

# CNML

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重慶長安民生物流股份有限公司

Changan Minsheng APLL Logistics Co., Ltd.\*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 01292)

**2017**

Environmental, Social and  
Governance Report

\*For identification purpose only

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## 1. About the Report

This is the second environmental, social and governance (“ESG”) report of Changan Minsheng APLL Logistics Co., Ltd. (the “Company”), covering the period from 1 January 2017 to 31 December 2017.

### Basis of Preparation

The report has been prepared mainly with reference to the *Environmental, Social and Governance Reporting Guide* (the “ESG Guide”) published by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The scope and content of the report were determined by following a set of systematic procedures which included stakeholder identification and engagement, ESG materiality analysis, defining the extent of the report, information and data collection, drafting, proofreading and data assurance.

### Scope of the Report

The policies, declarations and data within the report cover the headquarters of the Company and the subordinate controlling subsidiaries and holding subsidiaries.

### Data Source and Reliability Assurance

The data and cases in the report mainly came from the Company’s statistical reports and relevant documents. The Company undertakes that the report does not contain any false or misleading information or statements and accepts responsibility for the contents of the report as to their accuracy, truthfulness and completeness.

### Confirmation and Approval

As confirmed by Management, the report was approved by the Board on 29 March 2018.

### Access and Feedback on the Report

The soft copies of the report are accessible on the Stock Exchange’s HKEx News website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s official website ([www.camsl.com](http://www.camsl.com)).

## 2. Responsible Development and Good Governance

During 2017, the Company further pushed our ESG effort over last year. The Company improved our sustainable development strategy and built a sustainable development governance framework to improve our governance of environmental and social risks.

### 2.1 Sustainable Development Principles

The Company has always upheld and taken concrete steps to promote the idea and practice of corporate social responsibility. We insist on the values of humanism and respect for labour; development driven by innovation; cooperation with industry partners. We believe this is the best way to serve our clients, shareholders and society. The Company's vision is to be a world-class automobile supply chain logistics integrated service provider and we endeavored to realize this corporate core value in a manner compatible with long-term sustainable development.

#### Our mission

To use innovative logistics to create a better life for all stakeholders

We are committed to being ahead of our time, to making continuous effort to develop and innovate our logistics management process and logistics model and to contributing to society in a professional and efficient manner to create a better and brighter life.

- ▶ To society: we are devoted to being a responsible and model corporate citizen, earnest in the performance of our social responsibilities, constantly reforming and innovating, a pioneer and industry leader in socially, economically and environmentally sustainable development.
- ▶ To clients: we are devoted to continuously delivering value to our clients by providing the best and most professional and efficient integrated solutions and services and to constantly improving customer satisfaction and loyalty under the slogan of "Extremely touched, Happy Provider".
- ▶ To employees: we regard employees as the fundamental factor in value creation and are devoted to building a workplace full of respect, happiness, value creation and sharing, a working environment that is fair, transparent, sincere and cooperative, and to establishing a professional development ladder for employees, to recognize their contributions, to help with career development and to boost their well-being.
- ▶ To shareholders: we are committed to running a transparent, efficient, progressive and stable operation, to increasing profitability while maintaining sustainable growth, to rewarding shareholders with prolonged, stable and decent returns.
- ▶ To business partners: we are committed to conducting business in an honest, equal and mutually beneficial manner, and to establishing long-term cooperative relationships with business partners, hand in hand on value creation and sharing and risk elimination.

<i>Our vision</i>	<i>Our core values</i>
To become a world-class automobile supply chain logistics integrated service provider	<ul style="list-style-type: none"> <li>▶ To commit to the success of clients</li> <li>▶ To develop employees</li> <li>▶ To be honest and responsible</li> <li>▶ To maintain a spirit of cooperation</li> </ul>
We are persistent in our efforts to realize rapid growth, healthy development and in our vision of becoming a world-class automobile supply chain logistics integrated service provider	

## 2.2 Sustainable Development Management Structures

In order to integrate the sustainable development principles into the Company's strategies and decision-making and to implement such work, the Company has formed an ESG work team. All departments of the Company have been made aware of their duties and responsibilities as part of a concerted effort to advance our sustainable development practices.

## 2.3 Stakeholders Engagement

The Company established a regular communication system based on our own development strategy and the demands of our stakeholders. The Company hopes to realize positive interaction with various stakeholders through specific and various channels and to promptly respond to their concerns. We believe that such engagement is key to achievement of the Company's sustainable development goals.

Stakeholders	Forms of Communication
Clients	Official Website Customer Interviews Customer Relationship Periodic Maintenance Customer Service Hotline Customer Satisfaction Survey
Employees	Internal Company Liaison Employee Mailbox Employee Family Visits Staff Meeting Employee Recreational Activities Staff Training
Shareholders and Investors	Shareholder's Meeting Official Website Public Reports Periodic Reports Visitor Reception
Government and Relevant Associations	Department Visits Communication Meeting Public Events
Suppliers	Direct Communication and Visits Suppliers' Meeting Online Opinion Poll Regular Review and Assessment Bidding Activities
Communities	Poverty Alleviation Donations Job Offerings Public Welfare Activities Volunteer Work Green Operation
Others	Online Surveys Site Visits

## 2.4 Materiality Matrix

After an analysis on the Company's ESG work in respect of present status, media analysis and peer comparison, in combination with the Company's development plan and communication results with stakeholders, the Management of the Company confirmed that all the issues applicable to the businesses of the Company as set out in the ESG Guide of the Stock Exchange are issues of significance to our own development, the response to which can be found in the text of this report. The list of the issues dealt with in this report is to be found in the section 10 - Index of Environmental, Social and Governance Reporting Guide, which maps the disclosures against the Key Performance Indicators (KPIs) listed in the HKEx ESG Guide, in accordance with the "comply or explain" provisions.

## 2.5 Anti-corruption and Good Governance

The Company regards lawful operation as an unbreakable bottom line and values transparency, accountability and honest governance.

### Clean governance systems

The Company fully abides by all relevant laws and regulations such as the *Company Law of the People's Republic of China* and the provisions of the Corporate Governance Code of the Rules Regarding the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has drafted a series of documents and injunctions to promote clean governance standards such as the *Code of Conduct for the Honest Professional Practice of Employees of Changan Minsheng APLL Logistics Co., Ltd.*, and the *Honesty and Self-discipline Code for Middle and Above-ranking Management of Changan Minsheng APLL Logistics Co., Ltd.* to safeguard the Company's clean governance structure.

In 2017, the Company further improved rules and regulations regarding anti-corruption and good governance. During the year, the Company introduced 8 new rules regarding discipline inspection and supervision including *Accountability in Building a Clean Party and Administration* to clarify the framework and system for the decision-making of the disciplinary inspection committee, the code of conduct in respect of honesty and integrity of employees and leaders in the business areas of supervision and inspections and accountability.

## **Building enterprise integrity**

In 2017, the Company continue to apply the idea of building an honest and clean enterprise into our operation and management to promote lawful operation and the honest and clean professional practice of the Party members and leaders and employees.

During 2017, the Company took a series of measures to build enterprise integrity, including the following measures:

- ▶ Clarified duties to further detail the primary responsibilities and supervision responsibilities of individuals
- ▶ Introduced responsibility and integrity pledge from top down in relation to building a clean and honest enterprises
- ▶ Organized and conducted open and secret special inspections
- ▶ Intensified the daily supervision of leaders, including conversations in relation to responsibilities, conversations before office assuming and conversations related to warning
- ▶ Strengthened anti-corruption education and organized for all Party members of the Company to learn the constitution, rules and disciplinary penalties of the Party; and
- ▶ Strengthened the anti-corruption education provided to new employees and newly-promoted mid-level officers of the Company

During the year of 2017, no legal proceedings were filed against the Company or its employees on corruption charges.

### 3. Shipping to Everywhere and Striving for Excellence

The Company's fundamental and core social responsibility is to provide clients with quality services. The Company has always been and remains committed to developing our service network and providing innovative logistics solutions. At the same time, the Company keeps strict control over our service quality and insists on excellence so as to provide our customer with professional, efficient and high-quality integrated logistics solutions and services.

2017 was the year of the reform for the automobile logistics industry. The new national standard, GB1589, which tightened regulation on the overloading of vehicles, posed great challenges to automobile logistics enterprises unprepared in respect of transportation capacity and operating costs. As a professional automobile supply chain integrated service provider, the Company proactively innovated logistics solutions and aggressively leveraged big data and intelligence to deal with the pressure of an increasingly competitive automobile logistics market, in line with corporate cost reduction initiatives. The Company was still very persistent on provision of all-round quality service and integration of innovation and quality so as to press ahead against and never cease to struggle in the fierce market competition.

#### 3.1 Innovation in Logistics Solutions

##### Innovation in logistics mode

In automobile logistics, inbound logistics plays an important role in ensuring that the whole logistics system run smoothly, especially in a business pursuing constant improvement and optimisation. The research into and improvement of inbound logistics management procedures are of great significance for helping automobile manufacturing enterprises to cut logistics costs and to improve their core competitiveness. In 2017, the Company made great breakthrough and progress in inbound logistics mode innovation. In addition to the active traditional JIS model<sup>1</sup> and SPS model<sup>2</sup>, the Company continues to explore the Milk Run<sup>3</sup> and Progress Lane<sup>4</sup> processes.

##### Improving service efficiency

In 2017, the Company carried out work on improving transportation efficiency, including opening several new train transit lines, innovating transportation modes and improving packing design. By improving transportation efficiency and reducing the cost of logistics, the Company aims to provide clients with better service, satisfying our core value of commitment to the success of our clients.

<sup>1</sup> JIS is a synchronous supply strategy which runs "Just In Sequence", so that specific materials on racks arrive in sequence at a production line right in time for assembly. In other words, limited number of components enough for a specific period of assembly arrive at a production line only when it's ready for assembly.

<sup>2</sup> SPS (Set Parts Supply) is a material supply model, also known as kit supplying model. SPS distributes parts pursuant to the production plan and sequence by individual cars, designed to accommodate the multi-variety mixed production. The application of the SPS logistics model can improve the precision of logistics distribution, prevent faulty and short shipping and optimize the line material area.

<sup>3</sup> Milk Run is a material supply model, according to which transportation routes and window times are designed in advance. This means that pickup vehicles leave and arrive at each supplier at set times, transport parts from suppliers to the automobile factory and return the empty containers to suppliers. This method improves loading rates, inventory and containers reuse and at the same time, raises the standard of operation and lean management efficiency.

<sup>4</sup> P Lane (Progress Lane) is an interim stock yard for unpacking the auto parts that arrived at the vehicle factories. In the interim stock yard, the auto parts are stacked by certain rules. These packed auto parts are then unpacked per production progress, just in time. The optimization of P Lane management can help visualize site partition management and promote standard, efficient and balanced management of unloading, stocking, unpacking and handling of components.



**Case: Opening Multiple New Train Transit Lines****▶ “Five Fixed” Train from Chongqing to Guangzhou**

In May 2017, the Finished Vehicle Operation Centre of the Company opened a “Five Fixed” train route (fixed time, fixed place, fixed route, fixed train number, fixed price) from Chongqing to Guangzhou, which has the advantages of short transportation time, accurate departure and arrival times, etc. The train further guaranteed transportation capacity of finished vehicles without raising the cost. Once the service was in place and operating regularly, transportation time was reduced by an average of 2 days, a 29% increase in the efficiency.

**▶ Train from Chongqing to Lanzhou**

In September 2017, the Finished Vehicle Operation Centre of the Company opened a train route from Chongqing to Lanzhou. The whole trip now lasts 18 hours and 13 minutes, which is 3 to 4 days less than the former dedicated train.

**Case: Joint Efforts on Waterway Container Transportation for Vehicles**

With the tightening of the national policy of GB1589 for purpose of regulating the overloading of vehicles, the cost of road transportation has seen significant and sustained increases. In view of the national policy and general market, the Company adjusted its strategy and turned to waterway transportation to improve transportation efficiency and to better serve our clients. On 13 June 2017, the Company, Chongqing Guoyuan Container Port Co., Ltd. and Shanghai Pan-Asia Shipping Co. Ltd. entered into an agreement regarding the waterway transportation of 100,000 units of passenger vehicles by containers, and on that morning, 36 units of Changan EADO XT were transported in containers from Chongqing to Wuhan.

**Case: New Packing Design for Finished Vehicle Waterway Container Transportation**

In June 2017, the Company completed the packing of 42 units of Changan export vehicles in containers by adopting the new container packing design. Through optimizing container packing methods, a standard container could contain 4 units instead of the previous 2 units of the Changan CS35 by using new dedicated vehicle pallets, which made a full use of the containers’ internal space, improving the efficiency of container transportation as well as the safety of the vehicles inside the containers.

**Building intelligent logistics**

In 2017, the Company put forward the strategies of “client experience plus, big data plus, internet plus, intelligence plus”, known as the “four plus” to conform to the intelligent, low-carbon, interconnected, experiential and ecosystem-building trends in the automobile industry and the scale, intensive, informational, professional and modernized trend expected in the automobile logistics industry in the next five years. The Company is devoted to building and providing intelligent logistics services supported by advanced IT, whereby real-time system captures in every logistics links such as transportation, storage, processing, distribution and information services can be realized, to provide customers with punctual, excellent, well-informed logistics experiences.

### Case: The Application of OTM, an Intelligent Logistics Information Service Platform

In 2017, the Company managed its logistics business through OTM (Oracle Transportation Management), an intelligent logistics information service platform which combines a data integration platform, GIS system (Geographic Information System), e-mail, SMS (Short Message Service), WeChat and WMS system (Warehouse Management System) and other elements to realize intensive and whole-process visualization management of supply chain logistics business. The application of OTM enables the data management centre to visually display the transportation data and the accurate and immediate feedback has greatly improved the Company's transportation capability.

### Case: A New Page for Intelligent Warehousing and Vehicle Management

On 1 April 2017, the i-WMS/VMS system (intelligent warehousing/vehicle management system) of the Company was formally put into operation. This system standardizes warehouse inbound/outbound, checking, stock relocation, etc. in accordance with warehouse features and client needs, and realizes in-time data acquisition, intelligent data transfer and automatic data analysis, and thereby improving operational efficiency, optimizing management flow and realizing lean management.

The deployment of i-WMS/VMS system is a new starting point for the Company's auto parts logistics lean project. Its successful operation played an important role in upgrading operation analysis and the management level of the auto parts business of the Company, as well as improving clients' satisfaction levels.

## 3.2 Strict Customer Service Quality Control

In 2017, guided by the Company's strategic plan, focused on customer satisfaction, led by the quality assurance system, ISO9001, the quality management system, IATF16949<sup>5</sup> and relevant demands from clients, in combination with the requirements of Changan MLQOS (supplier-targeted logistics service quality control system by Chongqing Changan Automobile Co., Ltd. ("Changan Automobile")), Ford Q1MSA (a standard issued by Ford Motor Company to evaluate suppliers' manufacturing site), the Company made various quality management efforts including system improvement, special competency improvement, periodic examination and quality control activities. We continued to improve our service quality beyond the Company's past quality control efforts to elevate logistics service and customer satisfaction.

### Quality control system

The Company has set up a comprehensive quality control system which is based on ISO9001/IATF16949, clients' special requests such as Changan MLQOS and Ford Q1MSA and other relevant laws and regulations. The system controls the four crucial factors including pre-plan, processing control, monitoring and measurement, constant improvement to try to accomplish the three goals of zero downtime, on-time arrival and zero PPM (defective rate of products delivery), and thereby seeking greater perfection and improvement to provide efficient, excellent logistics services to the customer's satisfaction.

<sup>5</sup> IATF16949 is the latest standard issued by the International Automotive Task Force, a series of rules designed to regulate quality control system of various organizations in the automobile industry.

The Company has set up an annual quality target, to carry out annual quality control works:

▶	Quality damage rate at or below 0.09%
▶	Net quality damage rate at or below 0.03%
▶	Quality system assessment passing rate of 100%
▶	Customer satisfaction at 92 points or more
▶	On-time cargo outbound rate at or above 98%
▶	On-time arrival rate meets with clients' requests
▶	Downtime meets with clients' requests
▶	Defective rate of products delivery at or below 50 PPM (parts per million)
▶	Major quality complaints of 0
▶	Quality risk identification coverage rate of 100%

## Building quality logistics

The Company has integrated quality management into the tiny details of the Company's operation. In 2017, the Company conducted a system internal audit, management assessment, special quality improvement, regular inspections and related measures to identify the weak points in the quality system and to improve logistics services quality and to ensure the adequacy, suitability and effectiveness of the system.

### (1) Implement monitoring inspection and periodic inspection policy

In 2017, the Company continued to implement a routine inspection policy. The Company's officials, Quality, Safety and Environmental Protection Department (the "Quality and Safety Department") conducted monitoring inspections and superintendents of various projects and positions carried out periodic inspections. In 2017, 1,045 items of hidden problems were identified and rectified, representing a 100% rectification rate.

#### Case: QC (Quality Control) Group Activities

In 2017, the Quality and Safety Department of the Company carried out quality control activities, thereby strengthening controls on quality, safety, equipment and costs in the logistics process and raising employees' awareness of potential continuous cost reduction and efficacy improvement, logistics flow improvement, logistics equipment improvement, reducing quality damage and customer complaints to promote quality improvement. The quality control group established 57 projects (the coverage rate of business units is 100%). Closed projects have saved approximately RMB2,400,000 and reduced security expenses by over RMB1,800,000.

### Case: Downtime Improvement Special Activities

In 2017, the Quality and Safety Department, together with the Parts Logistics Operations Centre, had set up a group to carry out specific inspection activities for downtime improvement. Through several efforts such as working out a promotion plan, examining projects, conducting self-inspections, on-site instructions, and timely communication and reporting, all the problems identified has been solved. These special activities have reduced net losses caused by downtime by RMB293,300.

### (2) Quality recertification review

Demonstrating our commitment to providing quality services, the Company accepted recertification reviews from quality certification companies in 2017. All certifications were retained, all assessments were passed the first time and maintained the validity of the quality system certificates.

- ▶ In March 2017, the Company organized TS16949 internal assessment and accepted TS16949 external assessment in May 2017. The Company passed the external assessment and was granted the relevant certificate;
- ▶ In June 2017, the Company organized and performed an internal assessment on three quality systems (GB/T19001、GB/T24001、GB/T28001) and accepted relevant external assessment in July 2017. The Company passed the external assessment and was granted the relevant certificates.



### 3.3 All-Round Improvement of Customer Service

The Company has well-established internal customer service policies and high-quality customer service systems, striving to create better service experiences for customers. At the same time, we have conducted regular customer satisfaction surveys, and further optimized customer experience and service standards based on survey and research results.

#### Establishing customer service system

The Company has internally developed the *Customer Visit Management Process* and *Customer Information Management Process*. The former aims to maintain good relations with customers and clarify the duties of each responsible operational centre and functional department to ensure that the customer service system is followed, while the latter is to ensure standard and consolidated management and timely updates to customer information. Meanwhile, the Company has also developed the *Customer Complaint Handling Management Process-Customer Voice Management Process* to standardize the management of customer feedback to ensure timely and effective handling of customer's voice so as to improve service quality and further enhance overall customer satisfaction. In 2017, overall customer satisfaction was 93.32%, an increase of 0.12% from 93.20% of last year.

#### Handling customer complaints

Based on the *Customer Complaint Handling Rules by Customer Service Centre of Changan Minsheng APLL Logistics Co., Ltd.*, the Company has established a customer complaint system with multiple channels, such as by phone, email and WeChat. Once received complaints through the various channels, should the Customer Service Centre be able to explain and handle immediately, that should be done. If the complaints can't be addressed without further survey, the Customer Service Centre should explain to and conciliate customers first and handle the complaints within a given timeframe afterwards. In 2017, the Company received a total of 48 complaints regarding services.

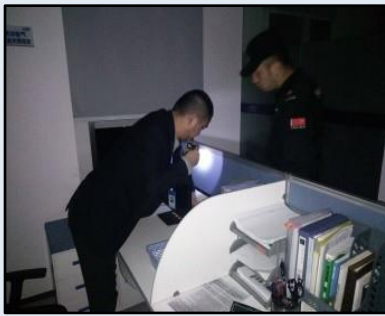
#### Protecting customers' privacy

The Company attaches great importance to the protection of customer privacy and fully complies with the provisions regarding personal information protection under the *Constitution of the People's Republic of China*, the *General Principles of the Civil Law of the People's Republic of China*, and the *Tort Liability Act of the People's Republic of China*, for protecting customer privacy, business information and customer interests. At the same time, The Company has internally developed information security system, providing the principle of "Seven Don'ts" for business information protection to enhance protection of customer information to ensure that all business cooperation is based on a principle of mutual trust and sustainable development.

The principles of "Seven Don'ts" for business information protection are as follows:

1. Don't disclose business information to unrelated persons;
2. Don't give out business information via phone or internet;
3. Don't take pictures, record voice or record video in sensitive places without permission;
4. Don't store the storage devices containing business information in unprotected places;
5. Don't bring storage devices containing business information to visit relatives and friends or to places unrelated to work;
6. Don't copy, retain, abandon or lend business information to others without authorisation; and
7. Don't accept media interviews or publish trade secrets in public messages.

At the same time, the Company has adopted various measures such as confidentiality awareness training, confidentiality inspections and warning slogans to raise employees' awareness of business confidentiality.



## Innovative methods in communication with customers

The Company invited customers to attend weekly working meetings and carried out the Smile Activity to provide innovated and sincere services to customers.

### Case: Inviting Customers to Attend Weekly Meetings

In order to enhance communication and interaction with customers, the Company's International Freight Forwarding Company innovated their working methods by inviting their clients to attend weekly meetings to jointly analyse the production and operation data and to further strengthen business cooperation.

At the meeting, the two parties had sufficient communication about order shipment, material packaging and production planning, and discussed and analysed the difficulties encountered in operations and the corresponding solutions. Face-to-face communication not only solved problems efficiently, but also promoted mutual understanding, cooperation and friendship.

### Case: Smile Activity of Harbin Branch

To contribute to the realisation of the corporate value of "Customer Success and Employee Development" and to improve service awareness, the Harbin Branch of the Company carried out the Smile Activity, which includes wearing a smiling-face badge, making service information cards, promotional posters, walls with smiling faces, public displays of "Employees' Service Commitment Letter", and regular public displays of the highlights and deficiencies of our services on billboards. Through these activities, the Harbin Branch advocated for their employees to bring customers closer with a smile and demonstrate service value to customers with a positive attitude.



## 4. Concerted Efforts in Mutual Development and Industrial Ecosystem

### 4.1 Contributions to the Belt and Road Initiative

International logistics efficiency is an important reflection of a country's competitiveness in the global market and the ability of international cooperation. Closely following the Belt and Road Initiative, the Company continues to enhance its construction of logistics capabilities along the regions covered by the Belt and Road Initiative, such as construction of the international multimodal transport seamless connection capability. The Company are seeking international strategic partners in such key logistics projects as "Sino-Europe", "Sino-US" and "China to Southeast Asia", with the purpose of providing full integrated supply chain services to customers.

#### Case: Opening the New Train Transit Line of Chongqing-Manzhouli-Russia Line

In June 2017, the Company completed the packing and shipping of 144 sets of automobile knock-down parts of Changan Automobile, which the Company was responsible for transporting. The consignment was first batch of automobile knock-down parts of Changan Automobile exported to Russia. The goods departed from Tuanjiecun Railway Freight Station of Chongqing and arrived in Moscow by way of Manzhouli. Then the parts were transferred to the production plant by inland trailers. The entire journey took about 18 to 20 days, saving about 70% of the time it takes by waterway transportation, while the cost of transportation is similar. Under the premise of ensuring the quality and safety of the goods, the train of "Chongqing-Manzhouli-Russia" line reduced the transportation cost and improved the logistics efficiency for customers.



#### Case: Actively Participating in the China-Singapore Interflow Pilot Project



In December 2017, the International Freight Forwarding Company of the Company, together with Zhongxin Nanxiang Passage (Chongqing) Logistics Development Co., Ltd. and Changan Automobile International Sales and Services Co., Ltd., started the shipping of the first batch of export container at Chongqing Tuanjiecun Railway Station through the China-Singapore interflow southwards corridor. The launch represented clients' faith in the Company and the southwards corridor, and also the faith of the Company in enhancing competitiveness by expanding our business scale by way of

sea-railway transportation through the southwards corridor.

In the future, the Company will continue to expand cooperation with logistics, trading and manufacturing companies at home and abroad and seize the national strategic opportunities of the Belt and Road initiative so as to make a new highlight out of the southwards corridor as a facilitation to the expansion of the Company's international logistics business.

## 4.2 Joint Efforts in Building Industrial Chain Ecosystem

In 2017, the Company continued its scientific research and innovation and participated in industrial exchanges for the purpose of creating an innovative platform in service of the industrial chain and jointing efforts with partners in the upstream or downstream of the supply chain in the hope of creating value for the industry and the business partners and building an industrial chain ecosystem.

### Continuous scientific research and innovation

The Company continues to strengthen key technology research and new product development of the logistics industry, to improve its innovation capability and enhance its core competitiveness, thereby facilitating the transformation and upgrading of the Company.

#### (1) Construction of scientific research system

The Company has an excellent environment and well-established systems for scientific research:

- In view of organisation and management of research and development, the Company developed the relevant protocols such as *IT Project Approval Process*, *IT Project Implementation Management Process*, *IT Project Acceptance Management Process*, and *Scientific Research Project Initiation Management Process* to regulate the organisational structure of the relevant research and development departments, and determined the management processes for research and development projects;
- With respect to the use of research and development funds, the Company has *Scientific Research Project Funds and Acceptance Management Process*, and each expenditure on research and development is strictly managed pursuant to the relevant processes to ensure the proper use of funds;
- In terms of the formation of scientific and technological achievements, the Company has formulated the *Scientific and Technological Achievements Formation and Reward System*, and *Intellectual Property Rights Management System* to standardise the management of the formation of scientific and technological achievements and to fully mobilize the enthusiasm of research and development technicians.

#### (2) Reform of technology system

In 2017, the Company's Enterprise Technology Centre began setting up a three-tier technology system at the company level, that is, a top-down three-level technology system, covering Enterprise Technology Centre (a functional department), operation centres and regional companies, and operation projects, which rates and certifies relevant technical personnel under the three-tier technical system. In order to better manage the technical staff, the Company developed the *Professional Technical Personnel Management System*, providing the operating mechanism of the three-tier technology system, which will gradually organize training and certification of technical personnel.



**(3) Fruitful scientific research achievements**

The Company values the significance of scientific research to the improvement of operational efficiency and service quality. The Company has developed and applied a series of scientific and technological achievements to its practice, such as the mobile application of the E-yunche e-commerce platform, the automatic scanning of finished vehicles in and out of warehouses, ways to reduce logistics transportation costs, and so on. These measures strengthened the Company’s core competitiveness and have enabled it to take the lead in automobile logistics services across the country.

**Case: The Company was Successfully Certified as a High-tech Enterprise in Chongqing in 2017**

In 2017, the Company differentiated itself from more than 2,000 enterprises in Chongqing and was successfully certified as a High-tech Enterprise, a milestone for the Company’s technological innovation and development. This is also an important proof that the Company has the capability to continuously research and develop, to transform technological achievements and to form core independent intellectual property rights. The Company will take this as an opportunity to further increase research and development investment and enhance its scientific and technological strength.

**Case: Transformation of Scientific and Technological Achievements**

In order to strengthen the application of automation technology, to reduce the number of operators and improve the operation efficiency of the warehouse, Hefei Branch of the Company promoted the AGV (Automatic Guided Vehicle) project in an active response to the “intelligent plus” in the “four plus” directive of the Company. The project was put into trial operation in November 2017. The AGV material handling system has been advanced to a point where the technology is used to transfer materials between corresponding stations, and to move sorting materials to the assembly line, which took the place of manpower or by tractors in the past.



Magnetic-navigated and tractor-like AGV



AGV

Scientific Research Achievements in 2017			
<p>In 2017, the Company obtained 1 utility model patent certificate, 12 software certificates, 8 patent applications (including 7 inventions and 1 utility model), 3 software copyrights. A further 23 patent applications are currently being formulated prior to submission. At the same time, the Company was granted the title of “First Innovation-Driven Model Enterprise” by the Chongqing Enterprise Association, and the title of “Industry-University-Research Base of China Society of Logistics”.</p>			
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**(4) Industry-University-Research collaboration**

In 2017, the Company continued to promote industry-university-research collaboration, and carried out in-depth cooperation with scientific research institutes, colleges and universities to facilitate the effective fusion of various factors for the technological innovation:

▶	A strategic cooperation agreement was entered into between the Company and Chongqing University and 3 collaborative research projects were proposed; and
▶	The Automotive Logistics Engineering Research Centre, Graduate Education Innovation Base, and College Students Practice Education Base were jointly established by the Company with Chongqing Jiaotong University, and 5 collaborative projects were proposed.

## Participation in the drafting of industry standards to contribute to the progress of industry

The Company is aware that we cannot thrive without the support of other parties. In an effort to contribute to the common progress and development of the industry, the Company has always been in constant communication and cooperation with business partners and industry counterparts.

In 2017, the Company participated in drafting the national standards of *Index and Accounting Method of Green Logistics* put forward by the National Logistics Standardization Technical Committee (SAC / TC 269). The standards will provide for a green logistics index system and its accounting method. Participating in standards drafting shows support and approval from industry counterparts and the government, and the Company will take this as a motivation to make more efforts in contributing to green logistics and sustainable development of the industry.

## New business

In 2017, taking the new business as the core, the logistics industry ecosystem as the carrier, combined with Internet thinking, the Company took full advantage of the traditional business's control over information and objects, and gradually engaged in such innovative business as internet plus freight transportation, internet plus car transportation and trailer sharing.

### Case: E-yunche Platform

In 2017, the Company upgraded the E-yunche platform. By integrating the Company's proprietary transport resources and other social transport resources, E-yunche aims to become a trading platform with precise matching and full transparency, and to provide customers with customized, safe and reliable car transport services based on the routes available. The platform has functions for price budgeting, order releasing, payment, on-transit progress checking, and award point management.

### Case: Integrated Vehicle Purchase Platform

In 2017, the Company reached cooperation consensus with several commercial vehicle makers and modification plants, aiming to create an integrated vehicle purchasing platform to solve the difficulties of vehicle purchase of the carriers, and further to fill up the transport capacity gap.

### Case: Integrated Refuelling

The project of "integrated refuelling" adopts flexible and diversified refuelling methods, allowing online and offline supervision and a transparent process. In 2017, 100% of our own projects adopted this mode. By collecting and analysing fuel-use data, we have enabled the development of unit vehicle fuel use standards, which reduced operating costs to some extent.

## Supplier management

The Company's sustainable development is inseparable from the support of suppliers and its products and service quality is also closely related with suppliers. We are committed to establishing healthy and mutually beneficial long-term cooperation with suppliers and business partners.

### (1) Supplier management system

The Company has a complete set of policies regulating management of suppliers to control their products and service quality. The Company has formulated the *Supplier Access Management Process*, *Supplier Annual Assessment Management Process*, *Procurement Management Method*, *Bidding Management Method*, and *Supplier Management Method* to improve the management system of supplier development, maintenance, service and elimination. In the selection of suppliers, we also set up a special team to investigate their service quality, financial statements, credit, security and environmental protection and other aspects, so as to ensure that they meet the requirements of the relevant national policies and the requirements of the Company.

### (2) Establishment of a unified supplier database

In 2017, according to the principles of “centralised management, resource sharing; clear and standard, open and transparent; trust and cooperation, mutual benefit”, the Procurement Department of the Company started to establish the first supplier database. The first supplier resource base has already been established.

The previous separated supplier management fails to give full play of the resource advantages, and this problem was solved with the establishment of the supplier database. Next, the Company will strengthen its centralized management of suppliers, complete their basic information, and carry out strategic cooperation with suppliers to fully enhance the supplier management ability of the Company.

#### Case: Hosting 2017 Supplier Meeting

On 8 April 2017, the Company held its first suppliers meeting, which was attended by suppliers from all over the country. They gathered together to exchange ideas on matters of vital importance, cooperation and common development. At the meeting, Mr. Xie Shikang, Chairman of the Company, shared his opinions on the current development of the logistics industry from the three aspects of “gathering power, welcoming changes, and creating win-win situations”, calling for “making changes to fight for the battle” based on the three strong demands of customers “reducing cost, increasing efficiency and ensuring quality”. The meeting also awarded suppliers with the titles of 2016 Excellent Suppliers, Operating Contribution, or Collaboration Contribution.

The first suppliers meeting created a favourable platform for the Company to communicate and interact with suppliers, which will improve the management of suppliers and the quality of procurement and is of great importance to the promotion of stable and long-term cooperation.



Location of the Suppliers	Number
South China (Guangdong, Guangxi, Hainan)	17
East China (Shandong, Jiangsu, Anhui, Shanghai, Zhejiang, Jiangxi, Fujian)	282
Central China (Henan, Hubei, Hunan)	32
North China (Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia)	109
Northeast (Heilongjiang, Jilin, Liaoning)	73
Southwest (Sichuan, Guizhou, Yunnan, Chongqing, Tibet)	326
Northwest (Shanxi, Gansu, Ningxia, Qinghai, Xinjiang)	0
Hong Kong, Macao and Taiwan	7
Overseas	0
Total	846

## 5. Safety is the Foundation of Development

The Company envisages itself as a world-class integrated automobile supply chain service provider and is well aware of the importance of safety-related work in facilitating its development. The Company improved its management system from the perspective of rules and actively implementing relevant safe production rules and policies so as to manage potential safety hazards, enhance safety awareness promotion and safe production supervision. The Company puts the health and safety of its staff to first and foremost and promotes safety as integral to the sustainable development of the Company.

### 5.1 Safety Management

The Company strictly abides by the *Labour Law of the People's Republic of China*, *Law of the People's Republic of China on Work Safety*, *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, *Fire Law of the People's Republic of China* and other relevant national laws and regulations. Guided by the principle of “safety first, precaution crucial, and comprehensive treatment”, the Company has established a series of rules and regulations regarding internal safety management and earnestly promotes such rules and regulations to raise the safety awareness of employees, to build a corporate culture of safety and to integrate safety management into the details of production.

In 2017, the Company built and promoted lean management systems, integrating quality (GB/T9001), occupational health (GB/T28001), and environmental concerns (GB/T24001), and prepared the “Three into One” management manuals and process documents. The Company also established the QHSE (Quality, Health, Safety and Environment) lean management system, including such documents as system reform vision, and reform mission, breakdowns of responsibilities under the system, management or business standards, and the working manuals of all departments or business centres. In terms of safety, each of the functional departments, operation centres and regional companies all need to sign a safety and firefighting responsibility commitment statement at the beginning of the year. The Company breaks down overall safety responsibilities through the ranks to each level of personnel by defining their target tasks, responsible persons and deadlines through the forms of work plans, task breakdowns and responsibility statements. Based on the construction of the safety system, the Company continuously coached and examined the safety system performance of each unit and supervised rectification and improvement where necessary. The Company also carries out rolling internal or external audits to improve the effectiveness of corporate safety management and further contribute to the implementation of sustainable development strategies.

In 2017, the Company invested around RMB7,090,000 in safe production and as such, comprehensively improved the management of safe production and the safety of the production facilities and raised the safety awareness of the whole company.

## 5.2 Safe Operation

The construction of a safety system is the main focus for the safe operation of the Company. The Company developed and issued a lean management system integrating safety, environment and quality to achieve integrated management. The Company emphasized on responsibility, safety culture, special improvements and implemented 12 pieces of work including target control, building a lean management system and a risk precaution system.

### Safety culture building

Safety is the eternal theme of corporate development, and safety culture is an important part of corporate culture and is the basis for corporate safe development, a key foundation for corporate sustainable development. In order to promote safety culture, the Company gradually permeates the concept of safety culture into every employee's thought, subtly transforming the employee's thinking under the influence of safety culture, standardizing the behaviour of employees, and enhancing the personal accomplishment of employees, finally achieving the integration of human, machine, and the environment.

#### Case: Safety Month Activity

The Company carefully planned and organised the activities of the annual "Safety Month" and safe production competitions. Taking the opportunity of the National Work Safety Month, the Company stepped up its publicity efforts, improved employees' awareness of compliance with laws and regulations, and raised awareness of safety and self-protection through various safe production educational activities.



The Company promotes safety culture throughout the Group. The Company has fully promoted and implemented the safety concept of “internalisation of the safety rules and comprehensive precaution against risks” and firmly established the concept of safety development so as to promote a safety culture “internalised in minds, solidified in the system and externalised in practice” and to fully realize the goal of “Zero Accidents, Zero Deaths”. Safety culture construction includes the following measures:

- Establishing a safety culture concept system to improve employees’ safety awareness;
- Building a safety culture rules system to integrate into the entire process of the Company’s management;
- Establishing a safety culture behavioural system to foster good safety practices;
- Establishing a safe culture material system to create a good working environment.

Case: Safety Culture Propaganda	Case: Safety Culture Training
 <p>The Company organised information and awareness campaigns through various media and cultural activities regarding safety based on its own policies and goals concerning safety, in order to create an atmosphere of safe production. Currently the Company has 76 information and awareness billboards promoting safe production.</p>	 <p>In addition, the Company developed various safety educational activities including campaign columns and safety knowledge training. The Company produced over 8,000 safety booklets to improve employees’ knowledge of safety.</p>

**(1) Set up safe production standards**

The Company continuously promotes safe production standards. Employees’ sense of safe production was strengthened and relevant rules regarding safe production were established through process focussed compliance, for the overall enterprise, by operational team, and by position. The Company successfully obtained grade 2 qualification for transportation enterprise safety standardisation, general cargo road transportation, cargo road transportation stations and yards:

- (1) Enterprise overall standard compliance: organises enterprise attestation activities in accordance with industrial requirements and its production and operation;
- (2) Operational team standard compliance: organises standard compliance assessment step by step through strengthening promotion, education and training; and
- (3) Position standard compliance: the Company conducts competence-based certifications of safety administrators and operational team leaders to improve safety management levels.



**Case: Set up Safe Production Standards**

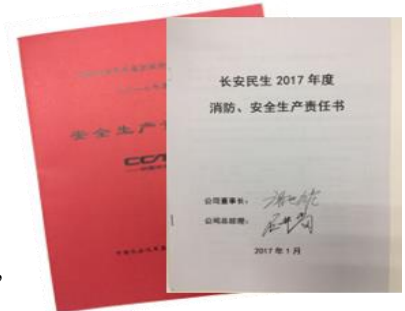
The Company has safe production standards from three aspects, enterprise overall standard compliance, operational team standard compliance and position standard compliance. It is a gradually refined process and is interconnected and strictly reviewed, thereby comprehensively covering safe production standardisation.

The Company insists on the policies of “Safety first, risk prevention and treatment” under the guidelines of “internalisation of the safety rules and comprehensive precaution against risks” and organised enterprise safe production certification, which the Company passed the review for upgrading to grade 2 qualification, passing first time, in August 2017.



**Safety responsibility**

The Company focuses on improving safety accountability system by breaking the responsibilities down through ranks to assign safety responsibilities to each level. The Company incorporated safety target into its primary plans and made detailed safety plans for every month to ensure the realisation of the safety target. The Company completed the signing of safety responsibility statement and safety undertakings, with a signing rate of 100%.



## Fire prevention, emergency and confidentiality

The Company attaches great importance to fire prevention, emergency and confidentiality during the course of production and thoroughly implements the *Measures for Implementing Fire Safety Responsibility System*. The Company strengthened fire safety education and promotion and conducts fire safety educational activities. The Company has a volunteer fire brigade and a mini firehouse to carry out special training so as to enhance emergency firefighting capabilities. The Company has established fire management accounts to keep records on such information as the key fire prevention sites, fire-fighting equipment and fire prevention inspections.

The Company conducted emergency training on emergency evacuation, rescue and fire extinguishing in response to emergencies such as fire incidents, safety incidents, extreme weather and mass incidents to enhance employees' emergency response capability and to ensure a prompt, orderly and scientifically effective response in case of emergency.

### Case: Emergency Fire Drills



It is essential for the Company to organise emergency fire drills every year, with full participation of all employees. In 2017, The Tire Assembly Company of the Company organised and invited professionals to an emergency fire drill. In

the process, all employees of the Tire Assembly Company practiced the use of dry powder extinguishers and the use of fire extinguisher sandboxes. Such emergency drills raised the employees' awareness of safe production and improved the employees' abilities to handle such hidden dangers.

The Company strengthened regular management and control of confidentiality issues, strictly implemented its management system on information classification, conducted proper promotion, training and examination of the confidential information security clearances, imposed strict management and control on the routine performance and behaviours of employees regarding confidential information of the Company, conducted identification and elimination of hidden problems in relation to the compromise or leakage of classified information, reporting problems and relevant rectifications on a regular basis.

### 5.3 Health and Safety

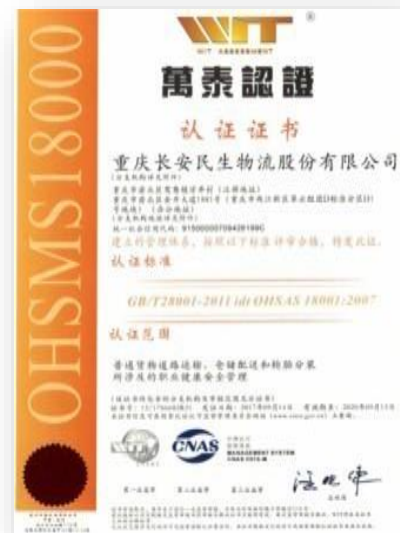
To strengthen and standardise the occupational health management, the Company has compiled a series of documents such as *Occupational Health Management Manual* and *Procedures Concerning the Prevention and Treatment of Occupational Diseases* to prevent, control and eliminate occupational hazards, for the purpose of preventing occupational diseases and protecting workers' health. The Company has also identified the source of occupational hazards, assessed those positions with occupational hazard, tested the occupational hazard factors and established occupational health records.

In 2017, the Company was subjected to noise exposure measurement conducted by the Chongqing Disease Prevention and Control Centre to the factories of the Company. According to the relevant assessment report, the Company's individual noise exposure is compliant with the relevant national standard.

In 2017, the Company successfully passed the review of its occupational health and safety system certification (GB/T28001).

Throughout 2017, the Company carried out 20 varieties of safety training, with a total of 3,095.5 training hours and a coverage of 115,721 participants.

Under the strict and standard safety regulations, the Company had zero work-related injuries and zero work-related fatalities and zero days lost due to work injury.



## 6. Green Logistics, Green Mission

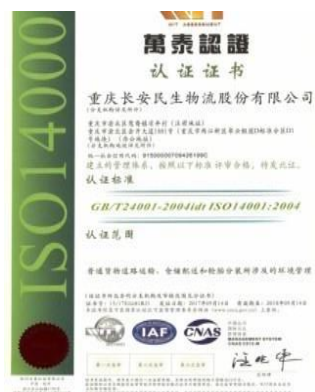
The Company closely followed domestic and international environmental policies, trends in environmental protection, and treated the protection of the environment as one of its main corporate social responsibilities. In 2015, the Paris Agreement initiated the agenda of how the world would tackle climate change after 2020. As one of the first enterprises that have an awareness of corporate social responsibility, the Company is acutely aware of the impact of climate change on enterprises as well as the challenges posed by climate change, energy shortages, depletion of natural resources and environmental pollution. We have always had an awareness of energy-saving and emission reduction and improve environmental policies combined with appropriate measures to explore more ways and channels of energy and resources use and are committed to mitigating the adverse impact on the environment of our operations.

In response to the requirements and concerns of the Stock Exchange and stakeholders in relation to environmental protection, the Company stepped up its efforts in environmental protection and made improvements in management methods and operational details as the groundwork for the future.

### 6.1 Green Management

The Company commits to the corporate environmental mission, to fulfilling its social responsibility as one of the leading enterprises in the automobile logistics industry and to strictly abiding by all related regulations and laws such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise*, and the *Law of the People's Republic of China on Prevention and Control of Water Pollution*. In face of the challenges of global energy shortage and natural resources depletion, the Company is implementing integrated management approach to energy and resources, centrally managing the Company's consumption of gasoline and diesel resources through integrated refuelling, while the Company's Resource and Project Management Department (the "Resource and Project Department") manages the use of water and electricity and regularly analyses the use of energy and resources and the completion rate of planned goals and explore opportunities to save energy and resources as long as it doesn't impact production. The Company also codified its policies in *Energy Management and Control Procedures* as part of its efforts to standardise energy management and to improve the overall energy efficiency.

In 2017, the Company promoted a lean management plan to integrate management of environmental, quality and safety issues. To this end the Company formulated a detailed *Lean Operation Management Manual* to achieve the management principles of "clean production, energy-saving, emission reduction, pollution prevention and continuous improvement". In 2017, the Company successfully passed the re-certification audit of environmental management system (GB/T24001), which reflects the Company's standard management of production environment and consistent sense of responsibility of standard production.



The Company's main energy consumption includes electricity, gasoline and diesel. At the beginning of the year, the Company would make plans and set goals for energy efficiency in relation to energy procurement, measurement, statistics and consumption, and break down the plan into groups. The top-down supervision and bottom-up feedback enables timely task adjustment and helps to eliminate waste and achieve the effective use of energy and energy conservation across the whole company. The Resource and Project Department irregularly conduct inspections of energy use and submits energy utilisation reports on a quarterly basis during the year. The Company has less demand for water supply of productive use, where it is used mainly for car washing. The other main use of water is for domestic use. Water resources are used in strict accordance with the Company's guidance on water-saving and emission reduction to avoid leakage. Departments of the Company check their water use on a regular basis and adopt various campaigns and educations to ensure all employees' awareness of saving and conserving water.

Our environmental management system strictly controls the production of industrial wastewater and saves water. After certain treatment and assessment, industrial wastewater together with domestic wastewater is discharged into the municipal pipe network for unified treatment.

In the operation of the Company, there was no organising waste gas generated. In 2017, we implemented a special rectification process for motor vehicles, conducted strict examinations of proprietary vehicles and purchased vehicles, implemented green procurement mechanisms, eradicated yellow-label vehicles and other unqualified vehicles in the company's resource pool, and strictly controlled exhaust emissions. In addition, through integrated refuelling measures, the Company directly controls the source of oil consumption and ensures that motor vehicles use qualified and compliant gasoline to prevent and control harmful emissions from the source. The hazardous waste of the Company comprises office materials, such as the used fluorescent tubes, and used printer cartridges, and used engine oil from vehicle maintenance. In 2017, the Company promoted a paperless office campaign, the quantity of printing papers was reduced, and the frequency of printer cartridges replacement was reduced. At the same time, office departments were integrated and dedicated staff were assigned to controlling the solid waste, especially hazardous solid waste. Specific procedures such as *Resources management method*, *Fixed assets disposal procedure*, *Fixed assets disposal review and management procedures* were developed to strictly control the recycling and disposal procedures for solid waste. Currently the Company collects used fluorescent tubes, used printer cartridges, used engine oil, used tires, used packing materials and stores them in a special area. The Company has entered into relevant contracts with qualified third parties to remove and dispose the solid waste periodically. The Company's waste disposal measures are mainly as follows:

- 1 Batteries are collected by qualified third parties for disposal;
- 2 Printer cartridges are changed and repaired by leasers;
- 3 Recyclable and non-recyclable rubbish bins are arranged on site for separated collection and disposal; and
- 4 Packing materials on site are recovered by product suppliers or relevant waste recyclers.

## 6.2 Green operation

In order to meet with the environmental protection requirements and expectation of stakeholders, and at the same time, to comply with the mandatory disclosure requirements of the Stock Exchange regarding environmental aspects and to ensure a smooth full disclosure, the Company made tentative effort in environmental data collection and relevant disclosure in 2016. In 2017, the Company drew on the lessons learned in 2016, reviewed the environmental management issues from top down, and thoroughly trained the relevant personnel regarding environmental data collection. After a year's effort, units of the Company improved their respective environmental management policies and data collection skills.

In 2017, the Company expanded the scope of data collection and realized full disclosure especially in energy consumption. In 2017, the Company moved out of the previously rented building and a new business office with a canteen was put into use, which improved employees' working environment in line with the employee caring policy and improved the Company's public image. In addition, in order to cope with the daily operation, certain units of the Group additionally introduced forklifts and other power-consuming production facilities and increased manufacturing sites and night shifts, started the mass production of tires on tire assembly lines, and installed additional air-conditioners at production sites, all contributing to the increase in the overall power and water consumption of the Group.

In order to improve our profitability and alleviate pressures from automobile logistics market, certain previously outsourced and jointly operated business of the Company were taken back and operated by itself. As such, transportation vehicles and traffic volumes increased. In addition, in order to comply with national policy of GB1589 promulgated to regulate the overloading of vehicles, the Group tightened its regulations on the dimensions, axle load and mass for motor vehicles, trailers and combined vehicles as a response to national call for regulating the overloading vehicles. The drop in the loading capacity of a single car transporter led to the increase in the trips it has to make under the same volumes, which contributed to the increase in the overall oil consumption of the Group. In terms of data collection and disclosure, the company has strengthened the management of outsourcing business this year and the fuel consumption of outsourcing business that can be identified and counted is included in the statistical range.

However, as one of the leaders in automobile logistics industry and in order to responds to national development strategies and realize its own value, the Company endeavoured to carry out promotion of energy saving and emission reduction and environmental protection work in many aspects under the guidance of a detailed and sophisticated management systems and to implement the ideas of energy saving and environment protection in the course of production and office work as much as possible without affecting daily operation and office work.

In 2017, the Company effectively improved its energy efficiency and tried to reduce waste emission by modifying energy saving techniques and emission reduction techniques and by reconstructing the relevant management systems.

### Case: Instance of Energy Saving/Emission Reduction Measures

1. Light-collection boards are installed on the warehouse ceiling of inbound logistics project, the average use of lighting facilities was reduced by 3 hours each day, which approximately equals saving of 36,000kw per year in power consumption, saving about 12 tons of coal burning and 222 tons of waste gas emission.
2. 90 Halide lamps have been changed to LED lamps in the warehouse of Tire Assembly Company, equivalent to saving about 4,860kw in power consumption a year, equivalent to saving about 1.62 tons of coal and 30 tons of waste gas emission.
3. Throughout the year, 96 yellow-labelled vehicles were eliminated, 115 new electric forklifts and trailers were added, reducing waste gas emissions.

In addition, the Company has stipulated that the staff shall set the temperature of air-conditioning strictly in compliance with the relevant national room temperature control standards. Except for special purposes, the room temperature of the air-conditioning shall be no less than 26°C in summer and no higher than 20°C in winter. Air-conditioning must be turned off in empty rooms and once air-conditioning is on, doors and windows must be kept shut. Air-conditioning systems should be cleaned periodically to improve energy efficiency. In 2017, the Company put its new business office to use, and the functional departments followed the green office policy much more strictly in response to the call for energy conservation and emission reduction. The Company made great efforts in employee discipline and routine supervision. In terms of power consumption, we use as much natural light as possible in offices and conference rooms. Lights must be off when the room is bright enough, and office staffs are required to turn off lights when leaving offices to put an end to “ever-burning lights” and “daytime lights”. In addition, The Company proposed to promote solar power projects to reduce the consumption of fossil energy in response to the national call for renewable energy. In 2017, The Company planned to initiate the relevant pilot project.

#### Case: Solar Power

In 2017, the Company started pilot solar power projects in Hangzhou Changan Minsheng Logistics Co., Ltd., one of the subsidiaries of the Company. The Company plans to cooperate with the government of Dajiang Dong District in Hangzhou to build a solar power generation system on the warehouse ceiling. This is a positive response of the Company to the current problems of global climate change and the depletion of fossil fuels. It is an important measure to reduce greenhouse gas emissions.

As a positive response to government’s call for “civilized and green travel”, the Company lowered the service frequency of the company cars, encouraged all staff to join the green travel action and make it a habit to create a good traffic environment and civilized order. In 2017, the Company has regimented commuters for staff of all business units, switching from the previously separated management to centralized management. The routes were optimised to improve the utilization of the commuters and reduce idleness, thereby improving the running efficiency of the vehicle and reducing carbon dioxide emissions.

The Group will continue to take measures such as promoting solar power, modifying energy saving techniques and improving environmental protection management systems and step up its management efforts to explore opportunities in terms of energy saving and emission reduction without affecting daily operation and office work and stick to the environmental protection mission and green logistics.

#### Data disclosure

Water consumption statistics	2017
Water consumption (m <sup>3</sup> )	585,061
Water saved (m <sup>3</sup> )	6,358
Water consumption intensity (m <sup>3</sup> / ten thousand revenue)	0.88

<b>Energy &amp; Carbon Emission</b>	<b>2017</b>
Power consumption (MWh)	11,417
Unleaded gasoline (L)	958,585
Diesel (L)	52,289,380
Natural gas (m <sup>3</sup> )	82,107
Total energy consumption (MWh)	541,300
Total energy consumption density (MWh / ten thousand revenue)	0.82
Greenhouse gas emission (CO2 equivalent – T) (Category 1 only)	140,435
Greenhouse gas emission (CO2 equivalent – T) (Category 2 only)	7,480
Greenhouse gas emission intensity (CO2 equivalent – T / ten thousand revenue) (Category 1 & 2 only)	0.22

<b>Waste Water Discharge</b>	<b>2017</b>
Waste water discharge (m <sup>3</sup> )	526,555
Waste water discharge intensity (m <sup>3</sup> / ten thousand revenue)	0.80

<b>Hazardous Wastes Disposal</b>	<b>2017</b>
Waste engine oil (kg)	5,215
Waste engine oil intensity (kg / ten thousand revenue)	0.0079
Printer cartridges (piece)	1,669
Batteries (piece)	213
Fluorescent tubes (piece)	621
Hazardous wastes intensity (piece / ten thousand revenue)	0.0038

<b>Non-hazardous Wastes Disposal</b>	<b>2017</b>
Waste paint bucket (piece)	912
Waste paint bucket intensity (piece / ten thousand revenue)	0.0014
Used tyres (piece)	1,135
Used tyres intensity (piece / ten thousand revenue)	0.0017
Scrap iron (T)	11.19
Domestic garbage (T)	803.00
Waste wooden pallets (T)	39.42
Used plastics (T)	12.77
Used cardboard (T)	8.69
Non-hazardous wastes intensity (T / ten thousand revenue)	0.0013



## 7. Joint Prosperity and Development with Employees

Employees are the valuable assets and employee growth has always been one of the core values of the Company. Provision of reasonable rewards and promotion access can boost employees' sense of belonging and the diversified personnel structure, informative training and tangible caring measures can appreciate the value of human resources, which will ultimately provide solid support for the Company's strategic development.

### 2017 Chronicle of Events of Human Resources



### 7.1 Employees Foremost

The Company operates strictly according to applicable labour laws and regulations such as the *Labour Law of the People's Republic of China*, *The Labour Contract Law of The People's Republic of China* as well as relevant internal regulations of the Company. Such compliance includes regulations concerning special labour protections of female and juvenile workers, and special machine operators. The Company adheres to the employment principles of "no child labour; free choice; no discrimination; and free association" and has established a series of measures regarding recruitment and labour management such as new employee identity and age authentication, and probation call-backs to avoid recruiting those under 16. The Company does not allow or support coercive or forced labour of any kind and does not permit discrimination by gender, race, religion or discrimination of any other forms. No complaint was filed against the Company on the grounds of child labour or forced labour.

The Company recruits its employees mainly from schools and the general society. The Company actively absorbs local talents to support local development. We value the principle of meritocracy and select talents according to the best interests of the Company in the recruitment of those with special technical and management skills. In 2017, we improved 14 regulations regarding recruitment, resignation, relocation and probation completion, including the *Social Recruitment Management Process* to regulate the procedures relating to the hiring, termination, promotion and the conduct of employees.

During 2017, the Company strengthened its internal management system, which laid down the foundation for corporate reform and innovation. In terms of human resources, we made unremitting efforts in staff records management, data collection, performance assessment, remuneration and human resources information system building. In addition, the Company vigorously pushed forward the "four can" reform and tried to find out more about cadres from different sources and dimensions, creating a stringent selection process as part of a standard and professional human resources system.

### Case: “Four Can” Reform

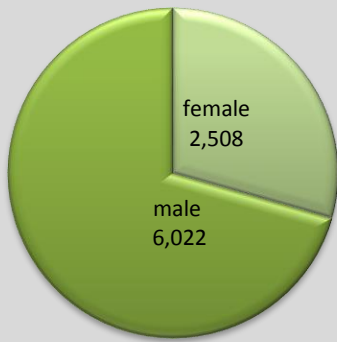
In 2017, the Company vigorously pushed forward the “four can” reform based on the policy that “cadres can be promoted or demoted, staff can be recruited or dismissed, income can be increased or decreased, organisations can be added to or reduced”. These principles created an atmosphere of reform and innovation, enabling measures like staff dismissal and organization simplification, position (leader/supervisor/group leader) competition, staff qualification verification, great incentives and strict restrictions. These measures are intended to accelerate the realization of production goals of the Company, thereby guaranteeing the long-term, sustainable and healthy development of the enterprise. With this reform, the “four can” awareness and the market competition awareness of staff and the reform and innovation atmosphere were greatly improved. There are five measures for the “four can” reform:

- I. Set up staff-position matching centre to rematch and explore the value of staff;
- II. Carry out training and certification work on all staff, upgrade their professional capabilities and comprehensive performance;
- III. Make efforts in the introduction of core talents, to lay a solid foundation for the transformation and upgrading of the Company;
- IV. Make full use of great incentives and strict restriction mechanism to motivate all staff;
- V. Combine strict management with love and speed up the growth of leaders and teams.

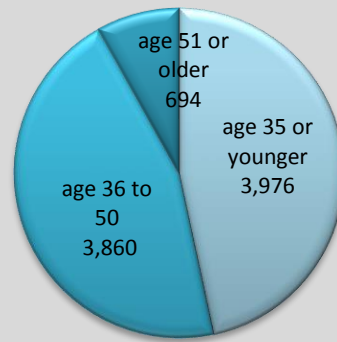
In order to optimize the personnel structures and to improve the overall performance of the staff, the Company’s Human Resources Department organized campus recruitment events in 2017. After an research and analysis of workforce demand, the Company developed elaborate recruitment plans to exalt the admission criteria and carefully screened the candidates with reference to their schools, degrees and ability to learn. The Company received 3,735 resumes, however only 114 candidates were admitted, an acceptance rate of 3%, which proves the principle of meritocracy in human resources.

As of 31 December 2017, the Group are privileged to have 8,530 employees, 28 people fewer than last year, which is a reflection of the Company’s reasonable staffing pursuant to the “four can” reform. The Company will continue to build a better working environment and to help its employees to play to their strengths and realise their own value.

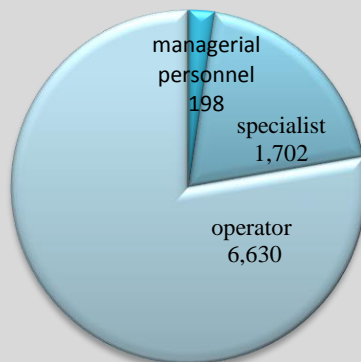
GROUPED BY GENDER



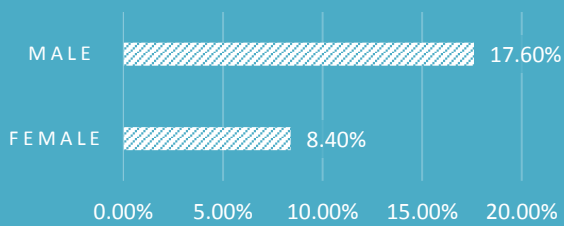
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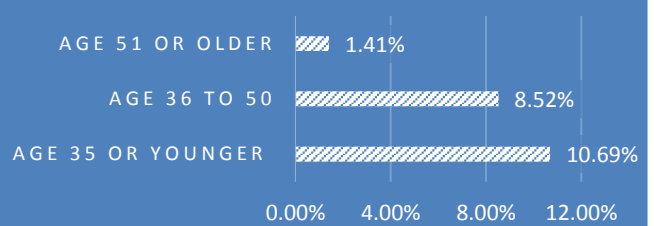
GROUPED BY HIERARCHY

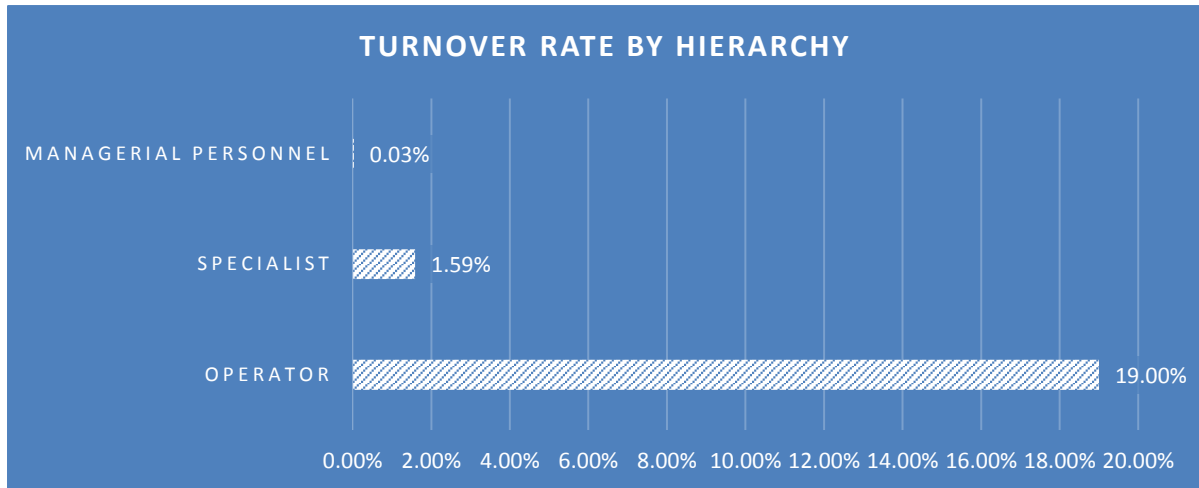


TURNOVER RATE BY GENDER



TURNOVER RATE BY AGE





## 7.2 Training and Development

The personal growth of employees in the Company presents with the appreciation of individual values. The employees not only established their professional reputation through outstanding performance and noble professional ethics but also extended their potential growth by extensive experiences and professional excellence. The Company has set different promotion and development approaches for different staff, in accordance with the respective employee’s capability, background, hobbies, and other factors, so that the staff can truly trust the Company and find niche. In 2017, using remuneration measures like position certification, great incentives and strict restriction, etc., the Company stimulated the enthusiasm of staff, creating a market-oriented encouraging and restricting mechanism.



The Company has introduced a staff training system, and after employment, each staff member will not start work until their training has been completed. In 2017, the Company established a “Logistics Institute”, within which we have forums, public programmes to teach our employees useful techniques practicable in production, and work face to face. At the same time, the Company organises brainstorming to inspire great ideas from employees and relay the Company’s decisions.

We also have an online learning platform, the Netease class to provide our employees with online training, which currently has over 1,900 study courses. In addition, the Company has a WeChat public account with learning section, a platform exclusively dedicated to the learning and training of employees. Employees are able to quickly identify and access the knowledge they want share from their learning experiences through the WeChat platform, creating a strong atmosphere of involvement.

**Case: Logistics Institute · Self-directed Learning**

The Logistics Institute is an open learning platform that the Company set up to organise employees' self-directed learning. The Company encourages all branch companies and operation centres to organise different forms of learning activities of various nature. It is required that learning is not for show, and learning is for change in actions and practice and must deliver results. For this purpose, the Company and employees are actively cooperating to develop an appropriate and engaging training programme, to provide staff with real and effective learning opportunities.



In 2017, there were 122,381 participants in the Company's training activities, up 62% from 2016. A total of 323,046 hours of training was provided, an increase of 24% from 2016. Overall training results improved significantly, as shown below.

	2016		2017	
	Participants	Training hours	Participants	Training hours
Deputy General Managers, General Manager, Chairman	19	126.5	46	227
Directors	1,081	4,089.5	1,855	7,549
Managers	1,575	5,166	6,061	12,091
Specialists	9,840	41,500	36,188	90,270
Operators	63,232	210,169.5	78,231	212,909
Participants / hours	75,747	261,051.5	122,381	323,046

### 7.3 Employee Caring

The Company values communication with employees, emphasizes trust, understanding and confidence between Management and employees and advocates harmonious labour relations. We have a series of effective and two-way communication channels, offering the employees chances to talk directly with the Company and to ensure that the Company promptly understands and responds to employees. We specifically developed reasonable suggestions systems, which have had the result of increasing employees’ sense of belonging and inspiring collaborative efforts to advance the sustainable development of the Company.

#### Case: Reasonable Suggestions System

Employees are encouraged to discover and explore problems and ameliorating opportunities at production sites and in offices regarding S (Safety), Q (Quality), D (Delivery), C (Cost), P (Personnel), M (Machinery), E (Environment), etc., and give suggestions for improvement. After multiple rounds of screening such as preliminary review, secondary review, and so on, the Company issues monthly “Suggestion & Proposal Awards” to reward staff who made reasonable suggestions.

In order to fulfil our commitment to employee caring, the Company organized various activities such as badminton competitions, football matches, tug-of-war, Women’s Day mountaineering, singles mingle events and social gatherings, etc. These activities not only made employees feel cared for but also helped the Company understand reasonable demands of employees, which allowed the Company to solve the employees’ problems in their lives and work and made the Company a warming and harmonious family for them.

#### Case: “Companion Cup” for the Badminton Contest

To further enrich the leisure life of employees and to establish a platform for interaction and exchange between employees, and to create a harmonious corporate culture, on 6 May 2017, the labour union of the Company organised the “Companion Cup” badminton contest. We provided every employee with the opportunity to participate in this contest. Through this activity, employees not only had fun, but also enhanced their trust in and reliance on the Company.



**Case: Youth and You**

In order to further enrich the cultural life of young employees of the Company, to expand their communication channel and set up a platform to allow unmarried employees to get to know each other, the Company organised an activity called “Youth and You” for single staff. The activity enhanced cohesion and improved social lives of employees. Through this activity, we not only made the living and working atmosphere more active, but also allowed the employees to better serve the enterprise and the society with enthusiasm.



**Case: Uplifting and Refreshing Tug of War**



In order to enrich the cultural life of the employees of the headquarters of the Company and to ease the stressful working atmosphere, on the afternoon of 7 April 2017, the Company organized an exciting after work tug-of-war. Through this activity, communications between units and colleagues were enhanced and the physical health of employees was improved. It has also enhanced the cohesion and assertiveness of the Company. The Company will continue to focus on creating a caring culture and enriching the leisure lives of staff, to motivate them to love and contribute to the building of our big family.

In addition, in order to help employees in distress, the Company established mutual-aid foundation and beneficent funds to provide financial assistance to employees in cases of emergency, serious or critical illness or problems such as struggling with children’s schooling, etc. through concerted efforts of the Company under the heritage of “unity and fraternity”. These measures enhanced the cohesion of the Company, demonstrated the Company’s humanism-based caring culture, effectively promoted the spirit of solidarity and promoted a sense of belonging and a collective sense of honour.

**Case: Employees Donation**



Certain employee of the Company had troubles at home and were struggling under unaffordable burden. The Company’s mutual-aid foundation promptly organised donations from all

employees and appropriated money from the special fund after found out about the situation to express our consolation on behalf of the Company and all employees to help alleviate some of our colleague’s difficulties. We sincerely hope that through our efforts, we can make a more harmonious and better life for all our employees.



The Company is interested in our employees’ working environment and working atmosphere and insisted on promoting caring culture and carried out a series of events including “refreshing summer” to cultivate the caring culture of the labour union of the Company.



Case: Refreshing Summer Activity

In the summer, the surface temperature in Chongqing exceeded 40°C. In view of the heat, the Management of the Company came to operating sites to give out cooling supplies like beverages to employees. The activity made the employees feel that the Company cared about them and increased the employees' team spirit and sense of belonging.



During 2017, the Company carried out 20 employee welfare events including “warm winter, refreshing summer events, birthday greetings, festival greetings, hospital visits and hardship alleviation”, totalling approximately RMB3,737,000, benefiting approximately 23,800 recipients. The Company will continue its efforts to develop caring culture and a happy enterprise.

## 8. Good Deed for Society

As a leading automobile logistics enterprise with a strong sense of social responsibility, the Group actively supports public welfare causes with an earnest concern for the societal and social returns. Our input in public welfare is concentrated on targeted poverty alleviation and healthcare, of which social bonding projects are of paramount interest. We aim to promote the ideals of a “Caring Culture”, emphasizing the human element in humanistic care and putting the idea of enterprise and society developing together into practice.

### 8.1 Targeted Poverty Alleviation

The Company continues to carry out targeted poverty alleviation work. In view of the miserable production conditions in the heat of summer time and the lacklustre sales of pears for farmers in plateau areas, the Company decided to purchase pears from farmers and distributed them to production line workers, which not only solved the problem of the pear farmers but was also a popular and cooling treat for employees, which inspired enthusiasm of workers and ensured efficient operation of the Company.



### 8.2 Contributions to the Community

The Company plays its part in regular and extraordinary charitable donations and activities. When natural disasters like earthquakes or floods occurs, we respond quickly and organise donations of money and supplies, we also encourage our employees to work as volunteers and to donate blood and give our utmost support to employees who attend social public welfare activities. In 2017, We organised “Warm Winter in Fu’an community” to care for the elderly. We also organized public welfare activity concerning female health. Many employees volunteered and took part in the activities organised.

In 2017, the Company invested RMB1 million in public welfare activities like poverty alleviation, and employees attributed 34 hours in community services.

## 9. Summary of Sustainability Performance

In 2017, we practiced sustainable development, and responded to requests from regulators, investors and society with practical, quantifiable measures and sound corporate management. We had optimized information management on environmental and social level, we kept the summarization and comparison, so to provide factual basis for upgrading enterprise management and sustainable development.

### Environmental indicators

#### Water consumption & intensity

Water Consumption Statistics	2017
Water consumption (m <sup>3</sup> )	585,061
Water saved(m <sup>3</sup> )	6,358
Water consumption intensity (m <sup>3</sup> / ten thousand revenue)	0.88

#### Energy consumption & density

Energy & Carbon Emissions	2017
Power consumption (MWh)	11,417
Unleaded gasoline (L)	958,585
Diesel (L)	52,289,380
Natural gas (m <sup>3</sup> )	82,107
Total energy consumption (MWh)	541,300
Total energy consumption intensity (MWh / ten thousand revenue)	0.82

#### Greenhouse gas emission & density

Greenhouse Gas Emissions	2017
Greenhouse gas emissions (CO <sub>2</sub> equivalent - T) (Category 1 only)	140,435
Greenhouse gas emissions (CO <sub>2</sub> equivalent - T) (Category 2 only)	7,480
Greenhouse gas emission intensity (CO <sub>2</sub> equivalent -T / ten thousand revenue) (Category 1 & 2 only)	0.22

#### Waste water discharge & intensity

Waste Water Discharge	2017
Waste water discharge (m <sup>3</sup> )	526,555
Waste water discharge intensity (m <sup>3</sup> / ten thousand revenue)	0.80

Hazardous wastes & intensity

Hazardous Wastes Disposal	2017
Waste engine oil (kg)	5,215
Waste engine oil intensity (kg / ten thousand revenue)	0.0079
Printer cartridges (piece)	1,669
Batteries (piece)	213
Fluorescent tubes (piece)	621
Hazardous wastes intensity ((piece / ten thousand revenue)	0.0038

Harmless wastes & density

Non-hazardous Waste Disposal	2017
Waste paint buckets (piece)	912
Waste paint bucket intensity (piece / ten thousand revenue)	0.0014
Used tyres (piece)	1,135
Used tyres intensity (piece / ten thousand revenue)	0.0017
Scrap iron (T)	11.19
Domestic garbage (T)	803.00
Waste wooden pallets (T)	39.42
Used plastics (T)	12.77
Used cardboard (T)	8.69
Non-hazardous wastes intensity (T / ten thousand revenue)	0.0013

**Social indicators**Total employees

Total Employees	2017
Female	2,508
Male	6,022

Proportion of male and female

Proportion of Employees	2017
Female	29%
Male	71%

Staff training

	2016		2017	
	Participants	Training hours	Participants	Training hours
Deputy General Managers, General Manager, Chairman	19	126.5	46	227
Directors	1,081	4,089.5	1,855	7,549
Managers	1,575	5,166	6,061	12,091
Specialists	9,840	41,500	36,188	90,270
Operators	63,232	210,169.5	78,231	212,909
Participants /hrs	75,747	261,051.5	122,381	323,046

Number of suppliers

Total Suppliers	2016	2017
Total suppliers (companies)	431	846

Client satisfaction

Customer Satisfaction	2016	2017
Client satisfaction survey result (%)	93.20	93.32

Community investment

Community Contribution	2016	2017
Donation (RMB)	268,000	1,000,000

## 10. Index of Environmental, Social and Governance Reporting Guide

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