and logistics, car washing services, motor vehicle inspection and repair, exhibition and display services, etc.

In order to explore tyre assembly and other logistics business to be awarded from time to time by a specific substantial customer, the Company and Shenyang Changyou Automobile Supply Chain Co., Ltd.("Shenyang Changyou") entered into a joint venture agreement on 6 November 2019 and established a joint venture by the name of Shenyang Changyou Supply Chain Co., Ltd. ("Shenyang Joint Venture"). Pusuant to the terms of the joint venture agreement, the Company shall own 51% equity interest whilst Shengyang Changyou shall own the remaining 49% equity interest in Shenyang Joint Venture. The business registration procedures of Shenyang Joint Venture were completed on 6 November 2019. Shenyang Joint Venture is primarily engaged in production of automobile components and modules; storage (other than dangerous chemicals), distribution, packaging, assembly; transport of finished vehicles and ordinary freight; production, sale, leasing and maintenance of containers; provision of business information consulting services; logistics planning, management and consulting services; logistics equipment and facilities leasing, international freight forwarding by sea, air and land, etc.

Awards

In February 2019, Road Transportation Safety Bureau in Hangzhou, Zhejiang Province awarded Hangzhou Changan Minsheng Logsitics Co., Ltd. ("Hangzhou Changan Minsheng"), one of the subsidiaries of the Company, the title of the "Company with outstanding records in road transportation safety assessment". In August 2019, the Company was crowned by Chongqing Municipal People's Government as a "advanced municipal corporation". In September 2019, Hangzhou Changan Minsheng received the "Best of the innovation award on modernization of corporate management" from Hangzhou Enterprise Confederation. In November 2019, Hangzhou Changan Minsheng was also was honoured as the "Key Enterprise in Distribution Industry of Zhejiang Province" by the Department of Commerce of Zhejiang Province. In December 2019, the Company received "The 2019 Award for Management innovation among National Defense Industrial Enterprises" from The Association of National Defense Industrial Enterprises of China, the title of the "Top 100 Enterprises in Chongqing" and the title of the "Top 100 Enterprise in Service Sector of Chongqing". In addition, the Company was recognised for its "Outstanding work in logistics industrial statistics in 2019" by China Federation of Logistics & Purchasing in December 2019.

Outlook and Prospects

The year of 2020 marks the grand finale of the "Thirteenth Five-Year Plan" and the final year for establishing a well-off society. The domestic economy will only see a short-term impact from the new coronavirus outbreak and the foundental trend of steady growth remains unchanged. From the macroeconomic perspective, the global economic growth is slowing down and the international situation is becoming more complicated, which will have a certain impact on the Company's customers and its own development. Although China's economy is expected to keep an upward trend in the long run, its growth rate has and will gradually decline. The GDP growth rate is expected to range between 5.5% to 6%. In terms of the automobile industsy, the total growth of domestc automobile market does not appear optimistic, and it is expected to decrease by 8% in 2020. Meawhile, changes in the market and technology will lead to an accelerated reshuffle of the automotive industry, and with the lift of limits on equity ratios of automotive joints ventures, the industry will be fundamentally changed. In terms of competition, OEMs will attach greater importance to the logistics supply chain, and major automakers will strengthen control over logistics, and barriers between automakers will be more difficult to break. In addition, automotive logistics enterprises will accelerate their efforts in building new competitive edges, market expansion, construction of multimodal transport systems, transformation toward smart logistics, and cooperation with other companies.

The year of 2020 will see both challenges and opportunities. The Company will experience pressure but will remain hopeful.In response to new economic development trend and the demand for logistics transformation, the Company will remain committed to the principle of steady growth, and the overall strategy of development driven by cost reduction, operational optimization and innovation, so as to accelerate the pace of transformation to finally achieve high-quality development. Despite the pandemic threat, the Company are prepared to take the every measures possible to weather through the tough time:

"Balancing between the epidemic prenvention and render of logistics services".The Company will unswervingly carry out all kinds of prevention efforts against the new coronavirus and ensure the safety of both our employees and those in contact. In the meantime, the Company will fully prepare for possible increase in logistics demand from our customers, understands the customers' needs, and stretch the potential of the logistics network to improve the quality of logistics services and control transportation costs. In addition, we will apply for the favorable policies issued by the state and local governments to help the Company reduce costs and increase efficiency. We will make every effort to prevent the virus and meanwhile provide services to customers to minimize the impact and loss caused by the virus.

"promoting online to offline ("O2O") business mode in terms of automobile logistics related services". The Company will accelerate O2O business mode transformation, combining the Company's offline logistics resources, the VTC (short for Vehicle Terminal Center") in particular, with the online platfrom of "E-yunche" (the Company's very own order-placing system for customers") to recreate a complete ecosystem for finished vehicle related logistics business. As far as automobile parts logistics services are concerned, by further refining the layout of CDC (short for "Consolidation and Dirtribution Center") , optimizing the online platform of "Chehuoji"(an application built by the Company for customers to place order for automobile components), the Company will moblize both online and offline resources to facilitate the distribution and selling of automobile parts and realize platform-based operation and "express delivery" of automobile related services.

Pursuing information and intelligence based business operation to accelerate the transformation toward smart logistics". in light of the new demands for unmanned, intelligent and contactless logistics services arising in the epidemic, the Company will accelerate information-based and intelligence-based logstics operation capability improvement. In terms of information-based operation capability, the Company will continue to build digital fleets and digital parks to create a visual multimodal transport management platform. With respect to intelligence-based logistics operation capability, the Company will replicate the experience from relevant successful cases to apply to our intellectualization projects in similar scenarios, finally realizing the application of intelligent operation technologies such as intelligent identification, handling, sorting, and distribution in various business aspects.

"Promoting standard operation and lean management". The Company will continue to optimize our lean operation management system and protocals in relation thereto. The Company will construct customer-based end-to end business process instructions and computerized those instructions, subject to constant review by the Company. In terms of lean management, the Company will increase management efficiency by improving business structure, streamlining the delegation of authority and management process, optimizing management of resources and reducing unnecessary meetings. In addition, the Company will continue to reduce costs through technologies and scientific management to improve lean management. The Company will improve the overall management skills by the above-mentioned measures.

"Exploring automobile logistics business and non-automobile logistics business with greater efforts". On top of strengthening automobile logistics business, the Company will take advantage of our entensive logistics network to expand non-automobile logistics and in doing so improving customer diversity, business portifilo and risk- coping capabilities. In relation to automobile logistics, the Company will tap into the logistics demand from automobile parts suppliers in the upstream of the industrial chain to the aftersales market in the downstram of the industrial chain and logistics business from independent customers. With respect to the non-automobile logistics,the Company will focus on expanding electronics and electrical appliances manufacturing logistics business, equipment manufacturing logistics business, chemical logistics business, and cold chain logistics business.

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

Xie Shikang
Chairman

Chongqing, the PRC
30 March 2020

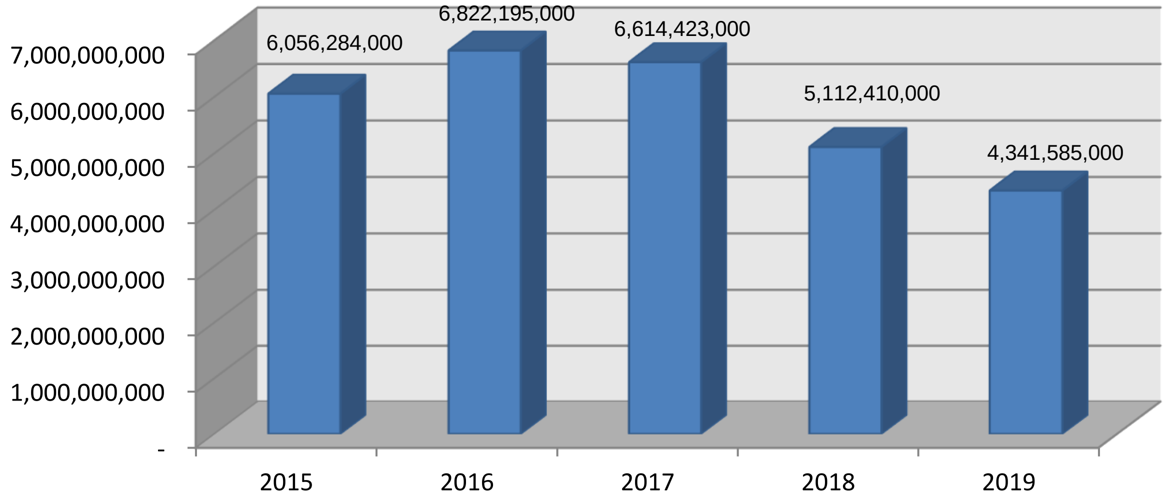
MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

During the reporting period, affected by the decline of the automobile production volume and sales volume of the Group's customers, for the year ended 31 December 2019, the revenue of the Group amounted to RMB4,341,585,000, approximately 15.08% down from RMB5,112,410,000 of last year.

Picture 1: Growth in revenue for the five years ended 31 December 2019 (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 2019, the revenue of the Group from finished vehicle transportation services was RMB2,343,133,000, up approximately 6% from RMB2,210,555,000 of last year.

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

During the reporting period, the overall sluggish domestic automobile market and the decline in the sales volume of the Group's major customer led to a decrease in the demand for supply chain management services of automobile raw materials and components. As such, the revenue from supply chain management services of automobile raw materials & components and parts for the year ended 31 December 2019 was RMB1,558,313,000, down approximately 13% from RMB1,787,954,000 of last year.

Transportation of Non-automobile Commodities and Other Logistics Services

During the reporting period, due to the sluggish automobile market, the steel sales volume of the Group's certain customers declined sharply, which led to a significant decrease of steel transportation services from the Group. As such, the revenue of the Group from such logistics services was RMB26,367,000 for the year ended 31 December 2019, representing a decrease of approximately 59% from RMB65,097,000 of last year.

Automobile Components & Parts Packaging Sales and Tyres Sub-packaging

During the reporting period, the overall sluggish domestic automobile market and the substantial decline in the sales volume of the Group's major customer led to a corresponding decrease in the market demand for automobile packing and tyres sub-packaging services. As such, the revenue of the Group from automobile components & parts packaging sales and tires sub-packaging was RMB403,837,000 for the year ended 31 December 2019, down approximately 55% from RMB905,073,000 of last year.

Sales of Vehicles

The enactment of GB1589-2016 has led to the new demand for standard trucks by carriers. The Company took the opportunity and actively explored the relevant business. During the reporting period, the revenue of the Group from sales of automobile transporters is RMB9,935,000.

Logistics Services Network

As at 31 December 2019, 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 2019, the Group's cash and cash equivalents was RMB826,203,000 (31 December 2018: RMB1,189,749,000), among which, RMB519,676,000 is attributed to the parent company and RMB306,527,000 is attributed to the subsidiaries of the Group. As at 31 December 2019, the Group's total assets was RMB4,559,586,000 (31 December 2018: RMB4,623,117,000), the source of funds was current liabilities of RMB2,412,669,000 (31 December 2018: RMB2,509,546,000), non-current liabilities of RMB108,163,000 (31 December 2018: RMB21,990,000), equity attributable to owners of the parent company of RMB1,917,495,000 (31 December 2018: RMB1,969,814,000) and non-controlling interests of RMB121,259,000 (31 December 2018: RMB121,767,000).

Cost of Sales and Gross Profit Margin

For the year ended 31 December 2019, the Group's cost of sales was RMB4,158,920,000 (2018: RMB4,764,448,000), down approximately 12.71% from the previous financial year. Facing the adverse factors such as the rising transportation cost and labour cost, and tumbling logistics service price, despite the Group's emphasis on management and continuous strengthening of logistics and internal management cost control, the gross profit margin of the Group decreased to 4.21% (2018: 6.81%).

Distribution Expenses

For the year ended 31 December 2019, the Group's selling and distribution expense was RMB52,849,000, representing approximately 1.22% of the Group's revenue during the period (2018: 1.65%).

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 37.28% from the previous year.

Administrative Expenses

During the reporting year, the Group's administrative expenses increased from RMB203,275,000 in 2018 to RMB205,527,000 in 2019, up approximately 1.11% as compared with the corresponding period of previous year.

Finance Costs

The Group's finance costs for the year amounted to RMB8,500,000 (2018: RMB1,803,000).

Taxation

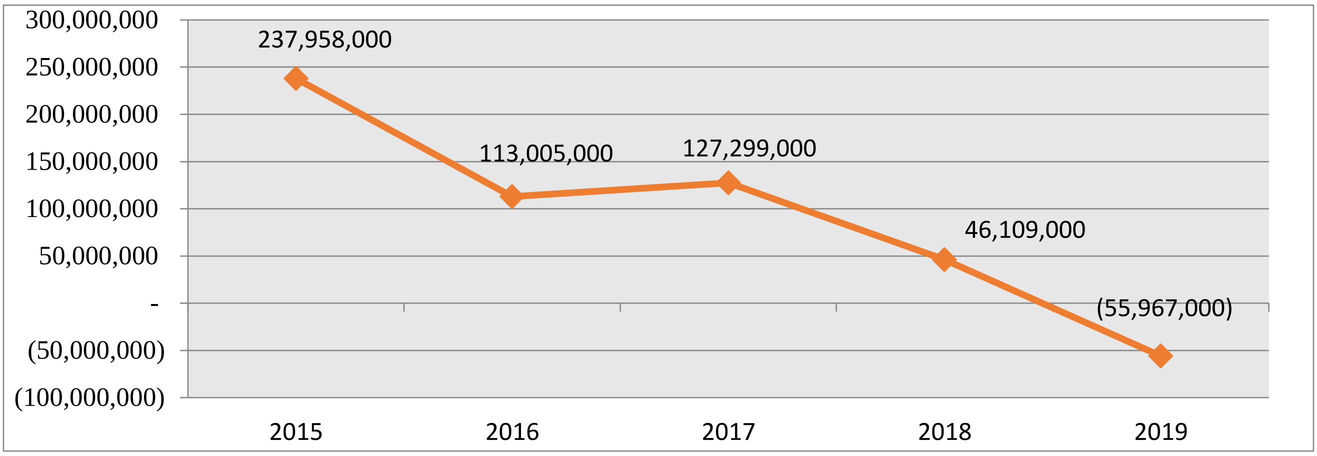
For the year ended 31 December 2019, the weighted average applicable tax rate of the Group was negative 21.36% (2018: 34.75%); and the income tax expense was RMB7,840,000 (2018: RMB35,363,000).

Profit Attributable to Equity Holders of the Company

During the year, the profit attributable to owners of the parent company was negative RMB55,967,000, down by approximately 221.38% compared to the previous financial year.

Picture 3: Profit attributable to owners of the parent company for the five years ended 31 December 2019

(Unit: RMB yuan)



Capital Structure

For the year ended 31 December 2019, there was no change in the Company's share capital.

Loans and Borrowings

As at 31 December 2019, the balance of current interest-bearing bank and other loans of the Group was RMB13,564,000 (31 December 2018: RMB19,344,000). Please refer to note 28 to the financial statements of this announcement for further details.

Gearing Ratio

As at 31 December 2019, the gearing ratio (net debt divided by the adjusted capital plus net debt) of the Group was approximately 44.80% (31 December 2018: 40.48%).

Pledge of Assets

As at 31 December 2019, the Group had pledged bank deposits of approximately RMB15,587,000 to secure bank acceptance bills.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities.

Principal Risks and Uncertainties

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

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

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

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

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

Exchange Rate Risks

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

Capital Commitment

As at 31 December 2019, the Group's capital expenditure at the balance sheet date but not yet incurred was as follows:

	2019	2018
Contracted but not provided for	RMB'000	RMB'000
plant and equipment	70,444	66,959
Capital Contributions payable to equity Investment	22,700	-
	93,144	66,959

Significant Purchase or Sale of Subsidiaries and Associated Companies

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

Substantial Investment

To avoid dilution of the Company's equity interests in Binqi Zhuangbei Group Financial Limited Liability Company ("Zhuangbei Finance"), the Company entered into the Capital Increase and Shareholders' Subscription Agreement with Zhuangbei Finance on 20 May 2019. The Company subscribed for 7,570,000 subscription shares at RMB2.13 per each subscription share of Zhuangbei Finance for a subscription price of RMB16,124,100. As the subscription was made on a pro rata basis, the Company continues to own approximately 0.81% of the enlarged equity interests in Zhuangbei Finance and enjoys the rights and assumes the liabilities to the extent of the Company's total capital contribution in Zhuangbei Finance. Zhuangbei Finance remains to be a connected person of the Company and the transaction(s) between the Group and Zhuangbei Finance shall be subject to compliance with the Listing Rules. Please refer to the announcement of the Company dated 20 May 2019 for further details.

On 29 October 2019, the Company, Tianjin Technology, Yiqi Logistics, GAC Business entered into a joint venture agreement, pursuant to which, the parties agreed to establish a joint venture Tianjin Port Joint Venture. Tianjin Port Joint Venture has a total investment of RMB908,000,000 and a registered capital of RMB454,000,000 which each of the Company, Tianjin Technology, Yiqi Logistics and GAC Business contributed in the amount of RMBRMB22,700,000, RMB231,540,000, RMB104,420,000, RMB95,340,000, representing 5%, 51%, 23%, 21% of the equity of Tianjin Port Joint Venture. Please refer to the announcement of the Company dated 29 October 2019 for further details.

On 6 November 2019, the Company and Shenyang Changyou entered into a joint venture agreement pursuant to which the Company and Shenyang Changyou established Shenyang Joint Venture. Shenyang Joint Venture has a registered capital of RMB90,000,000, to which each of the Company and Shenyang Changyou contributed RMBRMB45,900,000 and RMB44,100,000, representing 51% and 49% of the equity of Shenyang Joint Venture. Please refer to the announcement of the Company dated 6 November 2019 for further details.

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

REPORT OF THE BOARD

The Board are pleased to present the report of the Board for the year ended 31 December 2019.

Principal Activities and Business Review

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

Further discussion and analysis of these activities as required by Schedule 5 of the Companies Ordinance, Chapter 622 of the laws of Hong Kong, including a discussion of the principal risks and uncertainties the Group is facing and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 95 to 100 of this announcement. 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
	2019
A Chongqing Changan Automobile Co., Ltd.	33%
B Changan Ford Automobile Company Limited	26%
C Changan Mazda Automobile Co., Ltd.	9%
D Baoding Changan Bus Manufacture Co., Ltd.	5%
E Chongqing Changan International Sales and Services Co., Ltd.	3%
Total of 5 largest customers	76%
	2018
A Changan Ford Automobile Company Limited	42%
B Chongqing Changan Automobile Co., Ltd.	24%
C Changan Mazda Automobile Co., Ltd.	9%
D Baoding Changan Bus Manufacture Co., Ltd.	3%
E Chongqing Ante Import and Export Trading Company Limited	1%
Total of 5 largest customers	79%

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

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

	For the year ended 31 December
	2019
A CITIC Dicastal Co., Ltd.	8%
B Minsheng Logistics Company Limited	4%
C Chongqing Hailong Transportation Co., Ltd.	3%
D Goodyear Tire Co., Ltd.	2%
E Sanyangma(Chongqing) logistics Co., Ltd.	2%
Total of 5 largest suppliers	19%
	2018
A Goodyear Tire Co., Ltd.	5%
B Minsheng Logistics Company Limited	5%
C CITIC Dicastal Co., Ltd.	4%
D Michelin (China) Investment Co., Ltd.	4%
E Maxxis Rubber (China) Co., Ltd.	2%
Total of 5 largest suppliers	20%

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 2019 are set out in the consolidated statement of comprehensive income in this announcement.

Dividend Distribution Policy

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

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

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

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

(3) investment and operating requirements of the Group；

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

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

Dividends

The Board does not recommend the payment of the final dividend for the year ended 31 December 2019.

Share Capital

For the year ended 31 December 2019, there had been no change in the share capital of the Company. Details of the share capital of the Company are set out in note 31 to the 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 announcement, 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 financial statements.

Property, Plant and Equipment

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

Financial Position

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

Subsidiaries

As at 31 December 2019, the Company had the following subsidiaries:

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

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

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

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

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

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

Chongqing Fulu Bonded Logistics Co., Ltd. was established in Chongqing, the PRC by the Company on 9 April 2014 with a registered capital of RMB3,000,000 and was subsequently renamed as Fulu International Logistics Co., Ltd. ("Fulu International") with an increased capital amounting to RMB60,000,000. Fulu International mainly engages in storage services (excluding dangerous goods); loading and unloading, handling; freight forwarding; packaging, distribution; processing and selling automobile parts; import and export of cargos and technology; designing of logistics solution and provision of related information consultation, Non-Vessel Operating Common Carrier business, etc. Please refer to note 1 to the financial statement of this announcement for further details.

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

Changan Minsheng (Shanghai) Supply Chain Co., Ltd ("Shanghai Supply Chain") was established on 5 August 2014. After capital increase of RMB 28,000,000 on 6 May 2015, its registered capital reaches to RMB30,000,000. The Company holds 100% of its equity interests. The main business of Shanghai Supply Chain is supply chain management, road transportation, import and export of goods and technology, exhibition and display services, development and design of computer software and hardware, storage (excluding dangerous goods), packaging, development of logistics software and information services. Please refer to note 1 to the financial statement of this announcement for further details.

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

Shenyang Joint Venture was established on 6 November 2019 with a registered capital of RMB90,000,000. Each of the Company and Shenyang Changyou holds 51% and 49% of the equity of Shenyang Joint Ventue. Shenyang Joint Venture is primarily engaged in production of automobile components and modules; storage (other than dangerous chemicals),distribution, packaging, assembly; transport of finished vehicles and ordinary freight; production, sale, leasing and maintenance of containers; provision of business information consulting services; logistics planning, management and consulting services; logistics equipment and facilities leasing, etc. Please refer to note 1 to the financial statement of this announcement for further details.

Capitalized Interests

For the year ended 31 December 2019, no interest had been capitalized by the Company.

Permitted Indemnity Provision

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

Relationship with Stakeholders

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

Retirement Plan

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

Employees

As at 31 December 2019, the Group had 6,012 employees (31 December 2018: 7,925 employees).

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

	As at 31 December	
	2019	2018
Administration	198	199
Specialists	1,452	1,603
Operators	4,362	6,123
Total	6,012	7,925

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

Remuneration Policy

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

Training Programme

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

Staff Quarters

During the year, the Company has not provided any staff quarters to the staff (2018: 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 announcement were as follows:

Executive Directors	
Xie Shikang (Chairman)	（appointed on 30 June 2016）
Chen Wenbo	（appointed on 31 December 2018）
William K Villalon	（appointed on 14 November 2014）
Shi Jinggang	（appointed on 30 June 2016）
Non-executive Directors	
Chen Xiaodong	（appointed on 31 December 2018）
Man Hin Wai Paul	（appointed on 29 June 2018）
Li Xin	（appointed on 30 November 2016）
Independent non-executive Directors	
Chong Teck Sin	（appointed on 14 November 2014）
Poon Chiu Kwok	（appointed on 14 November 2014）
Jie Jing	（appointed on 14 November 2014）
Zhang Yun	（appointed on 14 November 2014）
Supervisors	
Wang Huaicheng	（appointed on 29 June 2018）
Jin Jie	（appointed on 31 December 2018）
Yang Gang	（appointed on 28 June 2019）
Deng Gang	（appointed on 14 November 2014）
Deng Li	（appointed on 29 June 2018）

The term of the fourth session of Board and the fourth session of the Supervisory Committee of the Company expired on 14 November 2017. The nomination of candidates for Directors and supervisors for the new session of the Board and the Supervisory Committee of the Company has been completed and the Company proposes to convene a general meeting as required under the Listing Rules and the articles of association of the Company as soon as possible to complete the election of members for a new session of The Board and the Supervisory Committee. The term of office of the Directors and supervisors of the current session has been extended accordingly until the successful election of the Directors and supervisors of the new session of the Board and Supervisory Committee. Please refer to the announcement of the Company dated 30 March 2020 for the biography of the candidates for members of the Board and the Supervisory Committee.

Confirmation of Independence

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

Service Contracts of Directors and Supervisors

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

Directors' and Supervisors' Interests in Contracts

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

Management Contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

Directors, Supervisors and Senior Management

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

Remuneration of Directors and Supervisors

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

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

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

As at 31 December 2019, 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 2019, the Directors, chief executive and the supervisors of the Company were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirect, in any assets which have been, since 31 December 2018, 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 2019, 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:

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

Note 1: Ming Sung (HK) is the subsidiary of Minsheng Industrial. Mr. Lu Xiaozhong, a former Director of the Company, holds 6% of shareholdings of Minsheng Industrial. Mr. Lu Xiaozhong was no longer a Director and in any other positions of the Company since 31 December 2018.

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

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

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

Save as disclosed in this announcement, as at 31 December 2019, so far as is known to the Directors and chief executive of the Company, there is no other person (other than the Directors, supervisors, or chief executive of the Company) who had interests or short positions in the provisions of Divisions 2 and 3 of Part XV of the SFO; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Share Appreciation Right Incentive Scheme

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

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

Competing Interests

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

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

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

In February 2020, the Company received the confirmation regarding the above-mentioned non-competition undertakings from each of APL Logistics and China Changan .

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

Connected Transaction

On 20 May 2019, the Company and Zhuangbei Finance entered into the Capital Increase and Shareholders' Subscription Agreement, to agree upon the capital increase in Zhuangbei Finance on a pro-rata basis. Pursuant to which, the Company injected RMB16,124,000 in Zhuangbei Finance. Immediately after the completion of capital increase in Zhuangbei Finance, the shareholders and shareholding ratio of Zhuangbei Finance remain the same.

Continuing Connected Transactions

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

Background of the Continuing Connected Transactions

China Changan holds approximately 25.44% of the issued share capital of the Company and 19.32% of the equity interests of Changan Automobile. In addition, China South Industries Group Corporation Co., Ltd. ("CSG") holds 100% equity interests in China Changan and 21.56% equity interests in Changan Automobile. Zhuangbei Finance is a member company of CSG in that CSG holds a 22.9% equity interest in Zhuangbei Finance and China Changan holds a 12.46% equity interest in Zhuangbei Finance. As at the date of this announcement, the Company holds approximately 0.81% equity interests in Zhuangbei Finance. In addition, Changan Industry Company is a wholly-owned subsidiary of CSG. Changan Industry Company holds 98.49% equity interests of Changan Real Estate Development Company ("Changan Real Estate") and Chongqing Changan Construction Co., Ltd. ("Changan Construction") is a wholly owned subsidiary of Changan Real Estate. Chongqing Changxin Construction Co., Ltd.("Chongqing Changxin") is controlled by Changan Construction. Both of APLL and Minsheng Industrial are the substantial shareholder of the Company, respectively holding approximately 20.74% and approximately 15.90% of the total issued share capital of the Company. Therefore, according to the Listing Rules, the transactions between the Group and each of China Changan, Changan Automobile, APLL, Minsheng Industrial, Chongqing Changxin, Zhuangbei Finance and their respective associates become connected transactions of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

Please refer to the announcement of the Company dated 13 November 2018, the circular dated 14 December 2018 and the announcement dated 31 December 2018 for further details.

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

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

The Group is the major automobile logistics service provider of Changan Automobile and its associates and has been providing logistics services to and its quality service has been highly recognized by Changan Automobile and its associates and the essential part of revenue of the Group comes from providing logistics services such as finished vehicles transportation, international logistics and supply chain management, etc. The Company is of the view that the Group should continue to provide comprehensive automobile logistics services for Changan Automobile and its associates to maximize the revenue of the Group in the interests of the Company and its Shareholders as a whole.

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

China Changan has a lot of member companies located all over the country covering a series of automobile parts business such as automobile engines, transmissions, power components, chassis components, shock absorbers, supercharges, pistons and so on. As the substantial shareholder of the Company, China Changan can provide the Group with vast customer pool and various opportunities to do business with its member companies. The automobile parts companies under China Changan has relatively large demand for logistics demand. Moreover, China Changan and its associates are satisfied with the logistics services provided by the Group and it would be in the interest of the Company and its Shareholders as a whole for the Group to continue to conduct business with China Changan and its associates. Therefore, the Company believes that the Group should continue to step up efforts in the developing relevant business to help generate revenue and the Directors are of the view that provision of logistics services to China Changan and its associates is in line with the Company's primary business and development strategy of the Group, the Group should continue to cooperate with China Changan and its associates to explore more business opportunities and maximize revenue of the Group.

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

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

With respect to the transaction between the Group and Zhuangbei Finance

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

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

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

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

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

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

As a seasoned international logistics service provider with advanced logistics technology, APLL has strengthened its footprint overseas with extensive branches reaching mainland China, America and India. APLL and its associates have been providing supply chain management services for IT companies in Mainland China. The Group has strong logistics capacity in Mainland China and is also looking to explore overseas business to achieve further development. APLL is the substantial shareholder of the Company and is open to cooperation with the Group. Cooperation with APLL will not only help the Group to obtain various outsourced logistics business from APLL to generate revenue but also will help the Group keep abreast of the cutting-edge international logistics technology, leading operation schema and time-tested management method to optimize the business operation of the Group. The Directors is of the view that the continuing connected transactions exempt from Shareholder's approval with APLL and its associates are beneficial for the Group's development and is in the interests of the Company and its Shareholders as a whole.

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

The Group's customers, Changan Ford and Changan Automobile have business in overseas countries such as America, Mexico, Vietnam and Philippines. The Group needs to purchase international logistics services from qualified international logistics service providers with sufficient capacity and well-established logistics network. APLL offers a comprehensive suite of services extending from international freight forwarding to both origin and destination services, including freight consolidation, warehousing and distribution management and operates in several international trade lines. The Company is of the view that APLL and its associates are competent to provide comprehensive international logistics services for the Group and will help to ensure the Group's service quality. In addition, having APLL and its associates to provide logistics services for the Group will give the Group with more choice in the selection of international logistics service providers. Therefore, the Directors is of the view that it is in the interests of the Company and its Shareholders as a whole.

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

Specialized in waterway transportation, especially finished vehicle transportation by ro-ro ships along the Yangtze River, Minsheng Industrial has affluent resources, exhaustive experience and well-established waterway transportation network. However, in order to provide comprehensive logistics solution to its customer, like combined transportation by waterway plus road, occasionally, Minsheng Industrial and its associates find themselves in need of logistics services from the Group such as station management support and road transportation support. Minsheng Industrial is a loyal and reliable supplier of the Group and has been at the Group's service for years. The Directors are of the view that the Group should continue to do business with Minsheng Industrial and its associates in the hope that by combining the resources and strength from both parties, Minsheng Industrial and the Group will find common ground to cooperate to our mutual benefit.

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

The Group's logistics facilities including warehouses are incapable to providing long-term service, which requires all-day, all-round services from the maintenance team. Chongqing Changxin and its associates are established business partners of the Group and were able to provide the Group with quality maintenance services with more flexible terms in a cost-efficiency and reliable manner during the year. Moreover, most of Chongqing Changxin's operation sites are located within the vicinity of the Group's warehouses, which allows Chongqing Changxin to respond promptly and provide expedient maintenance services so as to ensure the smooth and safe logistics operation of the Group, thereby improving the service quality of the Group. The Directors is of the view that continuing the business with Chongqing Changxin and its associates will help to mitigate the possible risk of volatility in the procurement costs of maintenance service of the Group and that the Group should continue to purchase maintenance services from Chongqing Chhangxin and its associates.

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

Zhuangbei Finance is currently expanding warehouse receipt impawning business along the automobile industrial chain and is in need of reliant business partner to supervise the cargoes impawned by the pledgors. As an established business partner of Zhuangbei Finance, the Group is familiar with the logistics needs arising from its financial activities, and the Group is currently trying to explore financial logistics business such as logistics storage supervision and automobile impawning supervision. The Group expects that providing financial logistics services for Zhuangbei Finance will help induce more value-added new businesses along the automobile logistics industrial chain for the Group and will open the door of the fast-growing auto finance market for the Group and diversify the Group's revenue portfolio. Therefore, it is beneficial for the Group to provide financial logistics services for Zhuangbei Finance and it is in the interests of the Company and its Shareholders as a whole.

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

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

Pricing of Continuing Connected Transactions

According to the framework agreements signed on 30 October 2017 between the Company and each of Changan Automobile, China Changan, APLL, Minsheng Industrial, Zhuangbei Finance and the framework agreement signed between Nanjing CMSC, the Company's holding subsidiary, and Baogang Zhushang, the prices of the transactions for the services provided by the Group to our customers under such framework agreements are determined in accordance with the principles and order of bidding price, internal compared price and cost-plus price. Please refer to the announcement of the Company dated 13 November 2018, the circular dated 14 December 2018 and the announcement dated 31 December 2018 for further details.

According to the framework agreements signed on 30 October 2017 between the Company and each of Minsheng Industrial, China Changan, APLL, and Chongqing Changxin, the prices of the transactions for the services purchased by the Group under such framework agreements are determined in accordance with the principle and order of bidding price and internal compared price. Please refer to the announcement of the Company dated 13 November 2018, the circular dated 14 December 2018 and the announcement dated 31 December 2018 for further details.

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

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

Total Consideration of the Continuing Connected Transactions

During the reporting period, the Group conducted continuing connected transactions with China Changan, Changan Automobile, APL Logistics, Minsheng Industrial, Zhuangbei Finance, Chongqing Changxin and their respective associates, and Nanjing CMSC also entered into continuing connected transactions with Baogang Zhushang, which constitute related party transactions in accounting during the period. The details are set out in note 37 to the financial statements of the announcement. During the reporting period, the Group had strictly complied with the disclosure requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, 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 2019	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:		
- Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for automobile raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product)	69,517	250,000
Changan Automobile and its associates:		
- Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for automobile raw materials, components and parts)	3,482,580	7,500,000
Minsheng Industrial and its associates:		
- logistics services	17,503	20,000
APL Logistics and its associates:		
- logistics services	-	20,000
Baogang Zhushang:		
- logistics services	4,914	20,000
Zhuangbei Finance		
-Finance logistics services	182	20,000

For the year ended 31 December 2019, 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 2019	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	7,590	20,000
Minsheng Industrial and its associates:	216,470	700,000
APL Logistics and its associates:	1,005	20,000

For the year ended 31 December 2019, 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 2019	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	1,342	20,000

For the year ended 31 December 2019, 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 2019	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	7,464	9,220

For the year ended 31 December 2019, the total consideration paid by the Group to each of the connected persons for the purchase of maintenance services is as follows:

	For the year ended 31 December 2019	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
Chongqing Changxin and its associates:	1,518	10,000

For the year ended 31 December 2019, the amount of transactions between the Group and Zhuangbei Finance are as follows:

	For the year ended 31 December 2019	
	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	348,630	350,000

In March 2020, the Company received confirmation letters as required under Rule 14A.55 of the Listing Rules from Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun, the independent non-executive Directors of the Company, confirming that the continuing connected transactions of the Company for 2019 were:

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

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

Related Party Transactions

Details of the significant related party transactions entered into by the Group during the twelve months ended 31 December 2019 are set out in Note 37 to the consolidated financial statements. None of these related party transactions constitutes a disclosable connected transaction as defined under the Listing Rules, except for the transactions described in this paragraph headed “Continuing Connected Transactions”, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Legal Proceedings

As at 31 December 2019, 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 2019, 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 2019 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 2019.

Donation

During the year, the total amount of donation made by the Company was RMB760,000 (2018: RMB600,000).

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

There was no purchase, redemption, sale or cancellation by the Group of the Company's listed securities during the year ended 31 December 2019.

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 announcement 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
30 March 2020

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

During the year, Supervisory Committee had reviewed cautiously the operation and development plans of the Company and provided reasonable suggestions and opinions to the Board. 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 2019, the members of the Board, the general manager and other senior management staff of the Company were able to strictly fulfil their fiduciary duties, to act diligently and to exercise their authority faithfully in the best interests of the Company, to carry out work pursuant to the Articles of Association of the Company in standard operation and gradually improve the internal control system. The transactions between the Company and related parties were carried out on fair and reasonable terms and in the interests of the shareholders as a whole. As of the date of this announcement, none of the Directors, general manager and other senior management staff had been found to have abused their authority, prejudiced the interests of the Company and of its shareholders. None of them was found to be in breach of any laws and regulations or the Articles of Association of the Company.

The Supervisory Committee is confident in the Company's future development.

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

By order of the Supervisory Committee
Wang Huaicheng
Chairman

Chongqing, the PRC
30 March 2020

CORPORATE GOVERNANCE REPORT

The Board believes that the Company can enhance its corporate governance and transparency by adhering to strict corporate governance practices in the interest of the shareholders of the Company. Since 18 July 2013, the provisions of the Corporate Governance Code ("Code") set out in Appendix 14 of the Listing Rules have been adopted as the Company's corporate governance standards, which coupled with, the experience and circumstances of the Company, help to establish a favorable corporate governance structure of the Group. For the period from 1 January 2019 to 31 December 2019, the Company has complied with the code provisions set out in the Code throughout and adopted the recommended best practice as set out in the Code, except for code provision A.4.2.

Code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's articles of association also stipulate that the directors and supervisors elected at general meeting shall be for a term of three years. As approved by the Company's shareholders at the 2014 first extraordinary general meeting held on 14 November 2014, the term of the fourth session of Board and the fourth session of the Supervisory Committee of the Company expired on 14 November 2017. As the nomination of candidates for Directors and supervisors for the new session of the Board and the Supervisory Committee of the Company has now been completed, the Company proposes to convene a general meeting as required under the Listing Rules and the articles of associations of the Company as soon as possible to complete the election of members for the new session of the Board and Supervisory Committee. The term of office of the Directors and supervisors of the current session has been be extended accordingly until the successful election of the Directors and supervisors of the new session of the Board and Supervisory Committee.

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

Securities Transactions by the Directors

Since the Transfer of Listing on 18 July 2013, the Company has adopted a code of conduct regarding Directors' securities transactions on terms of the required standard of dealings (the "Code of Conduct") prepared according to the Model Code. After making specific enquiries to all Directors, the Company confirms that the Directors have complied with the Code of Conduct during the period from 1 January 2019 to 31 December 2019.

Board

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

The Company has 4 independent non-executive Directors, of whom at least one has appropriate professional qualification and financial management expertise. The Company received the relevant independence confirmation letter from each of the independent non-executive Directors in March 2020. There is no relationship between the members of the Board, Supervisory Committee and other senior management staff in finance, business, family and other material or relevant aspects.

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

Due to job relocation, Mr. Tang Yizhong resigned as the shareholder representative supervisor of the fourth session of the Supervisory Committee on 30 April 2019. The resignation of Mr. Tang Yizhong took effect from the conclusion of the 2018 annual general meeting of the Company held on 28 June 2019. Please refer to the announcement of the Company dated 30 April 2019 and 28 June 2019 for further details.

Mr. Yanggang was appointed as the shareholder representative supervisor of the fourth session of the Supervisory Committee of the Company at the 2018 annual general meeting of the Company held on 28 June 2019 for a term commencing from the conclusion of the annual general meeting until the expiry of the fourth session of the Supervisory Committee. Please refer to the announcement of the Company dated 28 June 2019 for further details.

On 21 June 2019, Mr. Chong Teck Sin, an independent non-executive Director of the Company was appointed as a director of Ranhill Pte Ltd. (a private company registered in Accounting and Corporate Regulatory Authority of Singapore).

Directors' Attendance of Regular Meetings

The Board has held four regular meetings in 2019 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 2019 are set out in the following table:

Director's name	Due attendance	Records for personal attendance	Records for attendance by alternate	Individual attendance rate
Executive Director				
Xie Shikang	4	4	0	100%
Chen Wenbo	4	2	2	50%
William K Villalon	4	2	2	50%
Shi Jinggang	4	4	0	100%
Non-executive Director				
Chen Xiaodong	4	4	0	100%
Man Hin Wai Paul	4	4	0	100%
Li Xin	4	2	2	50%
Independent non-executive Director				
Chong Teck Sin	4	2	2	50%
Poon Chiu Kwok	4	4	0	100%
Jie Jing	4	4	0	100%
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 advice to the Board and the management on the strategic development of the Company and ensure the interests of shareholders and the Company as a whole by implementing measures. As of the date of this announcement, apart from Mr. Chong Teck Sin, the independent non-executive Director who has continuously been in office for over 9 years, the term of office of each of other 3 existing independent non-executive Directors does not exceed 9 years. Notwithstanding the fact that Mr. Chong Teck Sin has served the Company for more than nine years, there are no circumstances which are likely to affect his independence as an independent non-executive Director. Mr. Chong Teck Sin is not involved in the daily management of the Company nor in any relationships which would interfere with the exercise of the independent judgment. The Board considers Mr. Chong Teck Sin remains independent notwithstanding the length of his service. As regard the re-election of independent non-executive Directors, the Company will ensure compliance with code A.4.3 of the Corporate Governance Code under the Listing Rules.

According to the Listing Rules, the Company received the relevant written independence confirmation letter from each of the independent non-executive Directors for the year 2019. The Company confirmed that all the independent non-executive Directors are independent of the Company.

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

Duties of Directors and Management

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

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

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

Chairman and General Manager

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

Continuing Professional Development of Directors (Training for Directors)

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

Below is a summary of the trainings received by the Directors for the period between 1 January 2019 and 31 December 2019 based on the records provided by the Directors and supervisors:

Name	**Category of Continuing Professional Development**
Directors	
Xie Shikang	A/B
Chen Wenbo	A
William K Villalon	A/B
Shi Jinggang	A
Chen Xiaodong	A
Man Hin Wai Paul	A
Li Xin	A
Chong Teck Sin	A/B
Poon Chiu Kwok	A/B
Jie Jing	A
Zhang Yun	A
Supervisors	
Wang Huaicheng	A
Jin Jie	A
Tang Yizhong	A
Yang Gang	A
Deng Li	A
Deng Gang	A

A: reading seminar materials and other updated information regarding the amendments to the Listing Rules and other applicable regulations.

B: attending briefing and/or seminars.

Four Committees of the Board

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

(1) Audit Committee

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

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

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

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

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

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

(e) regarding (d) above:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee met on 14 May 2019 to review the income statement, cash flow statement and balance sheet of the Group for the three months ended 31 March 2019.

The Audit Committee met on 26 August 2019 to review the unaudited interim report of the Group for the six months ended 30 June 2019 and approved such report.

The Audit Committee met on 30 October 2019 to review the income statement, cash flow statement and balance sheet of the Group for the nine months ended 30 September 2019.

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

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

The Audit Committee met on 26 March 2020 to review and discuss the Group's annual results, financial statements, principal accounting policies and internal audit matters for the year ended 31 December 2019, listened to the auditor's suggestions for the Company and approved such reports.

In 2019, 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 2019 conducted annual financial auditing nature and scope;

4. proposed to the Board to appoint Ernst & Young and Ernst & Young Hua Ming LLP as the Company's 2019 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 2019, 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 2019, and suggested the establishment of a normal and transparent remuneration system;

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

(3) Nomination Committee

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

The major duties of the Nomination Committee are:

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

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

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

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

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

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

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

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

Members of the Nomination Committee	Due attendance	Records for personal attendance	Records for attendance by alternate	Individual attendance rate
Xie Shikang	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 2019, the Nomination Committee has worked actively mainly on the following aspects:

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

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

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

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

(4) Strategy and Investment Committee

The Board established the Strategy and Investment Committee on 29 June 2018. The Strategy and Investment Committee currently comprises Mr. Xie Shikang, Mr. Shi Jinggang, Mr. Poon Chiu Kwok, and Ms. Zhang Yun. The chairman of the Strategy and Investment Committee, Mr. Xie Shikang, is the chairman of the Board.

The Strategy and Investment Committee shall be responsible for the following duties:

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

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

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

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

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

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

During the reporting period, the Strategy and Investment Committee discussed the development strategy and direction of the Company.

Corporate Governance Responsibility

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

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

During the year of 2019, the Board reviewed the Company's status on compliance with the Code and other rules applicable according to the requirements of the Code, and approved the annual corporate governance report of the Company and its disclosure on the websites of the Stock Exchange and the Company.

Auditors and their Remuneration

Ernst & Young was the Company's international auditor (Ernst & Young Hua Ming LLP was the Company's PRC auditor for 2019) for the year ended 31 December 2019. For three years ended 31 December 2019, the Company did not change its auditor.

The responsibilities of the external auditors in respect of their financial reporting are set out in the independent auditor's report attached to the Company's financial statements for the year ended 31 December 2019.

The remuneration of the auditors for the year ended 31 December 2019 are set out below:

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

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

Company Secretary

During the year of 2019, Mr. Huang Xuesong has received no less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules.

Rights of Shareholders

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

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

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

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

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

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

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

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

    (i) all parts of the register of shareholders;

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

      (a) their present and former names and aliases;

      (b) their principal addresses (residence);

      (c) their nationalities;

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

      (e) their identification documents and the numbers thereof.

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

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

    (v) minutes of shareholders' meetings; and

    (vi) audited financial reports.

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

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

Communications with Shareholders

The Company attaches great importance to the communication with shareholders and investors. The Company uses a number of channels to account for the performance and operations of the Company to shareholders, particularly periodic reports such as annual and interim reports. In addition to delivering circulars, notices and financial reports to our shareholders, the Company also publishes its corporate information on its website (http://www.camsl.com) by electronic means. The annual general meeting provides a good opportunity for the communication between the Board and the shareholders of the Company. The Company regards the AGM as an important event in the year and all Directors, supervisors, senior management and the Chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee should make an effort to attend and answer questions raised by the shareholders. For the year ended 31 December 2019, in responding to investors' enquiries, the Company held conferences and/or conference calls.

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

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

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

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

Risk Management and Internal Control

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

(1) Constantly improve on the internal control system

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

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

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

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

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

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

One of the duties of the Audit Committee of the Board is to review the adequacy and effectiveness of the Group's financial control, internal audit functions and risk management systems. The Audit Committee examined and reviewed the work of the audit and legal affairs department, the Group's external auditor and the regular reports on internal financial control, operation and compliance control, and risk management policies and systems for the financial year ended 31 December 2019.

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

General Meetings

On 28 June 2019, the executive Director Mr. Xie Shikang (the chairman of the Board, the chairman of the Nomination Committee and the chairman of the Strategy and Investment Committee of the Company), Mr. Chen Wenbo, Mr. William K Villalon, and Mr. Shi Jinggang, the non-executive Director Mr. Man Hin Wai Paul, 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 2018 annual general meeting held by the Company.

On 20 December 2019, the executive Director, Mr. Chen Wenbo, Mr. Shi Jinggang and the non-executive Directors, Mr. Man Hin Wai Paul, the independent non-executive Director Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing (the chairman of the Remuneration Committee of the Company) and Ms. Zhang Yun attended the 2019 first EGM held by the Company.

Amendments of Articles of Association

To reflect the minor change in the name of the Company's substantial shareholder and the changes in scope of the business operation of the Company, the Company amended its Articles of Association. The amendments of the Articles of the Association of the Company were approved at the 2019 first extraordinary general meeting held on 20 December 2019. Please refer to the circular dated 4 December 2019 and the constitutional document dated 30 March 2020 of the Company for further details.

By Order of the Board
Changan Minsheng APLL Logistics Co., Ltd.
Xie Shikang
Chairman

Chongqing, the PRC
30 March 2020

As at the date of this announcement, the Board of Directors of the Company comprises:

Executive directors:
Mr. Xie Shikang
Mr. Chen Wenbo
Mr. William K Villalon
Mr. Shi Jinggang

Non-executive directors:
Mr. Chen Xiaodong
Mr. Man Hin Wai Paul
Mr. Li Xin

Independent non-executive directors:
Mr. Chong Teck Sin
Mr. Poon Chiu Kwok
Mr. Jie Jing
Ms. Zhang Yun

* *For identification purpose only*