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)

2016 Annual Report

For identification purpose only

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CORPORATE INFORMATION

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

Non-Executive Directors
Wu Xiaohua
Danny Goh Yan Nan
Li Xin

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

Supervisors
Chen Jianfeng (Chairman)
Steven Ho Kok Keong
Zhang Tianming
Zhou Zhengli
Deng Gang

General Manager
Shi Jinggang

Senior Management
Chen Zhigang
Sun Zhigang
Huang Ming

Company Secretary
Huang Xuesong

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

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

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

Authorised Representative
Xie Shikang
Lu Xiaozhong

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

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

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

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

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

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

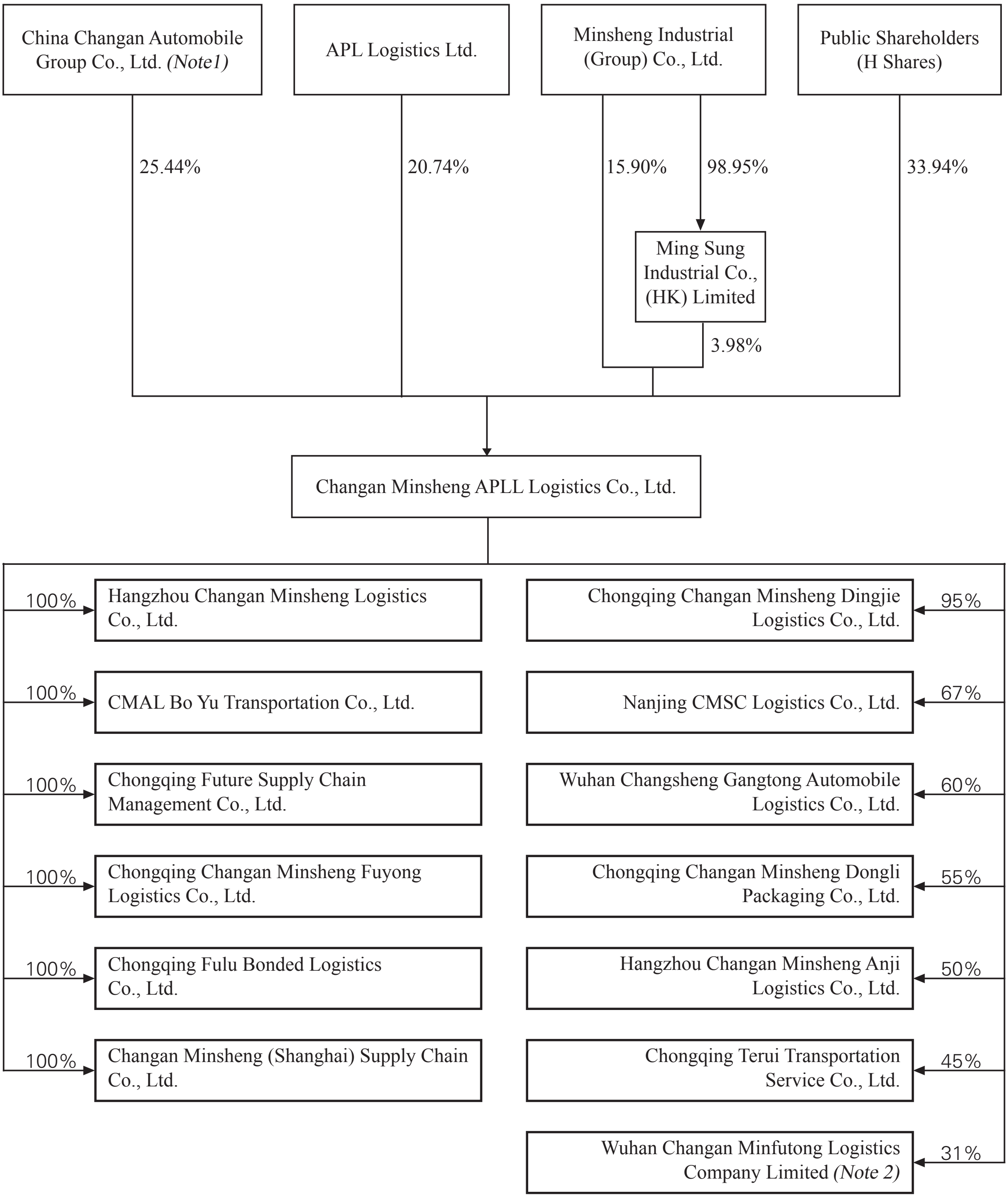
Head Office in Hong Kong
16/F, 144-151 Singga Commercial Centre
Connaught Road West, Hong Kong

Stock Code
01292

Website
http://www.camsl.com

Note: The Company has relocated its office and correspondence address of the Company in The People's Republic of China (the "PRC") from No.561 Hongjin Road, Yubei District, Chongqing, the PRC to No.1881 Jinkai Road, Yubei District, Chonqging, the PRC (zip code: 401122) with effect from 20 March 2017.

As at 31 December 2016, the Group's shareholding structure is as follows:



Note 1: Chongqing Changan Industry Company (Group) Limited ("Changan Industry Company") has transferred 41,225,600 shares (representing approximately 25.44% of the issued share capital of the Company) held by it in the Company to China Changan Automobile Group Co., Ltd. ("China Changan") and the relevant procedures for transfer registration has been completed on 9 March 2016. Please refer to the announcement of the Company dated on 9 March 2016 for further details.

Note 2: Wuhan Changan Minfutong Logistics Company Limited ("Wuhan Minfutong") has completed the procedures for cancellation registration on 24 January 2017.

Results

Set out below is the summary of the consolidated results of Changan Minsheng APLL Logistics Co., Ltd. (the "Company") and its subsidiaries (the "Group") for the five years ended 31 December 2016 (as extracted from the Group's audited consolidated statement of profit or loss and consolidated statement of comprehensive income, which are prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS")):

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	6,822,195	6,056,284	5,344,351	4,646,330	3,631,719
Profit before tax	188,583	336,731	304,409	269,302	273,494
Income tax expense	48,946	72,473	61,365	50,567	50,044
Profit for the year	139,637	264,258	243,044	218,735	223,450
Profit attributable to the following parties:					
Non-controlling interests	26,632	26,300	21,080	11,128	19,173
Owners of the parent	113,005	237,958	221,964	207,607	204,277
	RMB yuan	RMB yuan	RMB yuan	RMB yuan	RMB yuan
Earnings per share attributable to ordinary equity holders of the parent Basic and diluted-for profit for the year *(Note 1)*	0.70	1.47	1.37	1.28	1.26
Dividends per share	0.10 (including tax) *(Note 2)*	Nil (including tax)	0.27 (including tax)	0.25 (including tax)	0.30 (including tax)

Note 1: *Earnings per share attributable to ordinary equity holders of the parent is calculated by dividing the profit attributable to the owners of the parent for the years ended 31 December 2012, 2013, 2014, 2015 and 2016 by the weighted average number of shares in issue for the respective years ended 31 December 2012, 2013, 2014, 2015 and 2016, respectively, being 162,064,000, 162,064,000, 162,064,000, 162,064,000 and 162,064,000 shares.*

Note 2: *This is the final dividend for the year ended 31 December 2016 which the board of directors proposed to distribute, pending approval at the annual general meeting of the Company.*

Assets and Liabilities

Set out below is the summary of the Group's balance sheet for the five years ended 31 December 2016 (as extracted from the Group's audited consolidated statement of financial position, which are prepared in accordance with the HKFRS):

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	992,923	843,002	706,941	495,268	451,361
Current assets	3,641,866	3,337,623	2,828,438	2,457,174	1,904,096
Total assets	4,634,789	4,180,625	3,535,379	2,952,442	2,355,457
Non-current liabilities	12,794	6,422	3,388	2,096	2,333
Current liabilities	2,663,682	2,349,492	1,922,538	1,545,911	1,110,225
Total liabilities	2,676,476	2,355,914	1,925,926	1,548,007	1,112,558
Non-controlling interests	120,299	106,867	85,810	62,240	59,692
Equity attributable to owners of the parent	1,838,014	1,717,844	1,523,643	1,342,195	1,183,207
Total equity	1,958,313	1,824,711	1,609,453	1,404,435	1,242,899

On behalf of the board of directors (the "Board") of the Company, I am pleased to present the audited annual report of the Group for the year ended 31 December 2016 to all shareholders of the Company.

Annual Results

Faced with complicated international and domestic economic circumstances during the year of 2016, the Chinese government took into full consideration both the domestic and international situation as well, adhering to the general keynote of seeking improvement in stability, insisting on developing new thinking on development and promoting reforms centering on supply system reform while properly coping with the potential risks or challenges, therefore achieved the intended social expectation of a stable while progressing national economic momentum and a good opening of the 13th "five-year plan". The Chinese economy has stepped into a new normal, which is mainly characterized by slower growth rate, new growth points, structural optimization, higher quality and efficiency of economic growth and the development of the "new growth points". In 2016, the GDP growth rate was 6.7% in the first, second and third quarter, and 6.8% in the fourth quarter, finally with the annual GDP growth of 6.7% which was regarded as within moderate and reasonable growth range, and achieved the forecast target of 6.5% to 7.0% as set in early 2016.

According to analysis by China Association of Automobile Manufacturers, in 2016, seizing the chance of further deepening national reform and innovation and the effect emerged from macro-economy policy, the automobile industry stepped up its efforts to reform the supply system and adjust and update the product structure which bring about the apparent growth of the industry and the industry-reference economic benefit indexes. The national automobile production and sales volume were 28,119,000 vehicles and 28,028,000 vehicles respectively, representing a respective growth of 14.5% and 13.7% compared with last year. The production and sales volume respectively exceeded 28.0 million vehicles and hit a record high, breaking the world record again, making a first in the world for eight consecutive years.

The Group's customers are mainly in the automobile industry. The production volume and sales volume of the Group's major customer, Chongqing Changan Automobile Co., Ltd. ("Changan Automobile"), achieved 3,042,100 vehicles and 3,063,400 vehicles, respectively, representing an increase of 9.37% and 10.33% as compared with last year. During the year, being one of the third-party logistics service providers in China, with the idea of "enthusiasm, innovation, professionalism and efficiency" in logistics services, through professional logistics service technology, comprehensive logistics design and operating experience and well-established service network throughout the PRC, the Group effectively enhanced its service quality and extended its logistics service space, and finally achieved a relatively better result.

For the year ended 31 December 2016, the increase of automobile production volume and sales volume of the Group's customers has promoted the growth in logistics service volume of the Group. In particular, the logistics service of tyre processing business of the Group developed well. The Group's revenue amounted to RMB 6,822,195,000, up approximately 12.65% from the same period in 2015. Affected by the national policy of Limits of Dimensions, Axle Load and Mass for Motor Vehicles, Trailers and Combined Vehicles (GB1589-2016) and increasing human resources and the tumbling logistics service prices, notwithstanding the Group had successfully strengthened the cost control, the profits attributable to the equity holders of the Company amounted to RMB 113,005,000, down approximately 52.51% from the same period in 2015. Earnings per share were RMB 0.70 for the year ended 31 December 2016 (2015: RMB 1.47).

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Annual Review

Business development

During 2016, the Company continued to improve its logistics service network and logistics service capability.

Hangzhou Changan Minsheng Anji Logistics Co., Ltd. ("Changan Minsheng Anji") was established on 5 January 2016 with a registered capital of RMB 20,000,000. The Company and Shanghai Anji Components and Parts Logistics Co., Ltd. ("Shanghai Anji") each hold 50% of the equity interests in Changan Minsheng Anji.

Hangzhou Changan Minsheng Logistics Co., Ltd. ("Hangzhou Changan Minsheng") increased its capital by RMB 360,000,000 for logistics facility expansion. After the completion of relevant procedures of capital increase registration on 12 December 2016, Hangzhou Changan Minsheng's registered capital reached RMB 610,000,000 and remains as one of the Company's wholly-owned subsidiaries.

Based on the Company's operation and development needs, at the same time of establishing new branches, the Company also assessed the existing branches and cancelled those that lacked business foundation so as to cut back on management cost. Considering the fact that our client had relocated its production base, which rendered the closing down of relevant business operation, the Company cancelled Penglai Branch and Qingdao Branch, and the registration procedures were completed on 23 November 2016 and 25 November 2016, respectively.

Due to the expiration of the lease for the operation premises, Wuhan Minfutong's business was taken over by Wuhan Changsheng Gangtong Automobile Logistics Co., Ltd. ("Changsheng Gangtong"), one of the Company's controlling subsidiaries, and therefore Wuhan Minfutong was cancelled and the relevant registration procedures were completed on 24 January 2017.

Awards

In October 2016, the Company was awarded *2016 Top 100 Enterprises in Chongqing* and *2016 Top 50 Effective Enterprises in Chongqing* jointly by Chongqing Enterprise Association and Chongqing Entrepreneur Association. In October 2016, the Company received the *2016 National Advanced Logistics Enterprise* and *2016 Top 100 Logistics Enterprise in China award* from China Communications and Transportation Association. In November 2016, the Company was granted the tile of *Automobile After-sale Service Spare Parts Logistics KPI Model Enterprise*, *The Third Automobile Logistics Industry Outstanding Contribution Enterprise*, *Automobile Parts Inbound Logistics KPI Model Enterprise*, and *Finished Vehicle Logistics KPI Model Enterprise* by China Federation of Logistics & Purchasing. In December 2016, the Company was granted the award of *2016 Outstanding Supplier* by Changan Ford Automobile Company Limited ("Changan Ford") and was also granted the *2016 Changan Automobile Cooperative Operation Award* by Changan Automobile.

Outlook and Prospects

Notwithstanding adverse factors such as the measures to curb the traffic jam in big cities, and to control pollutants emitted by automobiles with a view to preventing environmental pollution and the expectation of long-term intermediate growth rate of macro economy of the PRC and the national policy of GB1589-2016, it is expected that there is still room for automobiles market to grow in general small and medium-sized cities and the rural areas in China. In addition, reform in the supply system by the government will very likely bring opportunities to Chinese automobile industry. Therefore, we believe that the logistics business, especially the automobile logistics business, still have a relatively good development opportunity.

The year of 2016 is unusual and the most crucial year for the Company to carry forward the reform and transformation. With the general idea of "focalization, sense of responsibility, reform and innovation", and in the spirit of "racing against the clock", the Company created a relatively good working environment.

In the coming year, we shall continue to uphold the strategy of value creation through cost efficiency and center on the main task of operating according to the law, promoting reform, boosting innovation and development, through the three approaches of "benchmarking management, problem-solving orientation and innovated mechanism" as well as developing the four key capabilities of lean management and systematic operation, multimodal transportation seamless linking, full industry chain operation and whole distance computerization so as to realize cost reduction, efficiency promotion and value creation.

In the new year, we shall concert our efforts and bear in mind the customer satisfaction, employee cultivation, honesty and accountability, cooperation and self-motivation as our core value. We shall carry forward the enthusiastic, innovative, professional and efficient spirit of the Group and faithfully fulfil the mission of "innovating logistic service and creating a better life". We shall bring a glorious and better future through constant struggle and unremitting efforts.

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

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

Xie Shikang
Chairman

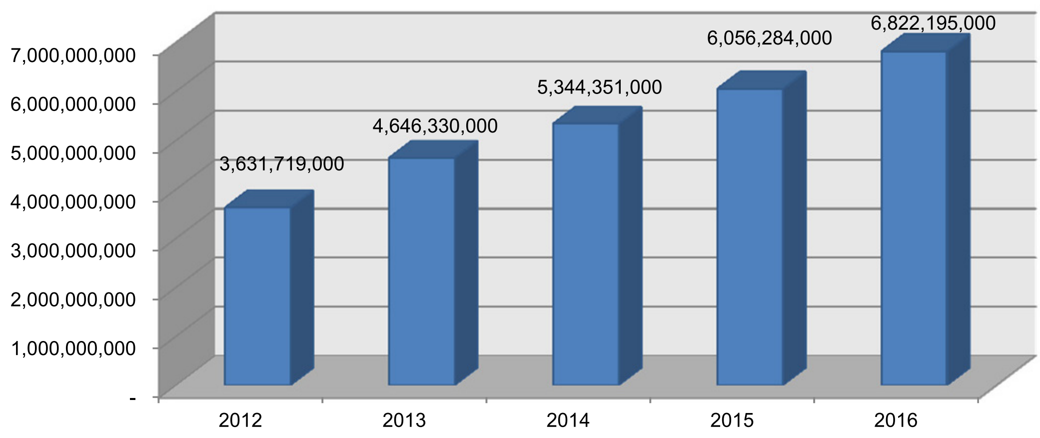
Chongqing, the PRC
28 March 2017

Business Review

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

During the reporting period, the Group's major customer was slightly below the average level of the industry with production and sales volume of vehicles each at 3,042,100 sets and 3,063,400 sets, representing respectively 9.37% and 10.33% in the growth rate. The Group made efforts to improve its service quality, strengthen the traditional logistics services and actively extend the scope of its integrated supply chain management service. For the year ended 31 December 2016, the revenue of the Group amounted to RMB 6,822,195,000, approximately 12.65% up from RMB 6,056,284,000 of last year.

Chart 1: Growth in revenue for the five years ended 31 December 2016
(Unit: RMB yuan)



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

1.Transportation of Finished Vehicles

For the year ended 31 December 2016, the revenue from finished vehicle transportation services was RMB 2,961,291,000, up approximately18.31% from RMB 2,502,978,000 of last year.

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

During the reporting period, the revenue from supply chain management services of automobile raw materials & components and parts was RMB 1,810,213,000, up approximately 2.15% from RMB 1,772,063,000 of last year.

Transportation of Non-automobile Commodities and Other Logistics Services

During the reporting period, the revenue of the Group from such logistics services was RMB 58,924,000, down approximately 29.63 % from RMB 83,736,000 of last year.

Automobile Components & Parts Packaging Sales and Tyres Sub-packaging

During the reporting period, the revenue of the Group from automobile components & parts packaging sales and tires sub-packaging was RMB 1,991,767,000, up approximately 17.33% from RMB 1,697,507,000 of last year.

Logistics Services Network

As at 31 December 2016, the Company had a total of 26 branches, subsidiaries, associated companies and representative offices (excluding Wuhan Minfutong, which was cancelled on 24 January 2017), which are mainly located in East China, Central China, North China, South China and Southwest China (Picture 2).The continuous enhancement of service network enables the Group to provide logistics services to different parts of the country.

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

Financial Review

Cash Flow and Financial Resources

As at 31 December 2016, the Group's cash and cash equivalents was RMB 1,074,394,000 (31 December 2015: RMB 624,549,000). As at 31 December 2016, the Group's total assets was RMB 4,634,789,000 (31 December 2015: RMB 4,180,625,000), the source of funds was current liabilities of RMB 2,663,682,000 (31 December 2015: RMB 2,349,492,000), non-current liabilities of RMB 12,794,000 (31 December 2015: RMB 6,422,000), equity attributable to owners of the parent of RMB 1,838,014,000 (31 December 2015: RMB 1,717,844,000) and non-controlling interests of RMB 120,299,000 (31 December 2015: RMB 106,867,000).

Cost of Sales and Gross Profit Margin

For the year ended 31 December 2016, the Group's cost of sales was RMB 6,333,873,000 (2015: RMB 5,459,169,000), up approximately 16.02% from the previous financial year. Although faced with adverse factors such as the rising transportation cost and labour cost and tumbling logistics service price, the Group emphasised on management and continuously strengthened logistics and internal management cost control, nonetheless, the gross profit margin of the Group decreased significantly to 7.16% (2015: 9.86%).

Distribution Expenses

For the year ended 31 December 2016, the Group's selling and distribution expense was RMB 110,613,000, representing approximately 1.62% of the Group's revenue during the period (2015: 1.94%).

During the year, the distribution expenses included salaries and benefits, travelling, business and communication expenses, and market promotion expenses incurred by the Group's sales and marketing department. Such expenses decreased by approximately 5.86% from last year.

Administrative Expenses

During the reporting year, the Group's administrative expenses increased from RMB 146,510,000 in 2015 to RMB 171,087,000 in 2016, up approximately 16.77% as compared with the corresponding period of last year.

Finance Costs

The Group's finance costs for the year amounted to RMB 1,798,000 (2015: RMB 2,198,000).

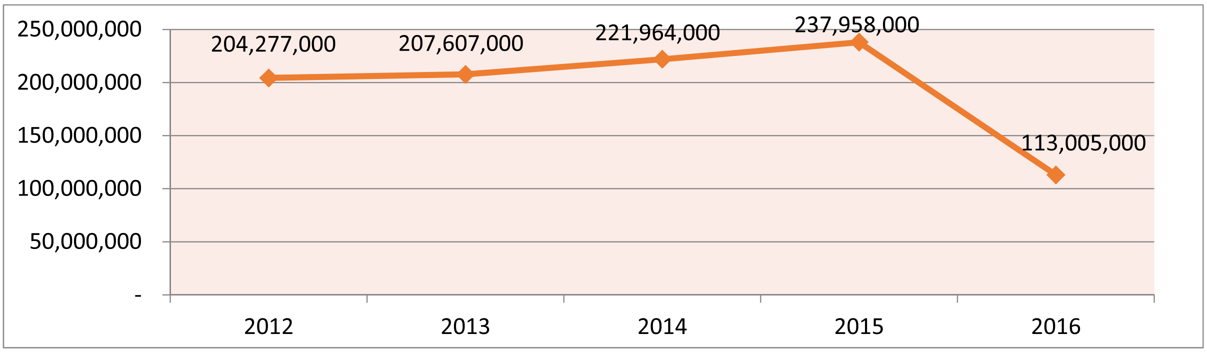
Taxation

For the year ended 31 December 2016, the weighted average applicable tax rate of the Group was 25.95% (2015: 21.52%); and the income tax expense was RMB 48,946,000 (2015: RMB 72,473,000).

Profit Attributable to Equity Holders of the Company

During the year, the profit attributable to owners of the parent was RMB 113,005,000, down significantly by approximately 52.51% compared to the previous financial year.

Chart 3: Profit attributable to owners of the parent for the five years ended 31 December 2016
(Unit: RMB yuan)



Capital Structure

For the year ended 31 December 2016, there was no change in the Company's share capital.

Loans and Borrowings

As at 31 December 2016, the balance of current interest-bearing bank and other loans of the Group was RMB 6,981,000 (31 December 2015: RMB 4,000,000). Please refer to note 28 to the consolidated financial statements of this report for further details.

Gearing Ratio

As at 31 December 2016, the gearing ratio (net debt divided by the adjusted capital plus net debt) of the Group was approximately 45.34% (31 December 2015: 48.60%).

Pledge of Assets

As at 31 December 2016, the Group had pledged bank deposits of approximately RMB 39,329,000 and bills receivables of approximately RMB 14,347,000 to secure bank acceptance bills.

During the year, CMAL Bo Yu Transportation Co., Ltd. ("CMAL Bo Yu") entered into a sale-leaseback arrangement to sell and leaseback its 12 motor vehicles. Based on the substance of the sale-leaseback arrangement, the lease-back arrangement is a finance lease, whereby the lessor provided finance to CMAL Bo Yu, with the motor vehicles as security to the loan. As at 31 December 2016, these motor vehicles had an aggregate carrying amount of approximately RMB 2,174,000. Please refer to note 28 to the consolidated financial statements of this report for further details.

Contingent Liabilities

As at 31 December 2016, the Group did not have any significant contingent liabilities.

Principal Risks and Uncertainties

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

Market Risks

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

Liquidity Risk

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

Operational Risk

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

Exchange Rate Risks

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

Capital Commitment

As at 31 December 2016, the Group's capital expenditure at the balance sheet date but not yet incurred was as follows:

	2016	2015
	RMB'000	RMB'000
Property, plant and equipment		
Contracted but not provided for	101,964	100,490
Approved but not signed the contract	-	-
	101,964	100,490

Significant Purchase or Sale of Subsidiaries and Associated Companies

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

Substantial Investment

On 5 January 2016, the Company incorporated a joint venture, Changan Minsheng Anji with Shanghai Anji. The registered capital of Changan Minsheng Anji is RMB 20,000,000, in which the Company and Shanghai Anji each hold 50% of its equity interests.

On 7 March 2016, Hangzhou Changan Minsheng, one of the wholly-owned subsidiaries of the Company entered into a Transfer Contract of Land Use Right with Da Jiangdong Industrial Cluster District Sub-Bureau of Land Resources Bureau and Xiaoshan Sub-Bureau of Land Resources Bureau in Hangzhou, Zhejiang Province, the PRC, pursuant to which, Hangzhou Changan Minsheng agreed to acquire the land which is located within the Qianjin Park in the Da Jiangdong Industrial Cluster District of Hangzhou, Zhejiang Province, the PRC, with a total site area of approximately 74,771 square meters at a consideration of RMB 56,090,000 (exclusive of deed tax). Please refer to the announcement of the Company published dated on 7 March 2016 for further details.

On 12 December 2016, the Company increased Hangzhou Changan Minsheng's capital by RMB 360,000,000. After the completion of relevant capital increase procedures, Hangzhou Changan Minsheng's registered capital reached RMB 610,000,000 and the Company still holds 100% of its equity shares.

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Principal Activities and Business Review

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

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

Major Customers and Suppliers

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

	For the year ended 31 December	
	2016	2015
A Changan Ford Automobile Company Limited	58%	59%
B Chongqing Changan Automobile Co., Ltd.	21%	18%
C Changan Mazda Automobile Co., Ltd.	7%	7%
D Baoding Changan Bus Manufacture Co., Ltd.	1%	1%
E Chongqing Changan International Sales and Services Co., Ltd.	1%	**
F Chongqing Ante Import and Export Trading Company Limited	**	1%
Total of 5 largest customers	88%	86%

** Not one of the 5 largest customers

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

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

	For the year ended 31 December	
	2016	2015
A Goodyear Tire Co., Ltd.	9%	6%
B CITIC Dicastal Co., Ltd.	6%	8%
C Minsheng Logistics Company Limited	6%	7%
D Michelin (China) Investment Co., Ltd.	6%	5%
E Maxxis Rubber (China) Co., Ltd.	3%	3%
Total of 5 largest suppliers	30%	29%

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

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

Results

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of comprehensive income in this report.

Dividends

Based on the total number of shares in issue on the record date for implementation of the profit appropriation, the Board recommended the payment of a final dividend of RMB 0.1 (including tax) (2015: RMB 0) per share for the year ended 31 December 2016. The above proposal of profit appropriation is subject to consideration and approval at the 2016 annual general meeting (the "AGM") of the Company. Subject to approval to the Board's proposal being obtained at the AGM, the final dividend is expected to be payable on or around 30 September 2017.

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

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

The record date of the AGM, the last day for trading in the securities with entitlement, the ex-entitlement date and the last registration date of transfer of shares for the purpose of the 2016 final dividend and the period for the closure of register of members will be set out in the notice convening the AGM of the Company to be sent to the shareholders. The Company shall comply with the relevant rules and regulations to withhold and pay the enterprise income tax on behalf of the relevant Shareholders whose names are listed in the register of members of the share of the Company as of the last registration date of transfer of shares for the purpose of the 2016 final dividend.

Share Capital

For the year ended 31 December 2016, there had been no change in the share capital of the Company. Details are set out in note 31 to the consolidated financial statements.

Public Float

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

Reserves

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

Property, Plant and Equipment

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

Financial Position

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

Subsidiaries

As at 31 December 2016, the Company had the following subsidiaries:

The registered capital of CMAL Bo Yu is RMB 60,000,000 and the Company holds 100% of its equity interests. CMAL Bo Yu's main business includes general freight, storage, and logistics planning and consultation services in the PRC. Please refer to note 1 to the consolidated financial statements of this report for further details.

On 30 October 2014, Chongqing Changan Minsheng Future Bonded Logistics Co., Ltd. was changed to Chongqing Future Supply Chain Management Co., Ltd. ("Chongqing Future") with a registered capital of RMB 30,000,000 and the Company holds 100% of its equity interests. Chongqing Future is mainly engaged in general freight, storage, loading and unloading, handling, distribution, packaging, automobile components and parts sub-packaging and sales, import & export of goods, international freight forwarding services and sales via internet, etc. Please refer to note 1 to the consolidated financial statement of this report for further details.

Chongqing Changan Minsheng Fuyong Logistics Co., Ltd. ("Chongqing Fuyong"), with a registered capital of RMB 5,000,000, 100% of its equity interests is held by the Company. The Company will explore the electronic information products logistics business and the bonded logistics business in Xiyong Bonded Area in Chongqing through Chongqing Fuyong. Please refer to note 1 to the consolidated financial statement of this report for further details.

Hangzhou Changan Minsheng was established on 17 May 2013. After capital increase of RMB 360,000,000 on 12 December 2016, its registered capital reaches to RMB 610,000,000 and the Company holds 100% of its equity interests. Hangzhou Changan Minsheng is mainly engaged in general freight and automobile components and parts manufacturing. Please refer to note 1 to the consolidated financial statement of this report for further details.

The registered capital of Nanjing CMSC Logistics Co., Ltd. ("Nanjing CMSC") is RMB 100,000,000. The Company holds 67% of its equity interests and Sumitomo Corporation ("Sumitomo") holds 33% of its equity interests. Nanjing CMSC is mainly engaged in general freight, station management and distribution. Please refer to note 1 to the consolidated financial statement of this report for further details.

The registered capital of Chongqing Changan Minsheng Dingjie Logistics Co., Ltd. ("Chongqing Dingjie") is RMB 50,000,000. The Company holds 95% of its equity interests, Chongqing Dajiang Zhenyue Storage Co., Ltd. holds 2%, Chongqing Weitai Economic & Trade Co., Ltd. holds 2% and Chongqing Lingxin Storage Co., Ltd. holds 1% of its equity interests. Chongqing Dingjie mainly engages in production and sales of automobile components and parts packages, storage, distribution, logistics software developing, logistics planning and consultation services, etc. Please refer to note 1 to the consolidated financial statement of this report for further details.

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

Chongqing Changan Minsheng Dongli Packaging Co., Ltd. (“Dongli Packaging”) was established on 16 May 2014. The Company holds 55% of its equity interests and Tonglit Logistics Co., Ltd. (“Tonglit Logistics”) holds 45% of its equity interests. Dongli Packaging is mainly engaged in packaging services of solid products; production, sales, maintenance of packaing container and related information consultation; processing and sales of automobile components and parts; storages services; international freight forwarding services; import and export of goods. Please refer to note 1 to the consolidated financial statement of this report for further details.

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

On 22 May 2015, the Company acquired 60% of equity shares in Wuhan Zhuoer Shengde Automobile Logistics Co; Ltd. (the relevant registration of changes has been completed on 22 May 2015 and its name changed into Changsheng Gangtong on 25 February 2016). Changsheng Gangtong’s principal activities are port management, storage services, general freight transport, freight forwarding, logistics planning and consulting, selling and providing after-sale services of the Hafei and Songhua River vehicles, auto beauty services and auto components and parts sales. Please refer to note 1 to the consolidated financial statement of this report for further details.

Capitalized Interests

For the year ended 31 December 2016, no interest had been capitalized by the Company.

Permitted Indemnity Provision

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

Relationship with Stakeholders

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

Retirement Plan

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

Employees

As at 31 December 2016, the Company had 8,558 employees (31 December 2015: 9,213 employees).

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

	As at 31 December	
	2016	2015
Administration and finance	431	425
Information and technology	125	129
Sales and marketing	247	248
Operation	7,755	8,411
Total	8,558	9,213

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

Remuneration Policy

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

Training Programme

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

Staff Quarters

During the year, the Company has not provided any staff quarters to the staff (2015: nil). Full time employees are entitled to participate in the government-sponsored housing fund. The Company contributes on a monthly basis to the fund at certain rates of the employees' basic salary.

Directors and Supervisors

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

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

Confirmation of Independence

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

Service Contracts of Directors and Supervisors

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

Directors' and Supervisors' Interests in Contracts

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

Management Contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

Directors, Supervisors and Senior Management

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

Remuneration of Directors and Supervisors

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

The remuneration provided to directors and supervisors is determined on, among other things, the relevant director's or supervisor's experience, responsibility and the time devoted to the Company.

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

As at 31 December 2016, none of the directors, chief executive and the supervisors of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") in Chapter 571 of Laws of Hong Kong) which (a) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (b) were required, pursuant to the Appendix 10 of Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") to the Listing Rules to be notified to the Company and the Stock Exchange.

As at 31 December 2016, the directors, chief executive and the supervisors of the Company were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2015, made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

As at 31 December 2016, so far as is known to the directors, chief executive and the supervisors of the Company, the following persons, other than a director, supervisor, or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or are required, pursuant to Sections 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholders	Capacity	Number of shares	Percentage of domestic shares (non-H foreign shares included)	Percentage of H shares	Percentage of total registered share capital
China South Industries Group Corporation ("South Group")	Interest of a controlled corporation	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
China Changan Automobile Group Co., Ltd. *(Note 1)*	Beneficial owner	41,225,600(L) (Domestic Shares)	38.51%	-	25.44%
Kintetsu World Express, Inc.	Interest of a controlled corporation	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%
APL Logistics Ltd. ("APL Logistics")	Beneficial owner	33,619,200(L) (Non-H Foreign Shares)	31.40%	-	20.74%
重慶盧作孚股權基金管理有限公司	Interest of a controlled corporation	32,219,200(L) (Domestic Shares and Non-H Foreign Shares)	30.09%	-	19.88%
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial") *(Note 2)*	Beneficial owner	25,774,720(L) (Domestic Shares)	24.07%	-	15.90%
Minsheng Industrial	Interest of a controlled corporation	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Ming Sung Industrial Co., (HK) Limited ("Ming Sung (HK)") *(Note 2)*	Beneficial owner	6,444,480(L) (Non-H Foreign Shares)	6.02%	-	3.98%
Pemberton Asian Opportunities Fund	Beneficial owner	4,400,000(L)	-	8.00%	2.71%
788 China Fund Ltd.	Investment manager	4,000,000(L)	-	7.27%	2.47%
Braeside Investments, LLC *(Note 3)*	Investment manager	3,423,000(L)	-	6.22%	2.11%
Braeside Management, LP *(Note 3)*	Investment manager	3,423,000(L)	-	6.22%	2.11%
Mclntyre Steven *(Note 3)*	Interest of a controlled Corporation	3,423,000(L)	-	6.22%	2.11%

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

Note 1: Changan Industry Company and China Changan have completed relevant equity transfer registration procedures on 9 March 2016. Please refer to the announcement of the Company dated on 9 March 2016 for further details.

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

Note 3: According to the disclosure of interests notice filed, Braeside Management, LP is a wholly-owned subsidiary of Braeside Investments, LLC. Mclntyre Steven is the controlling shareholder of Braeside Investments, LLC.

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

Save as disclosed in this report, as at 31 December 2016, so far as is known to the directors and chief executive of the Company, there is no other person (other than the directors, supervisors, or chief executive of the Company) who had interests or short positions in the provisions of Divisions 2 and 3 of Part XV of the SFO; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Share Appreciation Right Incentive Scheme

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

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

During the year, the Scheme has not been implemented by the Company. As of 23 February 2016, it has been 10 years since it first became effective, and the Scheme became invalid since 23 February 2016.

Competing Interests

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

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

In March 2017, the Company received the confirmation regarding the above-mentioned non-competition undertakings from each of APL Logistics and China Changan.

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

Continuing Connected Transactions

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

Background of the Continuing Connected Transactions

China Changan is a substantial shareholder of the Company. China Changan is a holding subsidiary of South Group and 77% of China Changan's equity interests are held by it. China Changan holds 40.88% of equity interests in Changan Automobile as at the date of the report. As of the date of the report, South Group holds 22.90% of equity interests in Binqi Zhuangbei Group Financial Limited Liability Company ("Zhuangbei Finance") and the Company holds 0.81% of its equity interests while member companies of South Group hold the remaining equity interests in Zhuangbei Finance. Changan Industry Company is a wholly owned subsidiary of South Group. Chongqing Changan Property Management Co., Ltd. ("Changan Property") is wholly owned by Changan Real Estate Development Company ("Changan Real Estate"), one of the subsidiaries of Changan Industry Company. Changan Industry Company holds 98.49% of equity shares in the Changan Real Estate.

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

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

Changan Industry Company holds (directly and indirectly) in aggregate 100% of equity shares in Chongqing Changan Construction Limited Company ("Chongqing Changan Construction"). Therefore, according to the Listing Rules, Chongqing Changan Construction and its associates are the connected persons of the Company. On 24 March 2016, the Company entered into a framework agreement with Chongqing Changan Construction with a term commencing on 1 January 2016 and expiring on 31 December 2016. Please refer to the announcement of the Company dated 24 March 2016 for further details.

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

In order to expand the packaging business of the Company, the Company entered into a framework agreement with Tonglit Logistics for the purpose of provision of packaging process services for a term commencing on 1 January 2016 to 31 December 2016. Please refer to the announcement of the Company dated 14 September 2016 for further details.

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

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

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

In order to provide logistics services for automobile manufacturers and automobile component suppliers, the Group needs to engage third party contractors to provide engineering construction services and engineering maintenance services to build and maintain its logistics facilities, such as warehouses, on a continuing basis. The Group has established long-term cooperation relationships with Chongqing Changan Construction and its associates and has had a good working relationship with them.

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

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

Pricing of Continuing Connected Transactions

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

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

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

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

According to the framework agreement signed on 14 November 2014 between the Company and Zhuangbei Finance in regard to settlements, deposits and loans, and note discounting services, the prices of the transaction under such framework agreement are set on normal commercial terms.

According to the framework agreement signed on 24 March 2016 between the Company and Chongqing Changan Construction, the prices of the transactions under such framework agreement are arrived at by an independent bidding agent through bidding process according to the PRC Bidding Law.

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

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

According to the framework agreement signed on 14 September 2016 between the Company and Tonglit Logistics, the prices for provision of packaging process services to Tonglit Logistics by the Group under such framework agreement shall be the market price.

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

Total Consideration of the Continuing Connected Transactions

During the reporting period, the Group conducted continuing connected transactions with China Changan, Changan Industry Company, Changan Automobile, APL Logistics, Minsheng Industrial, Zhuangbei Finance, Changan Property, Chongqing Changan Construction, and their respective associates, which constitute related party transactions in accounting during the period. The details are set out in note 37 to the consolidated financial statements of the report. During the reporting period, the Group strictly complied with the disclosure requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2016, the total consideration paid to the Group by each of the relevant connected persons for the logistics services is as follows:

	For the year ended 31 December 2016	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
Changan Industry Company and its associates:		
- Supply chain management services for automobiles and automobile raw materials, components and parts & non-automobile logistics services	24,425	35,000
Changan Automobile and its associates:		
- Supply chain management services for automobiles and automobile raw materials, components and parts	6,125,342	10,500,000
Minsheng Industrial and its associates:		
- logistics services	3,083	20,000
APL Logistics and its associates:		
- logistics services	-	25,000
Baogang Zhushang:		
- Supply chain management services for automobile raw materials, components and parts	11,754	35,000
Tonglit Logistics		
-packaging processing services	5,725	25,000
Zhuangbei Finance		
-Finance logistics services	-	30,000

For the year ended 31 December 2016, the total consideration paid by the Group to each of the connected persons for the purchase of transportation services of automobiles and automobile raw materials, components and parts is as follows:

	For the year ended 31 December 2016	
	Actual Value	Maximum Value
	RMB'000	RMB'000
Changan Industry Company and its associates:	10,988	38,000
Minsheng Industrial and its associates:	374,138	1,200,000
APL Logistics and its associates:	1,087	34,000

For the year ended 31 December 2016, the total consideration paid by the Group to each of the connected persons for the purchase of packaging process services is as follows:

	For the year ended 31 December 2016	
	Actual Value	Maximum Value
	RMB’000	RMB’000
Tonglit Logistics and its associates:	-	38,760

For the year ended 31 December 2016, the total consideration paid by the Group to each of the connected persons for the purchase of property leasing services is as follows:

	For the year ended 31 December 2016	
	Actual Value	Maximum Value
	RMB’000	RMB’000
China Changan and its associates:	3,905	20,000

For the year ended 31 December 2016, the total consideration paid by the Group to each of the connected persons for the purchase of security and cleaning services is as follows:

	For the year ended 31 December 2016	
	Actual Value	Maximum Value
	RMB’000	RMB’000
Changan Property and its associates:	6,209	17,000

For the year ended 31 December 2016, the amount of transactions between the Group and Zhuangbei Finance are as follows:

	For the year ended 31 December 2016	
	Actual Value	Maximum Value
	RMB’000	RMB’000
The balance of the maximum amount of outstanding of deposit (including interest) on a daily basis	556,778	700,000

For the year ended 31 December 2016, the total consideration paid by the Group to Chongqing Changan Construction for the purchase of engineering construction services and engineering maintenance is as follows:

	For the year ended 31 December 2016	
	Actual Value	Maximum Value
	RMB’000	RMB’000
Chongqing Changan Construction:	41,836	43,000

On 22 March 2017, the Company submitted the "Letter from Independent Auditors Regarding Continuing Connected Transactions to the Board of Directors of Changan Minsheng APLL Logistics Co., Ltd." (the "Relevant Letter") issued by the Company's auditor to all independent non-executive directors of the Company. After reviewing the Relevant Letter, the independent non-executive directors of the Company, Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun confirmed that the continuing connected transactions of the Company for 2016 pursuant to Rule 14A.55 of the Listing Rules were:

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

The Company's auditor has reviewed the continuing connected transactions of the Group and in the aforementioned letter sent to the Board confirmed that the continuing connected transactions:

1. have received the approval from the Board and/or the general meeting;
2. are in accordance with the pricing policies of the Company;
3. have been entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
4. have not exceeded the annual cap disclosed in the previous announcements.

Legal Proceedings

As at 31 December 2016, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

Designated Deposits

As at 31 December 2016, the Group had no designated deposits in any financial institutions in and out of the PRC or any overdue fixed deposit which could not be recovered.

Compliance with the relevant Laws and Regulations

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

Environmental Policies and Performance

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

Donation

During the year, the total amount of donation made by the Group was RMB 0 (2015: nil).

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

There was no purchase, redemption, sale or cancellation by the Group of the Company's listed securities during the year ended 31 December 2016.

Pre-emptive Rights

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

Auditors

The consolidated financial statements of the Group enclosed in this report had been audited by Ernst & Young, the Group's auditors.

By the Order of the Board
Xie Shikang
Chairman

Chongqing, the PRC
28 March 2017

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

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

The Supervisory Committee considers that in 2016, the members of the Board, the general manager and other senior management staff of the Company were able to strictly fulfil their fiduciary duties, to act diligently and to exercise their authority faithfully in the best interests of the Company, to carry out work pursuant to the Articles of Association of the Company in standard operation and gradually improve the internal control system. The transactions between the Company and connected parties were carried out on fair and reasonable terms and in the interests of the shareholders as a whole. As of the date of this report, none of the directors, general manager and other senior management staff had been found to have abused their authority, prejudiced the interests of the Company and of its shareholders. None of them was found to be in breach of any laws and regulations or the Articles of Association of the Company.

The Supervisory Committee is satisfied with the achievement and efficient work of the Company in 2016, and is confident in the Company's future development.

The Supervisory Committee has conscientiously reviewed and agreed with the report of the Board, the audited consolidated financial statements, which will be submitted by the Board to the 2016 annual general meeting.

By order of the Supervisory Committee
Chen Jianfeng
Chairman

Chongqing, the PRC
28 March 2017

The Board believes that the Company can enhance its corporate governance and transparency by adhering to strict corporate governance practices in the interest of the shareholders of the Company. Since 18 July 2013, the provisions of the Corporate Governance Code ("Code") set out in Appendix 14 of the Listing Rules have been adopted as the Company's corporate governance standards, which coupled with, the experience of the Company, help to establish a favorable corporate governance structure of the Group. For the period from 1 January 2016 to 31 December 2016, the Company has consistently complied with the code provisions set out in the Code.

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

Securities Transactions by the Directors

Since the Transfer of Listing on 18 July 2013, the Company has adopted a code of conduct regarding directors' securities transactions on terms of the required standard of dealings (the "Code of Conduct") prepared according to the Model Code. After making specific enquiries to all directors, the Company confirms that the directors had complied with the Code of Conduct during the period from 1 January 2016 to 31 December 2016.

Board

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

The Company has 4 independent non-executive directors, of whom at least one has appropriate professional qualification and financial management expertise. The Company received the relevant independence confirmation letter from each of the independent non-executive directors in March 2017. There is no relationship between the members of the Board, Supervisory Committee and other senior management staff in finance, business, family and other material or relevant aspects.

Election of Directors and Supervisors (Change)

On 31 May 2016, Mr. Wang Yang resigned as the general manager, the executive director of the Company due to job re-location. The resignation of Mr. Wang Yang took effective from 31 May 2016. Please refer to the announcement of the Company dated 31 May 2016 for further details.

On 31 May 2016, Mr. Zhu Minghui resigned as the chairman, the executive director, the chairman of the nomination committee and the number of the remuneration committee, the Compliance Officer and the Authorized Representative of the Company. The resignation of Mr. Zhu Minghui took effect from the conclusion of the 2015 AGM of the Company held on 30 June 2016. Please refer to the announcements of the Company dated 31 May 2016 and 30 June 2016 for further details.

Mr. Xie Shikang and Mr. Shi Jinggang was elected as the executive director of the Company at the 2015 AGM of the Company held on 30 June 2016, and Mr. Xie Shikang was also appointed as the chairman, the chairman of the nomination committee and the member of the remuneration committee and the Authorized Representative of the Company at the very day. Please refer to the announcement of the Company dated 30 June 2016 for further details.

On 12 August 2016, Mr. Wang Lin resigned as the non-executive director of the Company due to job re-location. The resignation of Mr. Wang Lin took effect from 12 August 2016. Please refer to the announcement of the Company dated 12 August 2016 for further details.

On 12 August 2016, Ms. Zhu Ying resigned as the chairman of the Supervisory Committee and shareholder representative supervisor of the Company due to job re-relocation. The resignation of Ms. Zhu Ying took effect from 12 August 2016. Please refer to the announcement of the Company dated 12 August 2016 for further details.

At the 2016 first extraordinary general meeting of the Company held on 30 November 2016, Mr. Li Xin was elected as the non-executive director of the Company for a term commencing from the conclusion of the general meeting until the expiry of the term of the fourth session of the Board. Mr. Chen Jianfeng was also elected as the shareholder representative supervisor of the Company at the meeting for a term commencing from the conclusion of the general meeting until the expiry of the term of the fourth session of the Supervisory Committee. Mr. Chen Jianfeng was also elected and appointed as the chairman of the Supervisory Committee of the Company at the meeting of the Supervisory Committee held subsequent to the extraordinary general meeting with effect immediately from the conclusion of the meeting of the Supervisory Committee. Please refer to the announcement of the Company dated 30 November 2016 for further details.

Directors' Attendance of Regular Meetings

The Board has held four regular meetings in 2016 to discuss and determine the Company's major strategies, key operational issues, financial matters and other matters set out in the Company's Articles of Association. Details of directors' attendance records at the Board's regular meetings held during the year of 2016 are set out in the following table:

Director's name	Due attendance	Records for personal attendance	Records for attendance by alternate	Individual attendance rate
Executive director				
Zhu Minghui	1	1	0	100%
Xie Shikang	3	3	0	100%
Lu Xiaozhong	4	4	0	100%
William K Villalon	4	3	1	75%
Wang Yang	1	1	0	100%
Shi Jinggang	3	3	0	100%
Non-executive director				
Wu Xiaohua	4	4	0	100%
Danny Goh Yan Nan	4	1	3	25%
Wang Lin	2	1	1	50%
Li Xin	1	1	0	100%
Independent non-executive director				
Chong Teck Sin	4	3	1	75%
Poon Chiu Kwok	4	4	0	100%
Jie Jing	4	3	1	75%
Zhang Yun	4	4	0	100%

Composition of the Board

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

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

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

According to the Listing Rules, the Company received the relevant written independence confirmation letter from each of the independent non-executive directors for the year 2016. The Company confirmed that all the independent non-executive directors are independent of the Company.

The Company has insured liability insurances for directors and supervisors.

Duties of Directors and Management

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

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

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

Chairman and General Manager

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

Continuing Professional Development of Directors (Training for Directors)

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

Below is a summary of the trainings received by the directors for the period between 1 January 2016 and 31 December 2016 based on the records provided by the directors and supervisors:

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

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

Three Committees of the Board

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

(1) Audit Committee

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

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

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

(c) develop and implement policy on engaging an external auditor to supply non-audit services, For this purpose, 'external auditor' includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

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

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

(e) regarding (d) above:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee meeting held on 17 March 2016 reviewed and discussed the Group's annual results, financial statements; principal accounting policies and internal audit matters for the year ended 31 December 2015, listened to the auditor's suggestions for the Company, and approved such reports.

The Audit Committee met on 27 May 2016 to review the income statement, cash flow statement and balance sheet of the Group for the three months ended 31 March 2016.

The Audit Committee met on 23 August 2016 to review the unaudited interim report of the Group for the six months ended 30 June 2016, and approved such report.

The Audit Committee met on 18 November 2016 to review the income statement, cash flow statement and balance sheet of the Group for the nine months ended 30 September 2016.

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

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

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

In 2016, the Audit Committee has worked actively mainly on the following aspects:

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

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

3. made twice effective communication and discussions with the Group's external auditors with regard to the 2016 conducted annual financial auditing nature and scope;

4. proposed to the Board to appoint Ernst & Young and Ernst & Young Hua Ming LLP as the Company's 2016 annual external auditors.

(2) Remuneration Committee

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

The major duties of the Remuneration Committee are:

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

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

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

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

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

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

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

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

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

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

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

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

In 2016, the Remuneration Committee has worked actively mainly on the following aspects:

1. Submitted suggestions to the Board on the remuneration policy and composition of the directors and senior managements of the Company in 2016, and suggested the establishment of a normal and transparent remuneration system;

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

(3) Nomination Committee

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

The major duties of the Nomination Committee are:

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

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

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

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

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

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

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

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

In 2016, the Nomination Committee has worked actively mainly on the following aspects:

1. Analyzed the framework, population and composition of the current Board of the Company;
2. Assessed and reviewed the independent non-executive directors of the Company, ensuring their independency;
3. Analyzed and continuously refined the procedures of meetings of the Nomination Committee.

Corporate Governance Responsibility

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

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

During the year of 2016, the Board reviewed the Company's compliance with the Code and other rules applicable according to the requirements of the Code; approved the annual corporate governance report of the Company and its disclosure on the websites of the Stock Exchange and the Company.

Auditors and their Remuneration

Ernst & Young was the Company's international auditor (Ernst & Young Hua Ming LLP was the Company's PRC auditor for 2016) for the year ended 31 December 2016.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's financial statements for the year ended 31 December 2016.

The remuneration of the auditors for the year ended 31 December 2016 was set out below:

Services provided	**Fees (RMB'000)**
Audit Services	2,180
Non-audit services	238
Total	2,418

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

Company Secretary

Mr. Joseph Au Yeung Wai Ki resigned from his position as one of the joint Company Secretaries of the Company with effect from 30 June 2016. Mr. Huang Xuesong remains to be the Company Secretary of the Company. Please refer to the announcement of the Company dated 30 June 2016 for further details.

During the year of 2016, Mr. Huang Xuesong has received no less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules.

Rights of Shareholders

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

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

(2) the right to attend Shareholders' Meeting of the Company either in person or by proxy and exercise the voting right;

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

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

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

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

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

(i) all parts of the register of shareholders;

(ii) personal profiles of the Company's Directors, Supervisors, General Manager and other senior managements including:

(a) their present and former names and aliases;

(b) their principal addresses (residence);

(c) their nationalities;

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

(e) their identification documents and the numbers thereof.

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

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

(v) minutes of Shareholders' Meeting.

(vi) audited financial report.

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

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

Communications with Shareholders

The Company attaches great importance to the communication with the shareholders and investors. The Company uses a number of channels to account for the performance and operations of the Company to shareholders, particularly periodic reports like annual and interim reports. In addition to delivering circulars, notices and financial reports to our shareholders, the Company also publishes its corporate information on its website (http://www.camsl.com) by electronic means. The annual general meeting provides a good opportunity for the communication between the Board and the shareholders of the Company. The Company regards the AGM as an important event in the year and all directors, supervisors, senior management and the Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee should make an effort to attend and answer questions raised by the shareholders. For the year ended 31 December 2016, the Company held conferences and/or conference calls, as well as arranged many field trips for investors.

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

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

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

Enquiries may be made to the Board either by contacting the Company Secretary of the Company through office and mailing address as set out under the Corporate Information of this annual report or directly by questions at the AGM or EGM, or contact the board office of the Company (which is in charge of investor relations, email: dongshihui@camsl.com).

Risk Management and Internal Control

The Company established the auditing and risk controlling department in 2012 to discharge duties of internal auditing, internal control assessment and supervision of rectification, and risk control.

One of the duties of the Audit Committee of the Board is to review the adequacy and effectiveness of the Group's financial control, internal audit functions and risk management systems. The audit committee meeting of the board of the Company held on 17 March 2016 examined and reviewed the work of the auditing and risk controlling department, the Group's external auditor and the regular reports on internal financial control, operation and compliance control, and risk management policies and systems.

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

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

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

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

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

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

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

(f) areas of risk identified by management;

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

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

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

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

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

As a result of the above review, the Board confirms, and management has also confirmed to the Board, that the Group's risk management and internal control systems are effective and adequate and have complied with the Corporate Governance Code provisions on risk management and internal control throughout the year and up to the date of this annual report.

General Meetings

On 30 June 2016, the executive director Mr. Lu Xiaozhong and Mr. William K Villalon, the non-executive director Mr. Wu Xiaohua, Mr. Danny Goh Yan Nan and Mr. Wang Lin, the independent non-executive director Mr. Chong Teck Sin, Mr. Poon Chiu Kwok and Ms. Zhang Yun (the chairman of the Audit Committee of the Company) attended the 2015 AGM held by the Company.

On 30 November 2016, the executive director Mr. Xie Shikang (the chairman of the Board and the chairman of the Nomination Committee of the Board of the Company), Mr. Lu Xiaozhong and Mr. Shi Jinggang, the non-executive director Mr. Wu Xiaohua and Mr. Danny Goh Yan Nan, the independent non-executive director Mr. Poon Chiu Kwok, Mr. Jie Jing (the chairman of Remunation Committee of the Board of the Company) and Ms. Zhang Yun attended the 2016 first EGM held by the Company.

Amendments of Articles of Association

The amendment of the Article 18 of the Articles of the Association regarding the shareholding of the Company was approved at the 2015 AGM held on 30 June 2016. The Company has filed an application for the amendment to the relevant governmental body and the amendment was approved by Document YU WAI JING MAO HAN [2016]【372】issued by Chongqing Foreign Trade & Economic Relations Commission on 14 July 2016.

About This Report

Overview

This is the first environmental, social and governance (the "ESG") report of the Company, spanning from 1 January 2016 to 31 December 2016, which forms a part of the annual report.

Basis of Preparation

The report is prepared mainly in reference to the revised Environmental, Social and Governance Reporting Guide (the "ESG Guide") published by the Stock Exchange in December 2015.

This report is determined by following a set of systematic procedures which include identifying and ranking the stakeholders relative to their significance and the key issues of ESG, defining the extent of the report, collecting relevant information and data, compiling the data based on the information collected and examining the date contained in the report.

Scope and Extent of the Report

The policy, declaration and data within the report can cover the headquarter of the Company and the subordinate controlling subsidiaries, and the holding subsidiaries.

Date Source and Reliability Assurance

The data and cases set out 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 statement and accept responsibility for the contents of the report as to its accuracy, truthfulness and completeness.

Conformation and Approval

As confirmed by Management, the report was approved by the Board on 28 March 2017.

Access and Feedback to the Report

The report is set out in the 2016 annual report of the Company, digital copies of which are accessible on the Stock Exchange's HKEx news's website (www.hkexnews.hk) and the Company's official website (www.camsl.com).

Responsibility Governance

ESG Governance

ESG Governance Mechanism

The Company built up its ESG governance structure from the top down on the top of its own management system. All levels and departments of the Company clarified their own assignment of responsibilities in terms of risk identification, communications with stakeholders, information collection and do their due diligence in the Company's efforts to identify and manage the risks of the Company.

Identification of and Communication with Stakeholders

Stakeholders	Ways of Communication	
Clients	Official Website Customer Interviews Customer Relationship Periodic Maintenance	Customer Service Hotline Customer Satisfaction Survey
Employees	Company's Internal Liaison Employee Suggestion Box Employee Family Visits	Staff Meeting Employee Recreational Activities Staff Training
Shareholders and Investors	Shareholder's Meeting Official Website Public Reports	Periodic Reports Analyst Briefing
Governmental Agencies 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
Others	Online Opinion Poll	Site Visits

List of key Issues of ESG

Through communication with stakeholders and understanding of the future that the Management has mapped out for the Company, 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 its own development. The list of the issues is to be overviewed in the appendix of this chapter.

ESG Overall Goals and Planning

The Company has set up suitable development goals in its own operation and development in tandem with different environmental, social and governance aspects, which will be described in the following sections.

Anti-corruption and Good Governance

The Company attached great importance to the construction of a clean and honest administration, including perfecting various rules and regulations to nip corruption in the bud altogether. In 2016, *Code of Conduct for the Rectitude Professional Practice of Employee* and *Strict Management Injunction* are successively introduced by the Company to regularize employee's professional practice to safeguard the interests of the Company and its employees.

In 2016, the Company announced the *10+8 Injunctions of Strict Management* and prepared the *Rectitude Professional Practice and Discipline Inspection and Supervision System Management Compilation*. The injunction is guided by the spirit of "customer satisfaction, employee cultivation, honesty and accountability, cooperation and self-motivation", pronouncing higher expectation for honest businesses and defining the "red lines" against the conduct of the employee and the leadership to promote the attainment of the cost-efficient value creation strategy. Such measures eradicated desultory management, enhanced executive abilities, improved work efficiency and created a working environment of fair play and strict management. Unlawful and offending conduct such as corruption and venality, jobbery and malpractice, abusing one's power for personal gains and misusing one's authority within the Company, and any breach of duty to the extent of causing damage to the finance or reputation of the Company shall come under close supervision and punishment. Those officials in violation of any one of the 8 injunctions shall be removed from the office, and in case of violation of 10 articles of bans on employees as well, his or her labor contract shall be terminated.

During the year of 2016, the Company was not involved in any ongoing or concluded lawsuit brought against its employee(s) on corruption charges.

Product and Service

Putting great efforts on service quality to improve service level has been an important instrument for the Company to maintain sustainable development. Through establishment of a sound quality management system, strict control on service quality, emphasis on product and service innovation, the Company achieved the goal of continuously raising service level to the customers' satisfaction in the course of production and operation.

Quality Assurance

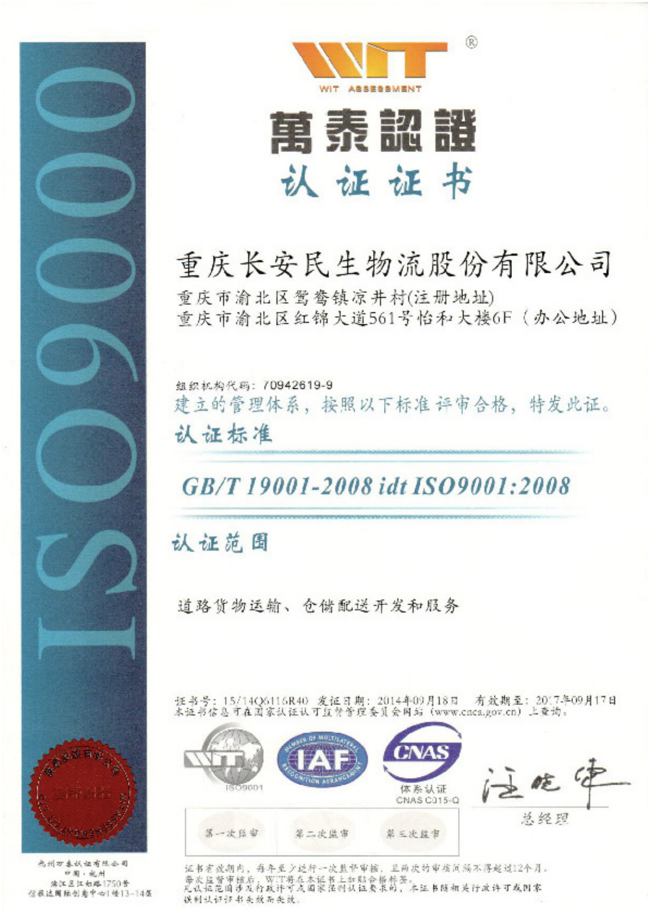
Ensuring and optimizing service quality to the customers' satisfaction are the primary goals of which the Company together with the subordinate business unit is in pursuit. The department of Enterprise Technology Center focuses on the core strategy of innovation-driven logistics development, keeps "customer satisfaction" as its core, and pursues technological innovation and five accomplishments in technical quality. Based on strategy, customers and competitive benchmarking, through way of popularizing best practice learnt from individual project, the Company has built up three systems in terms of technique, technology and quality.

The five accomplishments in technical quality are as follows:

(a) Standard Operation Procedure;
(b) Standard Process Flow;
(c) Standard Logistics Technology;
(d) Standard Process Quality Control;
(e) Standard Lean Logistics Assessment.

Quality Standard

Enterprise Technology Center of the Company took the IS09001 and TS16949 as the yardstick and combined required standard such as Changan Automobile's MLQOS, Changan Ford's MMOG and Q1MSA, and led the establishment, implementation and maintain of the quality management system. Internal audit, management assessment and special quality improvement are conducted on a yearly basis to identify the bottleneck of the system. Besides, through rectification, precaution and total involvement, the quality of logistic services is improved and the adequacy, suitability and effectiveness of the system are ensured.



WIT ASSESSMENT

萬泰認證

认证证书

重庆长安民生物流股份有限公司

重庆市渝北区鸳鸯镇凉井村(注册地址)

重庆市渝北区红锦大道561号怡和大楼6F（办公地址）

组织机构代码：70942619-9

建立的管理体系，按照以下标准评审合格，特发此证。

认证标准

GB/T 19001-2008 idt ISO9001:2008

认证范围

道路货物运输、仓储配送开发和服务

证书号：15/14Q6116R40 发证日期：2014年09月18日 有效期至：2017年09月17日

本证书信息可在国家认证认可监督管理委员会网站（www.cnca.gov.cn）上查询。

体系认证

CNAS C015-Q

第一次监审 第二次监审 第三次监审

总经理

证书有效期内，每年至少进行一次监督审核，且两次的审核间隔不得超过12个月。每次监督审核后，WIT将在本证书上加贴合格标签。凡认证范围涉及行政许可或国家强制认证要求的，本证书随相关行政许可或国家强制认证证书失效而失效。

认证证书

兹证明

重庆长安民生物流股份有限公司

中国重庆市渝北区鸳鸯镇凉井村经开园翠桃路39号 401121

经 NSF-ISR 评估，已建立的质量管理体系符合如下技术规范：

ISO/TS 16949:2009

认证范围：

轮胎的组装

删减： 产品设计

IATF 证书编号：	0210312
证书编号：	CNTS019870
证书颁发日期：	2015/05/26
注册日期：	2015/05/21
到期日期*：	2018/05/20

Carl Blazik,
Vice President, Technical
Operations, NSF-ISR, Ltd.

NSF International Strategic Registrations

789 North Dixboro Road, Ann Arbor, Michigan 48105 | (888) NSF-9000 | www.nsf-isr.org

Authorized Registration and/or Accreditation Marks. This certificate is property of NSF-ISR and must be returned upon request.
*Company is audited for conformance at regular intervals. To verify registrations call (888) NSF-9000 or visit our web site at www.nsf-isr.org

Quality Inspection

The Company receives annual inspection or review for recertification from certificated companies as required in order to reflect that the Company's constantly maintained spirit of sophisticated service and quality and passed all the examination at first attempt, which ensured the continuous effectiveness of the system certification. The Company was not involved in any serious customer complaint or media exposure of adverse events all these years. Moreover, the Company has long received wide acclaim from customers for provision of safe, efficient and convenient logistics service.

Product Innovation

The number of employees in the department of Enterprise Technology Center totals 32, averaging 31.7 years of age, and those who hold bachelor degree or above account for 87%. The department has rich talent pool in terms of finished vehicle transportation, warehousing logistics, processing and distribution, international freight and packaging engineering research, development and technology. Meanwhile, the Company resorts to training bases and logistics laboratory to cultivate and train the talents on technology and research.

With respect to technology research and development, the Company appointed the Enterprise Technology Center as the key department and each subsidiary and business unit as the sustainer to establish research, development and innovation system with finished vehicle logistics, components and parts logistics, international logistics and supply chain logistics as its core. The Company also set up systems with regard to research and development management, patent application, research paper and scientific archive management, and the number of science research projects alone in the latest three years reached 30.

In addition, the Company actively put the newly developed technology into practice. Enterprise Technology Center takes the construction of technical standard system as its main task and the standardized operation procedure as its supporter. Such actions improved standard operation procedure instruction, operation essentials, and operation videos, and established and published technical standard in various aspects including components and parts logistics, finished vehicle logistics, logistics quipment and tires sub-packaging. The Company also established relatively mature integrated technology in terms of intermediate storage and direct delivery, containers management, procurement and sub packaging.

【Case】Transportation Planning Laboratory
The Company established a transportation planning laboratory based on Paragon and Cube-IQ, a simulation laboratory based on FlexSim and is actively preparing a storage and transportation technology laboratory. Since 2014, the Company has obtained 1 technical patent, applied 2 patents for acceptance, and been awarded 8 annual second and third prizes for technology advancement granted by associations such as China Federation of Logistics & Purchasing in the latest three years. Also, the Company passionately participated in setting and revising relevant national and industry standard, and conducted a series of prospective study in relation to automatic stereoscopic warehouse, logistic mode innovation and enterprise-university-research institute cooperation.
The Enterprise Technology Center will continue to adhere to innovation-driven development as its key strategy, to emphasize on logistic technology innovation, to constantly strengthen quality control, and to improve its technical quality as its core competitiveness so as to advance the Company toward a scale, integrated and professional modern international logistic enterprise.

Customer Satisfaction

The Company has built a customer service system, including customer service phone, e-mail, WeChat, to improve service quality and efficiency, to enhance customer satisfaction and safeguard the brand reputation of the Company. For all projects related to the Company's business operation center, subsidiaries, regional companies and even to the extent of all the business units, customers can contact our customer service center which will ensure that customers can enjoy a high level of service.

High-quality Customer Service

Customer service center of the Company is committed to providing customers with fast and efficient services, dedicated to help customers solve the problem. If customers want to offer various business consulting, valuable advice, pertinent suggestions or have any dissatisfaction against our services, they can share their feedbacks to the customer service center through the official contacts. Customer service center will properly handle all kinds of information to meet customer needs and requests rapidly and efficiently. The Company strives to create the ultimate experience for customers, to break the traditional unilateral way of communication between the Company and customer to build a new bridge for communications with customers.

To ensure the confidentiality of customer information and safeguard the interests of customers, we have developed a strict policy for customer privacy and information security, which can prevent the leakage of personal information and guarantee the security of enterprise and personal information to enable the sound development of business cooperation.

【Case】Delphi Shanghai - Chongqing Waterway Container Transport
Description: Since 2015, the Company has provided land and waterway container transportation from Shanghai to Chongqing for Delphi. The overall operation of this project is good, and the daily operation is recognized by the customer. The customer put forward that when unloading goods at the destination, the container had been in good condition, but the goods inside the container were collapsed and scattered. Although this was not resulted from transportation, the customer hoped that the Company could provide professional suggestions and solutions to avoid this kind of situation from happening.
Solution: In order to improve the operation quality of this project and enhance customer satisfaction, the Company immediately sent a staff to the customer's plant to learn the situation upon receiving the message. Based on the information, scene photos provided by the customer and container appearance, etc. the Company concluded that the main cause was stacking difficulty due to the varying types and shapes of goods. Therefore, the goods were difficult to be fixed, and that's why the goods collapsed after long-distance bumps. According to the product information provided by the customer, we can provide encasement improvement plan with our experience in loading and unloading for customers.
The customer sent the improvement plan provided by the Company to the Shanghai shipping warehouse. One month later, the Company paid a return visit to the warehouse, and the customer said that after the adoption of our improvement plan, the damage rate greatly reduced. This improvement plan not only meets the needs of the customer, but also improves the service quality, and therefore, gains customer recognition.

Complaint Handling

According to Customer Complaint Handling Rules for Customer Service Center of Changan Minsheng APLL Logistics Co., Ltd., in order to improve service quality and respond to customer feedback, the Company has established multi-channel customer complaint response system, covering telephone service, mailbox and WeChat. Also, we adhere to the seven principles which allow us get back to the customer timely for their advice.

Customer Complaint Handling Principles:

(a) Responsibility principles: do not prevaricate, do not pass the buck, and do receive the complaints first and then handle them;
(b) No-escalation handling principles: the complaints should be promptly addressed without escalation;
(c) Efficient handling principles: to reduce the intermediate links, directly and professionally handle the complaint within stipulated time;
(d) Flexible handling principles: decisive decision-making and rapid handling for key customers and businesses;
(e) Customer satisfaction principles: respect the facts, be objective and fair; seek truth from facts, meet the legitimate demands of customers;
(f) Analysis and improvement principles: continuous improvement, optimization of service quality and service processes;
(g) Assessment principles: the establishment of complaints management assessment mechanism, included in the annual performance appraisal, assessment and incentive co-exist.

Customer Complaint Handling Process:

After receiving customer complaints, the customer service center should promptly respond to and deal with those complaints which can be immediately explained and dealt with. If the situation must be investigated and cannot be immediately responded to, the customer service center should be patient to do a good job of explaining and comforting customers, and handle them within the stipulated time.

Number of complaints received on services

Number of complaints on services	37
Customer Satisfaction	93.20%

Green Environmental Protection

As a responsible enterprise against the increasingly severe climate situation, we have attached great importance to the impact of our strategies and policies on the environment, participating actively in green environmental protection, establishing and improving various green management policies, and putting green production into practice, to contribute to the healthy development of the ecological environment.

Green Management Policy

The Company thought highly of environmental protection, energy saving and emission reduction, adhering to green procurement, green production and green office. In response to the national environmental laws and regulations, the Company has formulated and implemented such policies and systems as *Procurement Management Methods*, *Energy Management and Control Procedures*, and *6S Implementation Manual*. The Company has also performed strict examination on the environmental protection mechanisms of suppliers to reduce carbon emissions from production processes and paid particular attention to raising the awareness of green environmental protection among offices and clearly set the norms for saving of water, electricity and gas.

【Case】 Management on the Electricity Usage of the Company

(a) Office equipment should be set to power-saving mode when in no use or shut down after work or when in no use for a long time.

(b) When natural light is bright enough to work in places like plants and offices, all or part of the lighting should be off; when there is no operation of equipment, the lighting should be turned off in the corresponding area.

(c) Lighting in offices and rest rooms should be promptly turned off when there is no one around; the luminaries in the rest rooms should be energy saving ones; incandescent bulbs should be phased out according to plans and maximize the usage of energy saving luminaries.

(d) Usage of electric heating facilities for warm, heating food or cold water is forbidden.

(e) Management on use of air-conditioners is subject to 6S Implementation Manual. Only when indoor temperature is above 30 degrees in summer or below 12 degrees in winter, air-conditioners can be used; The air conditioner temperature should be no less than 26 degrees in cooling mode and no more than 20 degrees in heating mode; air-conditioners and their power supply should be timely turned off at work-closing time; when air-conditioners are working, it is suggested to save electricity by closing doors and windows.

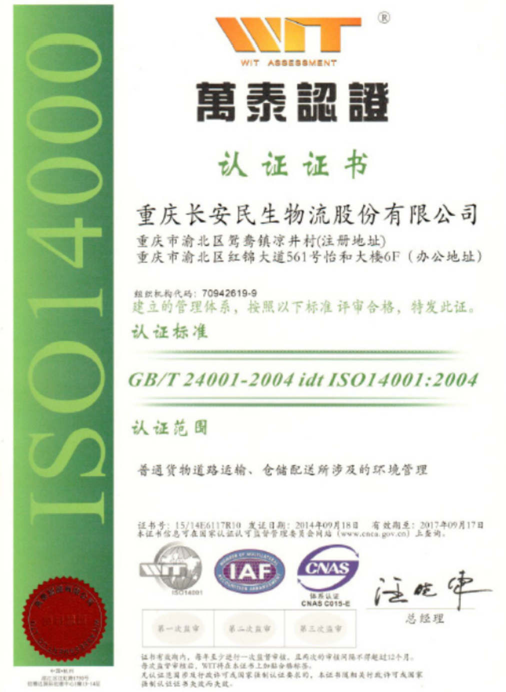
(f) Electricians should go on duty with related certificates in order to strengthen the maintenance and repair of electrical facilities and equipment.

(g) According to their characteristics, the power of production equipment should be turned off when not in use (except for those that do not support power off), in order to reduce waste of electricity and to avoid accidents.

(h) Each unit should inspect their use of electricity. Corrective actions should be taken promptly if abnormalities or waste are found.

(i) Each unit should record their electricity consumption and the corresponding costs on a monthly basis, and fill out the Energy Use Registration Form.

The Company has passed the ISO 14001, which shows that the Company has established and implemented environmental management system to reduce the generation and emission of pollutants, to promote waste recycling and to save energy and raw materials to cut back on costs. The Company has attached great importance to the balanced and sustainable development between environment and economy, reflecting its high sense of responsibility and ownership for the future of society.



Green Production Practice

Energy Management

The Company has always insisted on clean production and the path of sustainable development, and made environmental governance a top priority in its survival and development. It has formulated and closely followed such policy documents as *Production Oil Management Methods of Supply Chain Logistics Company* and *Energy Management Procedures*, in order to standardize the management on production oil of the projects to control the costs effectively.

Energy saving measures	Results
Optimized lighting in offices and warehouses	Saved 50,000 KWh of electricity in a year
Established oil management system, saving about 1,200 liters of oil	Reduced greenhouse gas emissions by about 3.13 tons
Optimized operation processes, enhance the loading rate of vehicles and reduce the empty-run rate; conduct monthly maintenance of vehicles to reduce effectively fuel consumption, thereby reducing carbon emissions	Expected to save 5,000 liters of oil in a year
Harbin Branch controlled gas heating time by reducing by 12 hours a day	Saved energy of 227,448 cubic meters
Developed assessment standards for oil and electricity consumption, and excessive consumption should be assessed	Reduced energy consumption to a certain extent

Types of energy	Consumption during 2016
Unleaded gasoline	363,008.82 liters
Diesel oil	6,565,551.82 liters
Electricity	6,576,770 KWh
Total energy consumption	79,821.11 megawatt hour

Greenhouse Gas Emission Management

As a member of the society, the Company has stuck to the path of environmental friendly development, aiming to reduce greenhouse gas emissions. It has adopted paperless office approach, reducing not only the number of cartridges used, but also the amount of paper used. It has also replaced disposable cartridges, including those for printers and copiers, with reusable ones.

Items	Emissions (ton)
Direct greenhouse gas emissions	18,178.86
Greenhouse gas emissions derived from the purchase of electricity	4,149.61
Total greenhouse gas emissions	22,328.48

Wastewater Discharge Management

The Company's daily project does not use water frequently, nonetheless the Company is still actively reducing water consumption from the point of green office's angle.

Item	Cubic meter
Total water use	520,675

Use of Materials

Most of our packaging materials come from suppliers, and we are trying to recycle the packaging materials used in the process of transportation. We will transfer the materials, damaged or not suited for recycling, to a qualified material handling company for the relevant treatment.

At the same time, in the process of work, the Company has emphasized energy saving and environmental protection, and promoted e-process for all kinds of approval, reducing greatly the amount of paper used and making certain contributions to environmental protection.

Waste Management

The Company has paid attention to waste disposal and green recycling. For hazardous waste, cartridges will be recycled for free by the office accessories company, and old batteries will be recycled by their manufacturers. Harmless waste, such as retired tires, scrap iron, waste paint buckets and other materials, will be placed in a fixed area. Application form for retired items will be regularly submitted to the procurement department, and then they will be recycled by relevant companies. Labor protection products will be reused after cleaning and disinfection.

Items	Quantity
Hazardous waste	
Cartridge (piece)	2,191
Battery (piece)	178
Others	0
Harmless waste	
Waste paint bucket (piece)	939
Retired tire (piece)	608
Scrap iron (kg)	7,025
Others	240

Overall, the Company has always been fulfilling its responsibility of and committed to environmental protection, and paid attention to waste disposal, green office, energy saving and emission reduction. In improving its staffs' awareness of environmental protection and relevant skills, the Company has also promoted environmental protection concepts to all walks of life.

Employment and Labor

The Company regards its employees as one of the most valuable assets important for its development. Our sustainable growth, fundamentally, depends on the employees who have a sense of responsibility. The Company has thereby focused on creating a fair and equitable employment environment for all employees and developing a platform for them to give full play of their talent and creativity, so that the employees from different regions and different cultural backgrounds can adopt their talents and expertise to make contributions to the Company's sustainable development.

Staff Profile

The Company continues to strengthen human resource management, cultivate and absorb excellent talents, provide diversified career development opportunities to its employees, and enhance their value creation ability.

Number of employees	8,558
By gender	
Female	2,517
Male	6,041
By age	
< 36	3,839
36 - 50	3,873
> 50	846
By position	
Senior management	4
Directors	66
Mangers	123
Specialists	2,018
Operators	6,347

Employee turnover rate	
Overall employee turnover ate	12.87%
Employee turnover rate (by gender)	
Female	9.02%
Male	13.07%
Employee turnover rate (by age)	
< 36	13.39%
36 - 50	9.75%
> 50	16.95%
Employee turnover rate (by position)	
Senior management	0.00%
Directors	0.03%
Mangers	0.05%
Professional Staffs	6.25%
Operational Staffs	13.88%

Salary and Benefits

With the principles of fairness, impartiality and transparency, the Company enables the value creation employees to observe the returns they deserve, and meanwhile provides competitive salary to attract external talents to support its sustainable development.

Employment and Labor Regulations

The Company explicitly opposes and takes strict measures against the employment of child labor or forced labor, strictly complying with the rules and regulations of PRC including *Labor Law of the People's Republic of China* and *Provisions on Prohibition of Child Labor*. New employees must carry valid identification documents. Recruiters will take a rigorous check on the age of the applicants and carefully review their personal information. If child labors are found, the company will immediately stop their work, contact their legal guardians and escort them home. In addition, the Company will pay them full remuneration and arrange physical examinations for them as soon as possible. As for the regular disciplines for employees, the Company has issued *10 Articles of Bans on Employees*, which clearly defines attitudes towards clients, system of checking work attendance and strict combat of behaviors such as theft, riot, fight and brawl as well as fraudulent claims.

Meanwhile, the Company has established basic principles of talent management, talent concepts and human resources policies, with clear regulations of recruitment, promotion, dismissal, benefits and remuneration, working hours, holidays, equal opportunities, diversification and anti-discrimination. The company has also conducted written tests to examine candidates' administrative aptitudes and management capabilities, so as to build a back-up intermediate management team which is equipped with sufficient members, supporting expertise, reasonable structure and high quality.

Training and Development

The Company pays great attention to the development of the staff. Based on the value-creators, the Company is committed to providing a training platform for all the staff to bring their potentials and creativities to full play, enabling them to continue to create greater value.

Statistics of Employee Training

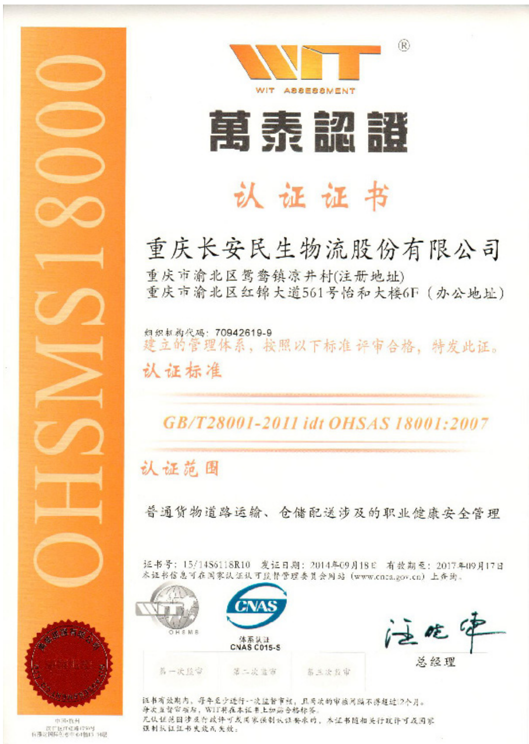
	The Number of Trainees	Training Hours
Total Number of Trainees and Training Hours	75,747	261,051.5
The Number of Trainees and Training Hours (by the categories of employees)		
Chairman of the Board and Senior Management	19	126.5
Directors	1,081	4,089.5
Managers	1,575	5,166
Professional Staffs	9,840	41,500
Operational Staffs	63,232	210,169.5

Professional Staffs	The Company carries out "One Person One Strategy", the strategy of training, development and support for professional staff. The Company establishes training authentication system for professional staff on duty and enables the staff to combine ability improvement with career development. Every year, the staff reaches consensus with their immediate superior on their individual capability demand and formulate annual individual development plan. During the process, the Company will provide personalized training support to professional staff to strengthen their learning of professional knowledge and professional tools, promoting management tools and standardization.
Operational Staffs	The Company establishes post operation standards for new staff and conducts post skills assessment. The Company also implements hierarchical pre-service training and identification. Staff who are identified as qualified will be awarded certificate and go on duty with the certificate, which will be checked on a regular basis. The Company has made efforts to cultivate multi-skill workers, building a team of compound skilled personnel who are versatile at one post and who are capable of more than one post.

Health and Safety

Occupational health and safety of the staff are the foundation of enterprise development. The Company pays great attention to the safety and health education and training. The Company has compiled Occupation Health Management Manual and Control Procedures of the Prevention and Treatment of Occupational Diseases and has established occupational health and safety principles to identify source of danger, risk assessment and control measures. The Company has also put forward new test requirements of emergency preparedness and response. Aiming at improving staff's safety awareness, the Company conducts inspection and supervision safety campaigns irregularly.

The Company is accredited OHSAS 18001 certification in relation to occupational health and safety, reflecting the Company's determination on the occupational health and safety and results we have achieved.


OHSMS18000

WIT ASSESSMENT

萬泰認證

认证证书

重庆长安民生物流股份有限公司

重庆市渝北区鸳鸯镇凉井村(注册地址)

重庆市渝北区红锦大道561号怡和大楼6F（办公地址）

组织机构代码: 70942619-9

建立的管理体系，按照以下标准评审合格，特发此证。

认证标准

GB/T28001-2011 idt OHSAS 18001:2007

认证范围

普通货物道路运输、仓储配送涉及的职业健康安全管理

证书号: 15/14S6118R10 发证日期: 2014年09月18日 有效期至: 2017年09月17日

本证书信息可在国家认证认可监督管理委员会网站 (www.cnca.gov.cn) 上查询。

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体系认证

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总经理

Loss of working days due to work injury	165
Work-related accidents	2
Work-related death tolls	0

The Company has established occupational health and safety management system to promote the standardization of safe production. Assessment of safety service quality at road transport terminals has been conducted. To enhance safety education and training for all the staff, all the new employees will receive "three-level" pre-service safety education, while all the special types of operators must go on duty with certificate. With training ratio exceeding 97%, employees' safety awareness will continually be improved. The Company is committed to identifying and governing latent dangers and the ratio of rectification and reform will reach 100%. We have irregularly carried out specific activities including supervision and inspection on safe production, rectification and reform of forklift, inspection on the prevention of fire and flood, rectification and reform of road transport safety as well as emergency exercises to implement risk prediction and control. All types of workers at all levels strictly implement the safe production responsibility system. In 2016, there were no serious injuries or more serious accidents; minor injuries and harm were reduced half on a year-to-year basis. Occupational health and safety management system and environment management system have passed annual supervision and review. Safe production standardization has continued to comply with the "three-level". Terminal safety service quality reached "AAA" level (the highest level). Our safety management performance has continually improved and the situation of safe production is stable and orderly.

Staff Care

On the basis of the people-oriented development principle, the Company earnestly safeguards staff's fundamental rights, continually expands their development space, shows concern to staff's lives and ensures all the staffs can benefit from the Company's development, so as to increase their sense of belonging at the Company.

【Case】In order to promote "Double Care" culture in the Company, in October 2016, the Company set up Staff Care Organization and drew up *Regulations about the Operation of Staff Care Organization of Changan Minsheng APLL Logistics Co., Ltd.* In addition, the Company named every October as the donation month. Such actions were carried out to develop the spirit of mutual help and fraternal love, help our employees who are in need solve problems, and therefore strengthen senses of belonging and cohesion among the employees.

【Case】To further promote "Double Care", the Company takes good care of its employees, and especially the front-line employees. The Labor Union insists on celebrating birthday of front-line workers every month.

【Case】On Women's day 2016 (8 March 2016), the Company held "Staff Fun Games" to celebrate this festival. The offices at all districts organized various activities including mountain-climbing and fun activities, which have enriched the cultural life of female staff and boosted their health, enabling them to be more devoted to their work with greater enthusiasm.

【Case】In May 2016, the Company held staff badminton game, in which staff from different departments at all levels have actively participated with high spirits and great efforts. This activity has strengthened team's cohesiveness, centripetal force and the spirit of striving for success.

Purchased Major Diseases Mutual Aid Fund for the staff	The Company has purchased Major Diseases Mutual Aid Fund for the staff to reduce their financial burden of payment for major diseases. The Company has purchased this insurance for 4,808 employees, with the amount totaling RMB 144,228, among whom ten has successfully applied for the fund. This effort relieves financial pressure for some families, making the staff in need feel a great sense of warmth.
Visiting workers at the production line	The Company has launched a series of refreshing activities for workers at the production line, pouring RMB 923,478, to ensure their safety and health during work and enable them to be more devoted to their work.
Visiting Employees at Hospital	The Company has paid visits to staff in hospital, providing strong emotional support for them. The Company has paid 56 visits and offered condolence payments of RMB 32,215.12, reflecting the company's humanistic concern.
Death of direct-related family	The Company has showed concern to 164 employees when their direct-related family passed away, offering condolence payments of RMB 113,220. The sympathy and help provided at the greatest extent made the employees feel the warmth of family.
Staff birthday	The Company celebrates birthday for employees, makes birthday card and hold birthday activities for them, reflecting the company's humanist management. 5,057 employees have enjoyed this benefit and the total amount of money input reached RMB 505,700, stimulating employees' work enthusiasm.
Holiday greetings	During Spring Festival, Dragon Boat Festival, Mid-autumn Festival and other traditional festivals, the Company provides goods or subsidies to all the staff with a total amount of RMB 1,895,941.5, to show appreciation for their contribution to the Company and send them sincere greetings.
Cultural and sports activities	To enrich the spare life of the staff, the Company actively held competitions such as basketball, badminton, photography, swimming and hiking, inputting RMB 361,266.68. These activities have reflected the talents and spirits of the staff and have increased their sense of belonging and identity.
Staff home	The staff home provides its employees with a pleasant, relaxed and comfortable environment, so the staff can be immersed into a warm work environment.

Supply Chain Management

The Company believes that the Company's development is closely related to suppliers, and the product and service quality are influenced by the cooperation model with the suppliers. Therefore, we are dedicated to establishing a long-term and healthy cooperative relationship with suppliers and other business partners on the basis of trust and mutual benefits.

The number of suppliers

Statistics of the distribution of suppliers	Number
Southern China (Guangdong, Guangxi, Hainan, Hong Kong, Macau)	19
Eastern China (Shandong, Jiangsu, Anhui, Shanghai, Zhejiang, Jiangxi, Fujian, Taiwan)	102
Central China (Henan, Hubei, Hunan)	54
Northern China (Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia)	36
Northeast (Heilongjiang, Jilin, Liaoning)	22
Southwest (Sichuan, Guizhou, Yunnan, Chongqing, Tibet)	198
Northwest (Shanxi, Gansu, Ningxia, Qinghai, Xinjiang)	0
Hong Kong , Macau and Taiwan	0
Overseas	0

Evaluation and Support of Suppliers

To regulate supplier management, establish and improve management processes of supplier development, maintenance, service and elimination as well as to build a supplier management platform that is open, fair and just, the Company chooses suppliers according to *Procurement Management Regulations*, *Bidding Regulations*, and *Supplier Management Regulations*. The Company has formed a specific panel to examine suppliers' service quality, financial statements and credits as well as safety and environmental protection, and to ensure the technical parameters of products, technologies and services provided. The Company strictly implements national policies and promote mutual benefits.

Social Contribution

The Company, as a part of the community, is not only the creator of social wealth, but the bearer of social values. While emphasizing value creation, the Company, with great gratitude, strives to pay back to the society by positively fulfilling social responsibilities, contributing to the community development and paying taxes in time. In the future, the Company will focus on the development of local community and actively encourage employees to take part in the community voluntary activities and to contribute to the communities in Chongqing and other operation regions.

Poverty Relief Through Consumption	To respond to the call of relieving poverty through consumption, the Company shows support to the remote regions with practical actions. The Company actively shoulders social responsibilities by purchasing agricultural products in poor and remote regions and giving them out to the staff, with the input reaching RMB 268,000. This effort has not only stimulated the collective economy in the village, but has also boosted farmers' confidence, which is beneficial for stabilizing agricultural production. It has also improved the productivity of impoverished households, enabling farmers to increase income in a stable and continuous manner and to achieve many things at one stroke.

Our public-good efforts are far more than short-term donations and programs. In the future, the Company will continue to fulfill social responsibilities, integrate development strategies, formulate long-term blueprint, accept the supervision of society and will be long committed to seeking benefits for the society.

APPENDIX:ESG REPORT INDICATORS INDEX				
Index	**Description of Index**	**Disclosures**	**Section of the Report**	**page**
A.Environmental				
Emissions				
General Disclosure	Information on the policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, and compliance with relevant laws and regulations that have a significant impact on the issuer.	Disclosed	Green Environmental Protection	52
A1.1	The types of emissions and respective emissions data.	Disclosed	Green Environmental Protection	52
A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Green Environmental Protection	52
A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Green Environmental Protection	52
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Green Environmental Protection	52
A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed	Green Environmental Protection	52
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed	Green Environmental Protection	52
Use of Resources				
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	Green Environmental Protection	50
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	Green Environmental Protection	52
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	Green Environmental Protection	52
A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed	Green Environmental Protection	51
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Disclosed	Green Environmental Protection	52
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	N/A	-	-
The Environment and Natural Resources				
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	Disclosed	Green Environmental Protection	50
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	Green Environmental Protection	50-52

B. Social				
Employment and Labor Practices				
Employment	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Disclosed	Employment and Labor	53-54
B1.1	Total workforce by gender, employment type, age group and geographical region.	Disclosed	Employment and Labor	53
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	Employment and Labor	53
Health and Safety				
General Disclosure	Information of the policies relating to providing a safe work environment and protecting employees from occupational hazards and the information of compliance with relevant laws and regulations that have a significant impact on the issuer.	Disclosed	Employment and Labor	55
B2.1	Number and rate of work-related fatalities.	Disclosed	Employment and Labor	55
B2.2	Lost days due to work injury.	Disclosed	Employment and Labor	55
B2.3	Description of occupational health and safety measures adopted and relevant execution and monitoring approaches.	Disclosed	Employment and Labor	55
Development and Training				
General Disclosure	Policies relating to improving employees' knowledge and skills for discharging job duties. Description of training activities.	Disclosed	Employment and Labor	54
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	Employment and Labor	54
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	Employment and Labor	54
Labor Standards				
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on issuer relating to preventing child and forced labor.	Disclosed	Employment and Labor	54
B4.1	Description of the measures to review employment practices to avoid child labor and forced labor.	Disclosed	Employment and Labor	54
B4.2	Description of the steps taken to eliminate such non-compliance as spotted.	Disclosed	Employment and Labor	54
Supply Chain Management				
General Disclosure	Policies on managing the environmental and social risks of supply chains.	Disclosed	Supply Chain Management	57
B5.1	Number of suppliers by geographical region.	Disclosed	Supply Chain Management	57
B5.2	Description of the practices relating to engaging suppliers, number of suppliers to whom the practices are implemented, and the execution and monitoring approaches of such practices.	Disclosed	Supply Chain Management	57

Product Responsibility				
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Disclosed	Product and Service	46
B6.1	Percentage of the products recalled for safety and health concerns to all the products sold or delivered.	N/A	-	-
B6.2	Number of complaints relating to products and services and the handling approaches.	Disclosed	Product and Service	49
B6.3	Description of the practices relating to observing and protecting intellectual property rights.	Disclosed	Product and Service	48
B6.4	Description of quality examination process and product recall procedure.	Disclosed	Product and Service	46
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	Product and Service	49
Anti-corruption				
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	Responsibility Governance	46
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	Responsibility Governance	46
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	Responsibility Governance	46
Community				
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	Social Contribution	57
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Disclosed	Social Contribution	57
B8.2	Resources (such as money or time) contributed to such key areas.	Disclosed	Social Contribution	57

The above text is the ESG report of the Group for the year of 2016.

Executive Directors

Mr. Xie Shikang

Mr. Xie Shikang (謝世康) aged 47, senior economist, currently the secretary of the CPC Committee of the Company, the chairman, an executive director, the chairman of Nomination Committee and the member of Remuneration Committee of the fourth session of the Board, and the Authorized Representative of the Company. Mr. Xie graduated from Chongqing Normal University in 1992. His final academic degree obtained was postgraduate diploma in Master of Business Administration from Chongqing University School of Economics and Business Administration. From July 1992 to August 1998, Mr. Xie worked in China South Industry Group Corporation Southwest Division and after that, he joined the former Changan Automobile (Group) Company Liability Limited and served as the deputy director of Corporate Office, the deputy minister of the Customer Services Department, deputy general manager of the auto parts company, deputy general manager and the Party branch secretary of a joint venture company- Chongqing Changan Visteon Engine Control System Co., Ltd. Since March 2009, Mr. Xie worked in Chongqing Changan Automobile Co., Ltd. as the head of the office and Party branch secretary, press spokesperson, the general manager of the High-end Limousine Sales Department, the minister of the High-end Limousine Overall Development Department, the head of the Strategic Planning Department and assistant president. From 21 May 2013 to 23 March 2016, Mr. Xie also served as the supervisor of Chongqing Changan Automobile Co., Ltd. (Listed in Shenzhen Stock Exchange). Mr. Xie has extensive experience in the strategic development planning, production and operation management and has been in a leadership position in leading enterprises in the automobile industry, thus he has enriched theoretical knowledge and working experiences in enterprise operation management and leading, development planning and customer services.

Mr. Lu Xiaozhong

Mr. Lu Xiaozhong (盧曉鐘) aged 69, an executive director of the fourth session of the Board and the Authorized Representative of the Company. He was born in 1948, graduated from Chongqing Normal University with a bachelor's degree in science, and joined the Company in 2001. Mr. Lu was the Company's general manager from October 2001 to February 2004. Mr. Lu was a member of the Standing Committee of the 11th CPPCC National Committee, deputy director of 3rd Chongqing People's Congress Standing Committee, a member of the Central Committee of China National Democratic Construction Association (CNDCA), the chairperson of CNDCA Chongqing, deputy chairman of Chongqing General Chamber of Commerce (industrial and commercial association), deputy director of Chongqing Foreign Trade & Economic Relations Commission. Mr. Lu also served as managing deputy president of Minsheng Industrial and general manager of former Minsheng Shipping Company Limited. Mr. Lu is now the president and director of Minsheng Industrial; director of Minsheng Shipping Co., Ltd., and director & general manager of Ming Sung (HK). Mr. Lu won the prizes of "Model of Great Contribution for Developing Chongqing" in 2006 and "Construction Toast in the 10th Anniversary of Chongqing under Direct Jurisdiction of Central Government" in 2007.

Mr. William K Villalon

Mr. William K Villalon aged 68, an executive director of the fourth session of the Board of the Company. He joined the Company in 2010. He has served for American President Lines/Logistics from 1984 to the present. His most recent appointment is president, APL Logistics on 1 January 2017. He is a seasoned executive with more than 30 years of experience in the global transportation and logistics industry. His immediate past roles were global vertical leader for the Automotive Vertical and Regional Leader for North America. Prior to these, he served in different positions for American President Lines/Logistics, mainly including vice president of Americas' Logistics, vice president of American Consolidation Services, vice president of Global Marketing, vice president of Southeast Asia, vice president of Stacktrain Service and director of Stacktrain Marketing. Mr. William K Villalon served as general manager of Intermodal of Southern Pacific Railroad (subsequently merged into UNION PACIFIC RAILROAD) before 1984. Mr. Villalon holds an MBA in Finance from University of California, Berkeley and has a BA in Political Science from the Washington University, St. Louis.

Mr. Shi Jinggang

Mr. Shi Jinggang (石井崗) aged 50, engineer, currently an executive director of the fourth session of the Board, the general manager and the deputy secretary of the CPC Committee of the Company. Mr. Shi graduated from Xidian University in 1990. From July 1990 to June 1998, Mr. Shi worked in the Supporting Technology Archives, General Manager Office and the Coordination and Planning Department of former Changan Machinery Factory. From June 1998 to January 2009, Mr. Shi served as the office director of the Enterprise Management Department, director of the Development and Planning Department of former Changan Automobile (Group) Company Liability Limited. After that, he joined the Chongqing Changan Automobile Co., Ltd. and worked as the deputy minister of the Development and Planning Department, Party branch secretary, the director of the Capital Operation Department and the deputy minister of the Strategic Planning Department. From June 2011 to 31 May 2016, Mr. Shi served as the executive vice president of Jiangling Holding Company Limited. Mr. Shi has been engaged in the enterprise development planning, production and operation management and leading positions and hence Mr. Shi has enriched experience in enterprise operation and management.

Non-executive Directors

Mr. Wu Xiaohua

Mr. Wu Xiaohua (吳小華) aged 62, a non-executive director of the fourth session of the Board of the Company. He was born in 1955 and joined the Company in 2001. Mr. Wu graduated from the Sichuan Cadre Institute in 1988, majoring in Financial Accounting. From 1976 to 1989, he was the accountant, deputy head of the Finance Department of Chuanjiang Shipping Factory of Changjiang Marine Transportation Company. Mr. Wu had taken up the posts as the department head in Planning and Planning and Accounting Department, the general accountant and the director of Minsheng Industrial from 1989 to November 2009. Mr. Wu now serves as the director and the secretary of the CPC Committee of Minsheng Industrial and director of Minsheng Shipping Co., Ltd.

Mr. Danny Goh Yan Nan

Mr. Danny Goh Yan Nan aged 58, a non-executive director of the fourth session of the Board of the Company. He was born in 1959 and was graduated from University of Oregon, USA in 1986, holding a Bachelor of Science, Finance. Mr. Danny Goh Yan Nan joined the Company in 2010 and is currently serving as chief operations officer in APLL. He served as senior vice president of North Asia Region of APLL from 2010 to 2014. He had been served different positions for APLL, mainly including vice president / managing director in Japan, vice president of International Services and Global Operations, vice president / managing director of Asia-Middle East Region, general manager of South East and West Asia Region of American Consolidation Services and Regional Operations Manager of South East and West Asia Region of American Consolidation Services.

Mr. Li Xin

Mr. Li Xin (李鑫) aged 36, engineer, currently a non-executive director of the fourth session of the Board of the Company. Mr. Li graduated from Shenyang University of Technology and later obtained his Master's Degree at Beijing Institute of Technology, majoring in Software Engineering. From July 2003 (when he started his career) to July 2006, Mr. Li worked in No. 208 Research Institute of China Ordnance Industries. From July 2006 to March 2014, Mr. Li served as assistant project manager, project manager and senior project manager in China Changan Automobile Group Co., Ltd. He served as assistant general manager of the Development Strategy Department in March 2014, and was promoted to the deputy general manager of the Development Strategy Department in April 2016. Mr. Li has rich experience in corporate development planning.

Independent Non-executive Directors

Mr. Chong Teck Sin

Mr. Chong Teck Sin (張鐵沁) aged 62, an independent non-executive director, the member of Audit Committee and the member of Nomination Committee of the fourth session of the Board of the Company. Born in 1955, he joined the Company as an independent non-executive director in 2005. Mr. Chong was the group managing director (commercial) of Seksun Corporation Limited (the "Seksun"), which was listed on the Singapore Stock Exchanges (the "SGX"), from 1999 until May 2004. Prior to his appointment at Seksun, he was the strategic development director for China of Glaxo Wellcome Asia Pacific Pte Ltd. and before that, the senior general manager of China-Singapore Suzhou Industrial Park Development Co., Ltd., the Singapore Suzhou Industrial Park developer. He was with the Singapore Economic Development Board from 1986 to 1989. From April 2004 to March 2010, Mr. Chong sat on the Board of the Accounting and Corporate Regulatory Authority (ACRA) of the Ministry of Finance of Singapore. From 2005 to 2013, Mr. Chong sat as independent non-executive director of several public companies listed at SGX and Australian Stock Exchange and also as non-executive director of several private companies including British American Tobacco (Singapore) Pte Ltd. From November 2008 to July 2010, Mr. Chong was also the board member of Singapore's largest charitable organization called National Kidney Foundation Singapore. Currently, Mr. Chong is an independent non-executive director of the following public companies: SGX-listed AVIC International Investments Limited of Singapore (now renamed as AVIC International Maritime Holdings Limited) which is a member company of China Aviation Industry Corporation (中國航空工業集團公司); SGX-listed Civmec Ltd and its subsidiary Civmec Construction & Engineering Singapore Pte Ltd; Accordia Golf Trust Management Pte Ltd, trustee manager of SGX-listed Accordia Golf Trust and SGX-listed InnoTek Ltd. Mr. Chong obtained a bachelor of engineering degree from the University of Tokyo in 1981, and subsequently a Master of Business Administration degree from the National University of Singapore.

Mr. Poon Chiu Kwok

Mr. Poon Chiu Kwok (潘昭國) aged 54, an independent non-executive director, the member of the Audit Committee, the member of Nomination Committee and the member of Remuneration Committee of the fourth session of the Board of the Company. He was born in 1962, obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. He is a fellow member of the Institute of Chartered Secretaries and Administrators, and The Hong Kong Institute of Chartered Secretaries and a member of its Professional Development Committee and Technical Consultation Panel. He is also a fellow member and an Associate Instructor of Hong Kong Securities and Investment Institute. Mr. Poon now serves as an executive director, vice president and company secretary of Huabao International Holdings Limited (a listed company in Hong Kong Stock Exchange) (Stock Code: 00336), an independent non-executive director of the following Hong Kong listed companies: Yuanda China Holdings Limited (Stock Code: 02789), Sunac China Holdings Limited (Stock Code: 01918), Tonly Electronics Holdings Limited (Stock Code: 01249), Sany Heavy Equipment International Holdings Company Limited (Stock Code: 00631), TUS International Limited (Stock Code: 00872), AUX International Holdings Limited (Stock Code: 02080) and Greentown Service Group Co., Ltd. (Stock Code: 02869). Mr. Poon ceased to serve as an independent non-executive director of CSSC Offshore & Marine Engineering (Group) Company Limited (both listed in Hong Kong and Shanghai) (Stock Code: 00317 and Stock Code in Shanghai Stock Exchange: 600685) since 8 May 2014 and of Ningbo Port Company Limited (a listed company in Shanghai Stock Exchange) (Stock Code: 601018) since 26 May 2014. On 21 March 2017, Mr. Poon Chiu Kwok was appointed as an independent non-executive director of Jinchuan Group International Resources Co., Ltd. (a listed company in Stock Exahcnge)(stock code: 02362).

Mr. Jie Jing

Mr. Jie Jing (揭京) aged 49, an independent non-executive director, the chairman of Remuneration Committee, the member of Audit Committee and the member of Nomination Committee of the fourth session of the Board of the Company. He was born in 1968, obtained a Bachelor of Engineering degree from Wuhan University of Technology in 1989, a Master of Engineering degree from Chongqing University in 1997 and a Doctor of Psychology degree from Southwest University in 2008. Mr. Jie currently serves as the head of Exploring Department, associate professor of Institute of Finance and Economics of Chongqing Jiaotong University. He is also a member and special grade lecturer of the China Business Manager Association, executive member of Chongqing Economics Association and member of the CPPCC of Nan'an District of Chongqing. Mr. Jie previously served as the general manager and legal representative of Hong Kong Jinhong International Trade Company, the general manager and legal representative of Chongqing Hongda Property Development Company Limited, senior strategic consultant of Chongqing Xiexin Group, senior partner of Xinhuaxin Management Consulting Company and the Assistant GM of Chongqing Jiulong Electric Power Co., Ltd. (a listed company in Shanghai Stock Exchange, stock code: 600292). Mr. Jie Jing has rich experience in supply chain management, logistics system optimization and corporate governance, etc.

Ms. Zhang Yun

Ms. Zhang Yun (張運) aged 51, an independent non-executive director, the chairman of Audit Committee, the member of Nomination Committee and the member of Remuneration Committee of the fourth session of the Board of the Company. She was born in 1966, obtained a Bachelor degree from Chongqing Jiaotong University in 1986 and a Master degree from Chongqing University in 1994. Ms. Zhang now serves as the head of the Institute of Logistics Research, professor and master instructor of Chongqing Jiaotong University; drop and pull transportation expert of Ministry of Transport; transportation economy proposition expert of Ministry of Transport; strategic decision consultant of road transportation industry of Chongqing Road Transportation Management Office; expert on city distribution of Chongqing Road Transportation Management Office; expert on evaluation of bid of Chongqing Road Projects Construction; and is among Chongqing's first group of experts on social science. At the recommendation of the Ministry of Transportation of the PRC and sponsored by Germany government, Ms. Zhang studied logistics theories and practiced them in the TUD university, research organizations including TCAC and HPTI and logistics enterprise named KUEHNE & NAGEL in German. Ms. Zhang had been responsible for so many studies and researches including "Research on Chongqing's Community Infrastructure Guarantee Capacity in Western Development Strategy" and "Optimization of Logistics in City's Development" and had written many thesis. Ms. Zhang has rich experience in logistics theory research, tactics making and personnel training, etc.

Supervisors

Mr. Chen Jianfeng

Mr. Chen Jianfeng (陳劍鋒) aged 45, accountant, a shareholder representative supervisor and chairman of the fourth session of the Supervisory Committee of the Company. Mr. Chen graduated from Chongqing Institute of Industrial Administration and later obtained his Master's Degree at Chongqing University School of Economics and Business Administration, majoring in business administration. From June 1992 to January 1995, Mr. Chen worked at the former Jiangling Machinery Factory. From January 1995 to January 2009, Mr. Chen worked as division head of the Finance Department of former Changan Automobile (Group) Company Liability Limited (renamed to Chongqing Changan Industry (Group) Limited), during which period Mr. Chen also served as division head of the Finance Department in Chongqing Changan Automobile Co., Ltd. and head of the Finance Department in Jiangxi Jiangling Motors Co., Ltd. From January 2009 to January 2013, Mr. Chen was transferred to former Changan Automobile (Group) Company Liability Limited and served as division head and deputy head of the Joint Venture and Cooperation Department. From January 2013 to April 2016, Mr. Chen served as deputy general manager of the Financial Accounting Department in China Changan Automobile Group Co., Ltd., and from April 2016, he was promoted to the general manager of the Financial Accounting Department. Mr. Chen has rich experience in financial management, accounting auditing and financial budget.

Mr. Steven Ho Kok Keong

Mr. Steven Ho Kok Keong (何國強) aged 49, a shareholder representative supervisor of the fourth session of the Supervisory Committee of the Company. Mr. Ho was born in 1968 and is an MBA Finance graduate of University of Leeds (UK). Mr. Ho was appointed Corporate Finance Director (APLL), Singapore since September 2006. In this role, his primary accountabilities include: consolidating group accounts, reengineered the group's financial system, reviewing and developing product costing structures, group strategy, controlling the cash-flow movement and working capital requirements, drive the group's budget and forecast processes, credit control policy, operational risk, risk-control, information system implementation, due diligence analysis and overseeing the departments staffing and recruitment activities. Prior to joining APLL, he was working for TNT International Express (part of TPG group, headquarter in Amsterdam) from 1994-2006 as the Regional Financial Controller with coverage spanning across Asia Pacific to Middle East regions. During his decade long stay in TNT, he was responsible for financial performance reporting, planning, forecasting and budgeting. Particularly, he was part of the core team that involved in the joint-venture deal with Sino-Trans and was seconded to Beijing to facilitate the investment negotiation and administrate the back-office setup. Mr. Ho is now based in Singapore.

Ms. Zhang Tianming

Ms. Zhang Tianming (張天明) aged 62, a shareholder representative supervisor of the fourth session of the Supervisory Committee of the Company. She was born in 1955, graduated from Chongqing Social University. She is an economist and an assistant accountant. Ms. Zhang had served as staff in former Minsheng Shipping Company Limited; deputy director, director, manager assistant and deputy manager of Comprehensive Secretary Department in Minsheng Industrial; deputy minister, minister of Comprehensive Ministry & director of Secretary Department in Minsheng Industrial. Ms. Zhang now serves as the division chief of Comprehensive Financial Department of Minsheng Industrial.

Mr. Zhou Zhengli

Mr. Zhou Zhengli (周正利) aged 53, an employee representative supervisor of the fourth session of the Supervisory Committee of the Company. He was born in 1964, holding an MBA (Chongqing Business and Management Master College). Entered into former Changan Automobile (Group) Company Liability Limited in 1980, Mr. Zhou served as deputy director of Automobile Technology Department, deputy chief of handicraft research institute of technology research centre and secretary of the CPC Committee, director of Technology Planning Department and director of Science and Technology Management Department under Science & Technology Committee, deputy director and director of Science and Technology Department under Science & Quality Ministry, manager of Engineer Department of Changan Industry Park Managing Committee, deputy minister of Developing and Planning Department in the former Changan Automobile (Group) Company Liability Limited. Mr. Zhou also served as deputy minister of Developing and Planning Department of Changan Industry Company, non-executive director of the Company, employee representative supervisor of the third session of the Supervisory Committee and head of the Development and Planning Department of the Company. Mr. Zhou is currently the senior management expert of the Company.

Mr. Deng Gang

Mr. Deng Gang (鄧剛) aged 45, an employee representative supervisor of the fourth session of the Supervisory Committee of the Company. He was born in 1972, graduated from College of Business and Management of Chongqing University, holding a master degree, engineer. Since graduated in July 1992, Mr. Deng served as technical engineer of domestic large automobile group; responsible for joint government affairs in Enterprise & Industry Committee under Chongqing State-owned Assets Supervision and Administration Committee. Since December 2001, Mr. Deng entered into former Changan Automobile (Group) Company Liability Limited and worked in the General Manager Office, holding the post of comprehensive administration assistant, deputy director of Secretary Office, which mainly responsible for the administrative assists for the strategic development planning and international business. Mr. Deng joined the Company in March 2004. From December 2007 to end of 2012, Mr. Deng served as director of Development & Planning Department in the headquarter, taking the lead to make out the developing planning schemes, to establish the market planning system and to improve the Company's operation and management system, and also served as employee representative supervisor of the third session of the Supervisory Committee of the Company and the general manager of Shanghai Supply Chain. Mr. Deng now serves as the head of the Corporate Culture Centre (office for the Party and mass service).

General Manager and Senior management

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

Mr. Chen Zhigang (陳治剛) aged 53, the deputy general manager of the Company. Mr. Chen was born in March 1964, an economic engineer, holding an MBA. Mr. Chen entered into Minsheng Industrial in 1992 and served as deputy director, director of Multi-transportation Department, assistant general manager & manager of Multi-transportation Department, deputy general manager and general manager of Minsheng International Cargo Transportation Agent Company Limited; deputy general manager & manager of Logistics Department of Minsheng Logistics Company Limited, etc. At the establishment of the Company, Mr. Chen had served as our deputy general manager and from 7 June 2011, Mr. Chen serves as the deputy general manager of the Company again. Mr. Chen is in charge of procurement and resource management, international freight and packaging business of the Company.

Mr. Sun Zhigang (孫志剛) aged 36, an auditor, currently the chief compliance officer of the Company. Mr. Sun was born in 1981 and graduated from Shanxi University of Finance and Economics as an accounting major in 2005, and his final academic degree obtained was postgraduate diploma in economy management from the Party School of the Central Committee of C. P. C. From July 2005 to July 2010, Mr. Sun served as the section member and the deputy chief section member of the Taiyuan (Shanxi Province) Audit Office of China National Auditing Ministry. From August 2010 to July 2012, he worked in the Transportation Auditing Department under the China National Auditing Ministry as the deputy chief section member and then chief section member. From August 2012 to July 2014, Mr. Sun was the section chief member of the Enterprise Auditing Department under the Taiyuan Audit Office of China National Auditing Ministry. In August 2014, he joined China Changan and served as the assistant general manager of the Auditing and Legal Department as of July 2016. Mr. Sun is now responsible for managing Finance Department, finished vehicle transportation business and new business of the Company. Mr. Sun has enriched experiences in auditing and enterprise management.

Mr. Huang Ming (黃明) aged 55, MBA, currently the chief management expert of the Company. He was born in 1962, joined the Company in 2001. Mr. Huang was mainly responsible for managing the Developing & Planning Department and was responsible for the business development and planning, marketing exploration and project planning of the Company. Mr. Huang graduated from Asia (Macau) International Opening University in 2004 and got a master degree of MBA. Mr. Huang worked as a manager of the general affairs department and multi-modal transportation department of Shanghai North Transportation Co., Ltd. (上海北方航運有限公司) from 2000 to 2001. Mr. Huang is now responsible for managing technical enablement and construction projects of the Company and partly in charge of Enterprise Technology Center and components and parts logistic business of the Company. Mr. Huang once served as the deputy general manager of the Company.

EY 安永

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

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

Opinion

We have audited the consolidated financial statements of Changan Minsheng APLL Logistics Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 140, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax asset	
As at 31 December 2016, the deferred tax assets recognised in the consolidated statement of financial position amounted to RMB57,289,000. The deferred tax assets were recognized based on the management's estimation of future taxable profits that would be available to utilize the deferred tax assets. As at 31 December 2016, deferred tax assets had not been provided on accumulated tax losses and deductible temporary differences of RMB19,606,000. Significant management judgement was required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, tax regulations, market or economic conditions. Related disclosures are included in notes 3 and 29 to the consolidated financial statements.	Our audit procedures included: • Evaluated and tested the management assessment on future available taxable profits by checking the Group's business plans, profit forecasts and historical financial and tax information; • Involved our tax specialists to assist us in assessing the Group's tax positions and the related assumptions; • Assessed the related disclosures of deferred tax assets and unrecognized tax losses and deductible temporary differences in the consolidated financial statements.
Provision for impairment of account receivables	
As at 31 December 2016, trade receivables and amounts due from related parties arising from the rendering of services and the sale of goods represented 50% of total assets of the Group. The determination of the provision for impairment of receivables involved significant management judgement and estimation. The Group had a process for assessing the credit risk and determining the provision for impairment of receivables. For individually significant receivables, the management determined the provision on a case by case basis by considering the age of the balance, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of counterparties. For remaining balances other than individually significant receivables, the management considers the creditworthiness of counterparties and the age of receivables in group to determine the provision. Related disclosures are included in notes 3, 23, 37(c) and 41 to the consolidated financial statements.	Our audit procedures included: • Checked bank receipts for the settlements made subsequent to the year end and the correctness of the age of receivables. • Evaluated the methodologies, inputs and assumptions used by the Group in calculating collectively assessed impairments by considering recent cash collection performance against historical trends and the level of bad debt charges recognised, and assessed the impairment allowances for individually assessed trade receivables by considering customers' background, historical amounts of trading and settlement as well as checking the recent communications with the counterparties. • Assessed the disclosures about the Group's exposure to credit risk in the consolidated financial statements.

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

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

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Certified Public Accountants
Hong Kong

28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	6,822,195	6,056,284
Cost of sales		(6,333,873)	(5,459,169)
Gross profit		488,322	597,115
Other income and gains	5	28,848	51,028
Selling and distribution expenses		(110,613)	(117,494)
Administrative expenses		(171,087)	(146,510)
Other expenses		(47,845)	(47,029)
Finance costs	7	(1,798)	(2,198)
Share of profits and losses of:			
Joint venture		769	-
Associates		1,987	1,819
PROFIT BEFORE TAX	6	188,583	336,731
Income tax expense	10	(48,946)	(72,473)
PROFIT FOR THE YEAR		139,637	264,258
Attributable to:			
Owners of the parent		113,005	237,958
Non-controlling interests		26,632	26,300
		139,637	264,258
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
- For profit for the year	12	RMB0.70	RMB1.47

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

CONSOLIDATED STATEMENT OF COMPREHENSEIVE INCOME

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
PROFIT FOR THE YEAR	139,637	264,258
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	139,637	264,258
Attributable to:		
Owners of the parent	113,005	237,958
Non-controlling interests	26,632	26,300
	139,637	264,258

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2016

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	544,072	498,081
Investment properties	14	9,705	-
Prepaid land lease payments	15	219,712	167,291
Goodwill	16	5,016	5,016
Other intangible assets	17	24,529	13,202
Investment in a joint venture	18	10,769	-
Investments in associates	19	33,548	26,295
An available-for-sale investment	20	28,900	28,900
Deferred tax assets	29	57,289	42,539
Other non-current assets	21	59,383	61,678
Total non-current assets		992,923	843,002
CURRENT ASSETS			
Inventories	22	44,120	44,749
Trade and bills receivables	23	387,978	408,583
Prepayments, deposits and other receivables	24	58,623	116,363
Due from related parties	37	2,012,615	2,057,821
Pledged deposits	25	51,136	51,155
Cash and cash equivalents	25	1,087,394	658,952
Total current assets		3,641,866	3,337,623
CURRENT LIABILITIES			
Trade and bills payables	26	1,975,076	1,746,916
Other payables and accruals	27	456,429	429,482
Due to related parties	37	223,354	154,120
Interest-bearing bank and other loans	28	6,981	4,000
Tax payable		1,842	14,974
Total current liabilities		2,663,682	2,349,492
NET CURRENT ASSETS		978,184	988,131
TOTAL ASSETS LESS CURRENT LIABILITIES		1,971,107	1,831,133

continued/…

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Year ended 31 December 2016

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,971,107	1,831,133
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	28	1,460	-
Deferred tax liabilities	29	3,340	3,481
Deferred income	30	7,994	2,941
Total non-current liabilities		12,794	6,422
Net assets		1,958,313	1,824,711
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	162,064	162,064
Reserves	32	1,675,950	1,555,780
		1,838,014	1,717,844
Non-controlling interests		120,299	106,867
Total equity		1,958,313	1,824,711

Director

Director

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016

	Attributable to owners of the parent							
	Share capital RMB'000 (note 31)	Share premium account RMB'000	Statutory reserve funds RMB'000 (note 32(a))	Safety fund surplus reserve RMB'000 (note 32(b))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	162,064	66,907	85,867	-	1,208,805	1,523,643	85,810	1,609,453
Total comprehensive income for the year	-	-	-	-	237,958	237,958	26,300	264,258
Acquisition of a subsidiary	-	-	-	-	-	-	11,257	11,257
Final 2014 dividend declared	-	-	-	-	(43,757)	(43,757)	-	(43,757)
Dividend paid to non-controlling shareholders by a subsidiary	-	-	-	-	-	-	(16,500)	(16,500)
At 31 December 2015	162,064	66,907*	85,867*	-*	1,403,006*	1,717,844	106,867	1,824,711
Total comprehensive income for the year	-	-	-	-	113,005	113,005	26,632	139,637
Provision for safety fund surplus reserve	-	-	-	2,008	-	2,008	-	2,008
Utilisation of safety fund surplus reserve	-	-	-	(109)	-	(109)	-	(109)
Dividend paid to non-controlling shareholders by a subsidiary	-	-	-	-	-	-	(13,200)	(13,200)
Changes in safety fund surplus reserve of an associate	-	-	-	5,266	-	5,266	-	5,266
At 31 December 2016	162,064	66,907*	85,867*	7,165*	1,516,011*	1,838,014	120,299	1,958,313

* These reserve accounts comprise the consolidated reserves of RMB 1,675,950,000 (2015: RMB 1,555,780,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		188,583	336,731
Adjustments for:			
Finance costs	7	1,798	2,198
Share of profits and losses of a joint venture and associates		(2,756)	(1,819)
Interest income	6	(9,183)	(6,480)
Dividend income from an available-for-sale investment	6	(1,513)	-
(Gain)/loss on disposal of items of property, plant and equipment	6	(485)	82
Depreciation	13	83,520	75,035
Recognition of prepaid land lease payments	15	5,676	7,145
Amortisation of other intangible assets	17	6,177	4,756
Provision for impairment of trade and other receivables	6	17,765	22,906
Provision/(reversal of provision) for impairment of due from related parties	6	2,244	(947)
Impairment of other intangible assets	6	-	642
Impairment of goodwill	6	-	2,441
Deferred income released to profit or loss	30	(473)	(447)
Unrealised foreign exchange gains, net		(1,128)	(1,458)
		290,225	440,785
(Increase)/decrease in inventories		629	(8,290)
Increase in trade and bills receivables		(11,025)	(85,306)
Decrease in prepayments		1,867	5,123
Decrease in pledged deposits		19	5,434
Increase in deposits and other receivables		(2,840)	(1,697)
(Increase)/decrease in amounts due from related parties		42,962	(617,427)
Increase in trade and bills payables		228,160	315,574
Increase in other payables and accruals		29,323	43,049
Increase in amounts due to related parties		28,094	49,345
Increase in safety fund surplus reserve		1,899	-
Cash generated from operations		609,313	146,590
Income taxes paid		(76,969)	(88,194)
Net cash flows from operating activities		532,344	58,396

continued/...

	Notes	2016 RMB'000	2015 RMB'000
Net cash flows from operating activities		532,344	58,396
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6	9,183	6,480
Dividends received from an associate		-	465
Dividends received from an available-for-sale investment	6	1,513	-
Purchases of items of property, plant and equipment		(91,266)	(162,788)
Proceeds from disposal of items of property, plant and equipment		9,027	3,446
Receipt of government grants related to assets	30	5,526	-
Additions to other intangible assets		(13,842)	(8,072)
Additions to prepaid lease payments		(1,683)	(60,229)
Additions to other non-current assets		(2,931)	-
Acquisition of a subsidiary		-	(19,673)
Investment in a joint venture		(10,000)	-
Decrease in time deposits with original maturity of more than three months		21,403	20,199
Net cash flows used in investing activities		(73,070)	(220,172)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank and other loans		308,441	224,000
Repayment of bank and other loans		(304,000)	(220,000)
Dividends paid		-	(43,757)
Dividends paid to non-controlling shareholders by a subsidiary	33	(13,200)	(16,500)
Interest paid	7	(1,798)	(2,198)
Net cash flows used in financing activities		(10,557)	(58,455)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		448,717	(220,231)
Cash and cash equivalents at beginning of year		624,549	843,322
Effect of foreign exchange rate changes, net		1,128	1,458
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,074,394	624,549
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		1,074,394	615,549
Time deposits	25	13,000	43,403
Cash and cash equivalents as stated in the statement of financial position		1,087,394	658,952
Less: Time deposits with original maturity of more than three months when acquired	25	(13,000)	(34,403)
Cash and cash equivalents as stated in the statement of cash flows	25	1,074,394	624,549

Major non-cash transaction

Trade receivables amounting to RMB 16,164,000 were settled by certain items of property, plant and equipment during the year.

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Company name	Place of operations and date of incorporation/ registration	Paid-in capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
重慶長安民生東立包裝有限公司 Chongqing Changan Minsheng Dongli Packaging Co., Ltd.	PRC/Mainland China 16 May 2014	RMB 18,000,000	55	-	Sale of packaging materials
長安民生(上海)供應鏈有限公司 Changan Minsheng (Shanghai) Supply Chain Co., Ltd.	PRC/Mainland China 5 August 2014	RMB 30,000,000	100	-	Rendering of logistics service
武漢長盛港通汽車物流有限公司 Wuhan Changsheng Gangtong Automobile Logistics Co., Ltd.	PRC/Mainland China 18 August 2010	RMB 23,070,000	60	-	Rendering of logistics service

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-214 Cycle	*Amendments to a number of HKFRSs*

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

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

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and a joint venture (continued)

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

or

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

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

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

Investment property – commercial buildings	4.85%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

(a) Customer relationship

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

(b) Software

Acquired software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

(c) Trademark

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)
Subsequent measurement (continued)

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

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

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

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

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

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

Offsetting of financial instruments

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts for services

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

Revenue from the rendering of services includes rendering of transportation services for finished vehicles, supply chain management services for automobile components and parts, raw materials, and transportation services for non-automobile commodities. According to the service contract, acceptance of the finished vehicle, automobile components and parts or non-vehicle commodities by the customer is a specific act that is much more significant than any other act. Therefore, service revenue is recognised upon the completion of services.

Pension schemes

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

Termination benefits

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2016 was RMB 5,016,000 (2015: RMB 5,016,000). Further details are given in note 16.

Impairment of non-financial assets (other than goodwill)

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

Provision for impairment of receivables

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

Deferred tax assets

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Income taxes

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

Revenue recognition

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

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

	2016 RMB'000	2015 RMB'000
Customer A	3,939,158	3,571,239
Customer B	1,407,269	1,101,930

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Notes	2016 RMB'000	2015 RMB'000
Revenue			
Sale of goods		1,991,767	1,697,507
Rendering of logistics services		4,830,428	4,358,777
		6,822,195	6,056,284
Other income and gains			
Government grants		4,420	32,977
Bank interest income	6	9,183	6,480
Dividend income from an available-for-sale investment	6	1,513	-
Penalty on transportation companies		6,132	4,374
Sales of recycled packages of vehicle spare parts		4,451	5,692
Foreign exchange gains		1,226	721
Gain on disposal of items of property, plant and equipment		615	174
Others		1,308	610
		28,848	51,028

6. PROFIT BEFORE TAX

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

	Notes	2016 RMB'000	2015 RMB'000
Cost of inventories sold		1,892,337	1,659,211
Cost of logistics services rendered		3,651,791	3,116,673
Depreciation	13	83,520	75,035
Amortisation of other intangible assets	17	6,177	4,756
Impairment of other intangible assets	17	-	642
Impairment of goodwill	16	-	2,441
Minimum lease payments under operating leases		50,614	41,290
Amortisation of prepaid land lease payments	15	5,676	7,145
Auditor's remuneration		2,180	2,430
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries and relevant benefits		680,155	644,804
Pension scheme contributions		69,736	83,551
Termination benefits		20,483	-
		770,374	728,355
Foreign exchange differences, net		(1,226)	(721)
Provision for impairment of trade and other receivables		17,765	22,906
Provision/(reversal of provision) for impairment of amounts due from related parties		2,244	(947)
Dividend income from an available-for-sale investment	5	(1,513)	-
Dividend income from associates		-	(465)
Bank interest income	5	(9,183)	(6,480)
(Gain)/loss on disposal of items of property, plant and equipment, net		(485)	82

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 RMB'000	2015 RMB'000
Interest on bank loans and other loans wholly repayable within five years	1,798	2,198

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2016	2015
	RMB'000	RMB'000
Fees	500	500
Other emoluments:		
Salaries, allowances and benefits in kind	958	778
Performance related bonuses	1,130	488
Pension scheme contributions	71	48
	2,159	1,314
	2,659	1,814

(a) Independent non-executive directors

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

	2016	2015
	RMB'000	RMB'000
Chong Teck Sin	125	125
Poon Chiu Kwok	125	125
Jie Jing	125	125
Zhang Yun	125	125
	500	500

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

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

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

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016				
Executive directors:				
Xie Shi Kang (i)	174	350	12	536
Lu Xiao Zhong	-	-	-	-
Zhu Ming Hui (ii)	-	-	-	-
William K. Villalon	-	-	-	-
Shi Jing Gang (iii)	174	350	9	533
Wang Yang (iv)	124	150	10	284
Non-executive directors:				
Wu Xiao Hua	-	-	-	-
Danny Goh Yan Nan	-	-	-	-
Li Xin (v)	-	-	-	-
Wang Lin (vi)	-	-	-	-
Supervisors:				
Chen Jian Feng (vii)	-	-	-	-
Zhu Ying (viii)	-	-	-	-
Steven Ho Kok Keong	-	-	-	-
Zhang Tian Ming	-	-	-	-
Zhou Zheng Li	243	140	20	403
Deng Gang	243	140	20	403
	958	1,130	71	2,159
2015				
Executive directors:				
Lu Xiao Zhong	-	-	-	-
Zhu Ming Hui	-	-	-	-
William K. Villalon	-	-	-	-
Wang Yang	294	238	16	548
Non-executive directors:				
Wu Xiao Hua	-	-	-	-
Danny Goh Yan Nan	-	-	-	-
Wang Lin	-	-	-	-
Supervisors:				
Zhu Ying	-	-	-	-
Steven Ho Kok Keong	-	-	-	-
Zhang Tian Ming	-	-	-	-
Zhou Zheng Li	240	125	16	381
Deng Gang	244	125	16	385
	778	488	48	1,314

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

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

(i) Mr. Xie Shi Kang was appointed as an executive director since 30 June 2016 and is the chairman of the Company.
(ii) Mr. Zhu Ming Hui was appointed as an executive director since 30 September 2011 and resigned in 2016.
(iii) Mr. Shi Jing Gang was appointed as an executive director since 30 June 2016 and is the chief executive officer of the Company.
(iv) Mr. Wang Yang was appointed as an executive director since 12 November 2013 and resigned in 2016.
(v) Mr. Li Xin was appointed as a non-executive director since 30 November 2016.
(vi) Mr. Wang Lin was appointed as a non-executive director since 30 June 2014 and resigned in 2016.
(vii) Mr. Chen Jian Feng was appointed as a supervisor since 30 November 2016.
(viii) Ms. Zhu Ying was appointed as a supervisor since 30 September 2011 and resigned in 2016.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2015: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2015: four) highest paid employees who are neither directors nor supervisor nor the chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	753	1,002
Performance related bonuses	581	709
Pension scheme contributions	67	62
	1,401	1,773

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

	Number of employees 2016	 2015
Nil to HK$1,000,000	3	4

10. INCOME TAX

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

	2016 RMB'000	2015 RMB'000
Current – Mainland China		
Charge for the year	63,837	68,660
Deferred (note 29)	(14,891)	3,813
Total tax charge for the year	48,946	72,473

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

		2016		2015	
	Notes	RMB'000	%	RMB'000	%
Profit before tax		188,583		336,731	
Tax at the statutory tax rate		47,146	25.0	84,183	25.0
Lower tax rate for specific entities	i	(4,810)	(2.6)	(19,593)	(5.9)
Adjustments in respect of current tax of previous years		268	0.1	(439)	(0.1)
Income not subject to tax	ii	(640)	(0.3)	(273)	(0.1)
Expenses not deductible for tax		8,402	4.5	2,635	0.8
Tax losses utilised from previous years		(2,812)	(1.5)	(468)	(0.1)
Tax losses and deductible temporary differences not recognised		1,392	0.7	6,428	1.9
Tax charge at the Group's effective rate		48,946	25.9	72,473	21.5

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

(ii) The share of tax attributable to a joint venture and associates amounting to RMB 413,000 (2015: RMB 273,000) is included in "Share of profits and losses of a joint venture and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Proposed final – RMB 0.10 (2015: Nil) per ordinary share	16,206	-

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 162,064,000 (2015: 162,064,000) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculation of basic earnings per share is based on:

	2016 RMB'000	2015 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	113,005	237,958
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	162,064,000	162,064,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
		Plant and	Office	Motor	Construction	
31 December 2016						
Cost:						
At 1 January 2016	324,525	99,414	36,972	253,313	164,021	878,245
Additions	27,023	6,153	5,614	26,896	72,367	138,053
Disposals	(866)	(2,884)	(1,669)	(19,627)	-	(25,046)
Transfers	218,628	930	1,442	5,426	(226,426)	-
At 31 December 2016	569,310	103,613	42,359	266,008	9,962	991,252
Accumulated depreciation:						
At 1 January 2016	(176,949)	(42,750)	(23,659)	(136,806)	-	(380,164)
Depreciation provided during the year (note 6)	(21,438)	(17,264)	(5,679)	(39,139)	-	(83,520)
Disposals	512	2,194	1,531	12,267	-	16,504
At 31 December 2016	(197,875)	(57,820)	(27,807)	(163,678)	-	(447,180)
Net carrying amount:						
At 1 January 2016	147,576	56,664	13,313	116,507	164,021	498,081
At 31 December 2016	371,435	45,793	14,552	102,330	9,962	544,072
31 December 2015						
Cost:						
At 1 January 2015	316,196	57,380	30,021	157,843	115,365	676,805
Additions	1,014	18,052	8,637	103,121	78,035	208,859
Acquisition of a subsidiary	6,916	19	4	5	1,450	8,394
Disposals	-	(2,138)	(1,971)	(11,704)	-	(15,813)
Transfers	399	26,101	281	4,048	(30,829)	-
At 31 December 2015	324,525	99,414	36,972	253,313	164,021	878,245
Accumulated depreciation:						
At 1 January 2015	(156,215)	(29,300)	(19,554)	(112,345)	-	(317,414)
Depreciation provided during the year (note 6)	(20,734)	(15,455)	(5,984)	(32,862)	-	(75,035)
Disposals	-	2,005	1,879	8,401	-	12,285
At 31 December 2015	(176,949)	(42,750)	(23,659)	(136,806)	-	(380,164)
Net carrying amount:						
At 1 January 2015	159,981	28,080	10,467	45,498	115,365	359,391
At 31 December 2015	147,576	56,664	13,313	116,507	164,021	498,081

As at 31 December 2016, certain of the Group's motor vehicles with a net carrying amount of approximately RMB 2,174,000 (2015: Nil) were pledged to secure other loans granted to the Group (note 28).

14. INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	-	-
Addition	9,705	-
Depreciation provided during the year	-	-
Carrying amount at 31 December	9,705	-

The Group obtained a commercial property in Chengdu through netting off the balance of trade receivables with a customer in December 2016. The commercial property is being leased to third parties under operating leases, it was stated in the consolidated statement of financial position at cost, including the transaction consideration and related cost, which was approximate to fair value as at 31 December 2016.

15. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Cost:		
At 1 January	209,301	191,491
Addition	57,776	3,862
Acquisition of a subsidiary	-	13,948
At 31 December	267,077	209,301
Accumulated amortisation:		
At 1 January	(37,162)	(30,017)
Amortisation charge for the year (note 6)	(5,676)	(7,145)
At 31 December	(42,838)	(37,162)
Carrying amount at 31 December	224,239	172,139
Current portion included in prepayments, deposits and other receivables	(4,527)	(4,848)
Non-current portion at 31 December	219,712	167,291

16. GOODWILL

	Cash-generating units: Transportation services for finished vehicle RMB'000	Cash-generating units: Storage management services RMB'000	Total RMB'000
31 December 2016			
Cost:			
At 1 January and 31 December 2016	5,016	2,441	7,457
Accumulated impairment:			
At 1 January and 31 December 2016 (note 6)	-	(2,441)	(2,441)
Net carrying amount:			
At 1 January and 31 December 2016	5,016	-	5,016
31 December 2015			
Cost:			
At 1 January 2015	2,222	2,441	4,663
Acquisition of a subsidiary	2,794	-	2,794
At 31 December 2015	5,016	2,441	7,457
Accumulated impairment:			
At 1 January 2015	-	-	-
Impairment for the year (note 6)	-	(2,441)	(2,441)
At 31 December 2015	-	(2,441)	(2,441)
Net carrying amount:			
At 31 December 2015	5,016	-	5,016

16. GOODWILL (CONTINUED)

Impairment testing of goodwill

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

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

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

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

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant unit. The discount rate applied to the cash flow projections is 17.0% (2015: 17.0%).

Growth rates – The growth rate used to extrapolate the cash flows beyond the five-year period is 2.0% (2015: 2.0%), which is based on the estimated growth rate of each unit, taking into account the industry growth rate, past experience and the medium or long term growth target.

The values assigned to the key assumptions on market development, discount rates are consistent with external information sources. In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the cash generating unit's carrying amount to exceed its recoverable amount as at 31 December 2016.

17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Customer relationships RMB'000	Trademark RMB'000	Wharf lease right RMB'000	Total RMB'000
31 December 2016					
Cost:					
At 1 January 2016	18,410	4,174	107	7,200	29,891
Additions	17,504	-	-	-	17,504
At 31 December 2016	35,914	4,174	107	7,200	47,395
Accumulated amortisation:					
At 1 January 2016	(12,004)	(3,532)	(107)	(404)	(16,047)
Amortisation provided during the year (note 6)	(5,692)	-	-	(485)	(6,177)
At 31 December 2016	(17,696)	(3,532)	(107)	(889)	(22,224)
Accumulated impairment:					
At 1 January 2016	-	(642)	-	-	(642)
Impairment during the year	-	-	-	-	-
At 31 December 2016	-	(642)	-	-	(642)
Net carrying amount:					
At 1 January 2016	6,406	-	-	6,796	13,202
At 31 December 2016	18,218	-	-	6,311	24,529
31 December 2015					
Cost:					
At 1 January 2015	12,657	4,174	107	-	16,938
Additions	5,715	-	-	-	5,715
Acquisition of a subsidiary	38	-	-	7,200	7,238
At 31 December 2015	18,410	4,174	107	7,200	29,891
Accumulated amortisation:					
At 1 January 2015	(8,318)	(2,890)	(83)	-	(11,291)
Amortisation provided during the year (note 6)	(3,686)	(642)	(24)	(404)	(4,756)
At 31 December 2015	(12,004)	(3,532)	(107)	(404)	(16,047)
Accumulated impairment:					
At 1 January 2015	-	-	-	-	-
Impairment during the year (note 6)	-	(642)	-	-	(642)
At 31 December 2015	-	(642)	-	-	(642)
Net carrying amount:					
At 1 January 2015	4,339	1,284	24	-	5,647
At 31 December 2015	6,406	-	-	6,796	13,202

18. INVESTMENT IN A JOINT VENTURE

	2016 RMB'000	2015 RMB'000
Share of net assets	10,769	-

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

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

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

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

The above investment is directly held by the Company.

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

	2016 RMB'000	2015 RMB'000
Share of the joint venture's profit for the year	769	-
Share of the joint venture's total comprehensive income	769	-
Carrying amount of the Group's investment in the joint venture	10,769	-

19. INVESTMENTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Share of net assets	33,548	26,295

The Group's trade receivable and payable balances due from the associates are disclosed in note 37 to the financial statements.

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Wuhan Changan Minfutong Logistics Company Limited* ("Wuhan Minfutong")	Ordinary shares	PRC/Mainland China	31	Providing logistics services in Mainland China
Chongqing Terui Transportation Service Company Limited* ("Chongqing Terui")	Ordinary shares	PRC/Mainland China	45	Providing logistics services in Mainland China

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

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

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

	2016 RMB'000	2015 RMB'000
Share of the associates' profit for the year	1,987	1,819
Share of the associates' total comprehensive income	1,987	1,819
Aggregate carrying amount of the Group's investments in the associates	33,548	26,295

20. AN AVAILABLE-FOR-SALE INVESTMENT

	2016 RMB'000	2015 RMB'000
Unlisted equity investment, at cost	28,900	28,900

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

As at 31 December 2016, the unlisted equity investment with a carrying amount of RMB 28,900,000 (2015: RMB 28,900,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

21. OTHER NON-CURRENT ASSETS

	Note	2016 RMB'000	2015 RMB'000
Prepayment for a land use right	(i)	56,100	56,100
Prepayment for purchases of property, plant and equipment		23	3,221
Prepayment for purchases of other intangible assets		3,260	2,357
		59,383	61,678

(i) The prepayment was made for the land use right, for which the total consideration was RMB 99,000,000.

22. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	2,455	1,161
Work in progress	2,258	505
Finished goods	39,407	43,083
	44,120	44,749

23. TRADE AND BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Bills receivables	156,661	149,695
Trade receivables	283,532	295,941
Impairment	(52,215)	(37,053)
	387,978	408,583

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

23. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
Within 3 months	198,304	191,201
3 to 6 months	16,943	37,818
6 months to 1 year	8,008	29,869
1 to 2 years	8,062	-
	231,317	258,888

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

	2016 RMB'000	2015 RMB'000
At 1 January	37,053	14,192
Impairment losses recognised	15,466	22,906
Amount written off as uncollectible	(304)	(45)
	52,215	37,053

Included in the above provision for impairment of trade receivables is a provision for individually and collectively impaired trade receivables of RMB 52,215,000 (2015: RMB 37,053,000) with a carrying amount before provision of RMB 73,020,000 (2015: RMB 66,922,000).

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

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	197,953	191,201
Less than 3 month past due	12,559	37,818
	210,512	229,019

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

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

Bills receivables amounting to RMB 14,347,000 (2015: RMB 30,350,000) were pledged by the Group to secure bank acceptance bills as at 31 December 2016.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepayments	20,758	22,625
Deposits and other receivables	40,164	93,738
Impairment	(2,299)	-
	58,623	116,363

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

	2016 RMB'000	2015 RMB'000
At 1 January	-	11
Impairment losses recognised	2,299	-
Amount written off as uncollectible	-	(11)
	2,299	-

As at 31 December 2016, provision for impairment with an amount of RMB 2,299,000 (2015: Nil) was provided for long-aged deposits and other receivables with a carrying amount before provision of RMB 10,709,000 (2015: Nil).

25. CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	1,125,530	666,704
Time deposits	13,000	43,403
	1,138,530	710,107
Less:		
Bank balances pledged for bank acceptance bills, letter of credit and bank letters of guarantee	(51,136)	(51,155)
Time deposits with original maturity of more than three months when acquired	(13,000)	(34,403)
Cash and cash equivalents	1,074,394	624,549

25. CASH AND CASH EQUIVALENTS (CONTINUED)

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB 1,067,292,000 (2015: RMB 658,952,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. TRADE AND BILLS PAYABLES

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

	2016 RMB'000	2015 RMB'000
Within 3 months	1,709,261	1,668,564
3 to 6 months	247,064	72,498
6 months to 1 year	11,625	1,521
1 to 2 years	4,871	3,262
2 to 3 years	1,369	261
Over 3 years	886	810
	1,975,076	1,746,916

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

As at 31 December 2016, bills payables with an aggregate amount of approximately RMB 210,872,000 were secured by the pledge deposits of RMB 39,329,000 (note 25) and bills receivables of RMB 14,347,000 (note 23).

27. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Advances from customers	1,475	5,563
Other payables	182,549	116,345
Other taxes	22,669	89,026
Accruals for payroll and welfare	249,736	218,548
	456,429	429,482

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

28. INTEREST-BEARING BANK AND OTHER LOANS

	2016			2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Unsecured bank loans	5.20	2017	6,000 *	5.20	2016	4,000
Other secured loans	4.75	2017	981 **	-	-	-
			6,981			4,000
Non-current						
Other secured loans	4.75	2019	1,460 **	-	-	-
			8,441			4,000

	2016 RMB'000	2015 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	6,000	4,000
Other loans repayable:		
Within one year	981	-
Beyond one year	1,460	-
	2,441	-
	8,441	4,000

* As at 31 December 2016, the Group's interest-bearing bank loans bore interest at 5.2% per annum and were repayable in 2017.

** During the year, CMAL Bo Yu entered into a sale-leaseback arrangement with an independent third party leasing company to sell and leaseback its 12 motor vehicles. Based on the substance of the sale-leaseback arrangement, the lease-back arrangement is a finance lease, whereby the lessor provided finance to CMAL Bo Yu, with the motor vehicles as security to the loan.

The sale-leaseback principal of the finance lease is RMB 2,441,000 bearing effective interest at a rate of 4.75% per annum. Pursuant to the terms of the sale-leaseback arrangement, the loan is repayable on 17 October 2019. At the end of lease term, the lessor is obliged to transfer the ownership of the above assets to CMAL Bo Yu at a nominal consideration of RMB 100.

Other loans were secured by mortgages over the Group's motor vehicles, which had an aggregate carrying amount as at 31 December 2016 of approximately RMB 2,174,000 (2015: Nil) (note 13).

29. DEFERRED TAX

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

Deferred tax liabilities

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

	Contractual customer relationship RMB'000	Fair values adjustments arising from acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2015	321	-	321
Deferred tax arising from acquisition of a subsidiary	-	3,502	3,502
Deferred tax credited to the statement of profit or loss during the year (note 10)	(321)	(21)	(342)
Gross deferred tax liabilities at 31 December 2015	-	3,481	3,481

29. DEFERRED TAX (CONTINUED)

Deferred tax assets

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

29. DEFERRED TAX (CONTINUED)

Deferred tax assets (continued)

	Depreciation allowance in excess of related depreciation RMB'000	Provision for impairment of receivables RMB'000	Deferred income RMB'000	Accruals RMB'000	Payroll payable RMB'000	Tax losses RMB'000	Unrealised profit in inventories RMB'000	Total RMB'000
At 1 January 2015	11,221	6,842	680	263	26,443	1,245	-	46,694
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(447)	3,208	(71)	3,333	(9,184)	(1,100)	106	(4,155)
Gross deferred tax assets at 31 December 2015	10,774	10,050	609	3,596	17,259	145	106	42,539

29. DEFERRED TAX (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
Tax losses	18,979	45,102
Deductible temporary differences	627	939
	19,606	46,041

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

30. DEFERRED INCOME

	2016 RMB'000	2015 RMB'000
Government grants		
At 1 January	2,941	3,388
Received during the year	5,526	-
Released during the year	(473)	(447)
At 31 December	7,994	2,941

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

31. SHARE CAPITAL

Shares

	2016 RMB'000	2015 RMB'000
Authorised:		
162,064,000 (2015: 162,064,000) ordinary shares of RMB 1.00 each	162,064	162,064
Issued and fully paid:		
162,064,000 (2015: 162,064,000) ordinary shares of RMB 1.00 each	162,064	162,064

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

	Number of shares in issue	Issued capital RMB'000
At 1 January 2016 and 31 December 2016	162,064,000	162,064

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 74 of the financial statements.

(a) Statutory reserves of the PRC subsidiaries

Pursuant to the relevant laws and regulations in Mainland China, a portion of the profits of the Group's entities including the Company which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

(b) Safety fund surplus reserve

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

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

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

	2016 RMB'000	2015 RMB'000
Percentage of equity interest held by non-controlling interests	33%	33%
Profit for the year allocated to non-controlling interests	28,544	27,162
Dividends paid to non-controlling interests	13,200	16,500
Accumulated balances of non-controlling interests at the reporting date	102,086	86,742

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

	Nanjing CMSC	
	2016 RMB'000	2015 RMB'000
Revenue	581,179	535,495
Total expenses	(494,681)	(453,187)
Profit for the year	86,498	82,308
Total comprehensive income for the year	86,498	82,308
Current assets	448,464	391,040
Non-current assets	45,743	45,691
Current liabilities	(184,854)	(173,877)
Non-current liabilities	-	-
Net cash flows from operating activities	67,458	99,992
Net cash flows from/(used) in investing activities	15,867	(2,354)
Net cash flows used in financing activities	(40,000)	(50,000)
Effect of foreign exchange rate changes, net	198	-
Net increase in cash and cash equivalents	43,523	47,638

34. PLEDGE OF ASSETS

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

35. OPERATING LEASE ARRANGEMENTS

(a) As lessee

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

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	38,780	35,231
In the second to fifth years, inclusive	51,169	43,329
After five years	85,783	61,921
	175,732	140,481

(b) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with lease term of 10 years. As at 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	296	-
In the second to fifth years, inclusive	1,184	-
After five years	1,184	-
	2,664	-

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for:		
Plant and machinery	101,964	100,490

37. RELATED PARTY TRANSACTIONS

(a) For the years ended 31 December 2016 and 2015, related parties, other than the subsidiaries, and their relationship with the Group are as follows:

Name of related party	Relationship
China Changan Automobile Group Co., Ltd. ("China Changan")*	Shareholder
APL Logistics Ltd. ("APL Logistics")	Shareholder
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial")	Shareholder
APL Logistics (China) Co., Ltd. ("APLLC")	Controlled by APL Logistics
APL Logistics Storage (Shanghai) Co., Ltd. ("APLL Shanghai")	Controlled by APL Logistics
China South Industries Group Corporation ("CSI Group")	Parent company of China Changan
Chongqing Changan Industry Company (Group) Limited ("Changan Industry Company")	Ultimately controlled by the CSI Group
China South Industries Group Finance Co., Ltd. ("Zhuangbei Finance")	Ultimately controlled by the CSI Group
Chengdu Lingchuan Special Industrial Co., Ltd. ("Lingchuan Industrial")	Ultimately controlled by the CSI Group
Chongqing Jianshe Industrial (Group) Co., Ltd. ("Jianshe Industrial")	Ultimately controlled by the CSI Group
Hubei Xiaogan Huazhong Automotive Lighting Co., Ltd. ("Hubei Xiaogan")	Ultimately controlled by the CSI Group
Chongqing Changjiang Electric Industry Group Co., Ltd. ("Chongqing Changjiang Electric")	Ultimately controlled by the CSI Group
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd. ("Lingchuan Tank")	Ultimately controlled by the CSI Group
Chongqing Dajiang Industry Group Yanxing Logistics Co., Ltd. ("Dajiang Yanxing")	Ultimately controlled by the CSI Group
Chongqing Changan Construction Co., Ltd. ("Chongiqng Changan Construction")	Ultimately controlled by the CSI Group
Chongqing Changxin Construction Co., Ltd. ("Chongqing Changxin")	Controlled by Changan Construction
Chongqing Changan Visteon Engine Control Systems Co., Ltd. ("Changan Visteon")	Ultimately controlled by the CSI Group
Chongqing Changan Property Management Co., Ltd. ("Changan Property")	Ultimately controlled by the CSI Group
Chongqing Yihong Engineering Plastic Products Co., Ltd. ("Yihong Plastic")	Ultimately controlled by the CSI Group
Chongqing Changrong Machinery Co., Ltd. ("Changrong Machinery")	Ultimately controlled by the CSI Group
Yunnan Xiyi Industrial Co., Ltd. ("Yunnan Xiyi")	Ultimately controlled by the CSI Group
Chengdu Ningxing Automobile Spring Co., Ltd. ("Chengdu Ningxing")	Ultimately controlled by the CSI Group
Chengdu Wanyou Filter Co., Ltd. ("Chengdu Wanyou")	Ultimately controlled by the CSI Group
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd. ("Chengdu Jialing Huaxi")	Ultimately controlled by the CSI Group
Hubei Huazhong Maruili Automobile Lighting Co., Ltd. ("Hubei Huazhong Maruili")	Ultimately controlled by the CSI Group
Sichuan Hongguang Machinery and Electrics Co., Ltd. ("Sichuan Hongguang")	Ultimately controlled by the CSI Group
Sichuan Huaqing Machinery Co., Ltd. ("Sichuan Huaqing")	Ultimately controlled by the CSI Group
Tiannake Lingchuan Chongqing Exhaust System Co., Ltd. ("Tiannake Lingchuan")	Ultimately controlled by the CSI Group
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd. ("Dajiang Xinda")	Ultimately controlled by the CSI Group
Chongqing Jianshe Automobile Air-Conditioner Co., Ltd. ("Chongqing Jianshe Auto-Air")	Ultimately controlled by the CSI Group
Chongqing Naishite Steering System Co., Ltd. ("Chongqing Naishite")	Ultimately controlled by the CSI Group
Chongqing Shangfang Automobile Fittings Co., Ltd. ("Shangfang Fitting")	Ultimately controlled by the CSI Group
Chongqing Changan Automobile Co., Ltd. ("Changan Automobile")	Controlled by China Changan
Chongqing Changfeng Jiquan Machinery Co., Ltd. ("Changfeng Jiquan")	Controlled by China Changan
Harbin Dongan Automotive Engine Manufacturing Co., Ltd. ("Harbin DAE")	Controlled by China Changan
Harbin Dongan Automotive Power Co., Ltd. ("Harbin DAP")	Controlled by China Changan
Sichuan Ningjiang Shanchuan Machinery Co.,Ltd. ("Ningjiang Shock")	Controlled by China Changan
Sichuan Jian'an Industrial Co., Ltd. ("Sichuan Jian'an")	Controlled by China Changan
South Inter Air-Conditionar Co., Ltd. ("South Air")	Controlled by China Changan
Hafei Automobile Co., Ltd. ("Hafei Automobile")	Controlled by China Changan
CSGC TRW Chassia Systems Co., Ltd. ("CTCS")	Controlled by China Changan
Chengdu Ningjiang Showa Autoparts Co., Ltd. ("Ningjiang Showa")	Controlled by China Changan

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) For the years ended 31 December 2016 and 2015, related parties, other than the subsidiaries, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
China Changan Automobile Group Ningbo Dongxiang Sales Co., Ltd. (“Ningbo Dongxiang”)	Controlled by China Changan
China Changan Automobile Group Tianjin Sales Co., Ltd. (“Tianjin Sales”)	Controlled by China Changan
Chengdu Huachuan Electric Equipment Co., Ltd. (“Chengdu Huachuan”)	Controlled by China Changan
Ming Sung Industrial Co., (HK) Ltd. (“Ming Sung (HK)”)	Controlled by Minsheng Industrial
Minsheng Shipping Co., Ltd. (“Minsheng Shipping”)	Controlled by Minsheng Industrial
Shanghai Minsheng Shipping Co., Ltd. (“Shanghai Minsheng Shipping”)	Controlled by Minsheng Industrial
Minsheng International Container Transportation Co., Ltd. (“Minsheng International Container”)	Ultimately controlled by Minsheng Industrial
Minsheng International Freight Co., Ltd. (“Minsheng International Freight”)	Ultimately controlled by Minsheng Industrial
Minsheng Logistics Co., Ltd. (“Minsheng Logistics”)	Ultimately controlled by Minsheng Industrial
Tianjin Minsheng International Shipping Agencies Co., Ltd. (“Tianjin Minsheng Shipping”)	Ultimately controlled by Minsheng Industrial
Guangzhou Minsheng International Freight Co., Ltd. (“Guangzhou Minsheng International Freight”)	Ultimately controlled by Minsheng Industrial
Shanghai Minsheng International Freight Co., Ltd. (“Shanghai Minsheng International Freight”)	Ultimately controlled by Minsheng Industrial
Hefei Changan Automobile Co., Ltd. (“Hefei Changan”)	Controlled by Changan Automobile
Baoding Changan Bus Manufacture Co., Ltd. (“Changan Bus”)	Controlled by Changan Automobile
Chongqing Changan Automobile Supporting Service Co., Ltd. (“Changan Service”)	Controlled by Changan Automobile
Chongqing Changan New Energy Vehicle Co., Ltd. (“Changan New Energy”)	Controlled by Changan Automobile
Chongqing Changan International Sales and Services Co., Ltd. (“Changan International Sales”)	Controlled by Changan Automobile
Chongqing Ante Import and Export Trading Co., Ltd. (“Chongqing Ante”)	Controlled by Changan Automobile
Hebei Changan Automobile Co., Ltd. (“Hebei Changan”)	Controlled by Changan Automobile
Nanjing Changan Automobile Co., Ltd. (“Nanjing Changan”)	Controlled by Changan Automobile
Chongqing Changan Automobile Sales Co., Ltd. (“Changan Sales”)	Controlled by Changan Automobile
Changan Ford Automobile Co., Ltd. (“Changan Ford”)	Joint venture of Changan Automobile
Changan Ford Mazda Engine Co., Ltd. (“Changan Ford Engine”)	Joint venture of Changan Automobile
Changan Mazda Automobile Co., Ltd. (“Changan Mazda”)	Joint venture of Changan Automobile
Chongqing Changan Suzuki Automobile Co., Ltd. (“Changan Suzuki”)	Joint venture of Changan Automobile
Jiangling Holding Co., Ltd. (“Jiangling Holding”)	Joint venture of Changan Automobile
Chongqing Changan Kuayue Automobile Co., Ltd. (“Changan Kuayue”)	Associate of Changan Automobile
Hangzhou Anji	Joint venture of the Company
Wuhan Minfutong	Associate of the Company
Chongqing Terui	Associate of the Company

* Changan Industry Company has transferred all its equity interests (41,225,600 ordinary shares, representing approximately 25.44% of the issued share capital of the Company) to China Changan in March 2016, and China Changan officially became one of the substantial shareholders of the Company since 9 March 2016.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with a joint venture:

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

	2016 RMB'000	2015 RMB'000
Hangzhou Anji	690	-

(ii) Transportation services provided by a joint venture:

	2016 RMB'000	2015 RMB'000
Hangzhou Anji	2,436	-

Transactions with associates:

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

	2016 RMB'000	2015 RMB'000
Chongqing Terui	780	1,051

(ii) Transportation services provided by associates:

	2016 RMB'000	2015 RMB'000
Chongqing Terui	19,943	32,178
Wuhan Minfutong	2,456	10,573
	22,399	42,751

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties:

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

	2016 RMB'000	2015 RMB'000
Changan Ford	1,314,328	1,259,483
Changan Automobile	1,200,414	821,579
Changan Mazda	253,492	195,957
Changan Bus	79,514	62,429
Minsheng Logistics	3,028	3,773
Dajiang Yanxing	326	-
Nanjing Changan	306	34,384
Hefei Changan	275	9,189
Changan Suzuki	77	27
Ningbo Dongxiang	50	-
Hebei Changan	17	24,460
	2,851,827	2,411,281

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

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

	2016 RMB'000	2015 RMB'000
Changan Ford	684,656	626,782
Changan Mazda	256,311	226,484
Changan Automobile	202,075	263,235
Changan International Sales	53,920	4,642
Chongqing Ante	31,470	52,160
Hefei Changan	30,378	13,075
Changan Ford Engine	17,885	15,537
Changan Suzuki	13,151	25,172
CTCS	11,669	2,221
Hebei Changan	5,430	14,380
Harbin DAE	4,594	4,790
Nanjing Changan	4,516	5,867
Changan Service	3,306	12,363
Changan Industry Company	2,867	2,665
Chengdu Huachuan	2,800	-
China Changan	1,970	1,583
Ningjiang Shock	1,668	695
Hubei Xiaogan	1,436	1,560
Chongqing Jianshe Auto-Air	1,155	-
Sichuan Jian'an	1,009	3,889
Chongqing Naishite	765	-
Changan Bus	716	280
Chengdu Wanyou	710	-
Yunnan Xiyi	657	707
Changfeng Jiquan	613	524
Dajiang Xinda	503	-
Shangfang Fitting	419	-
Ningjiang Showa	364	2,333
Hubei Huazhong Maruili	325	-
Changrong Machinery	281	-
Harbin DAP	254	-
Lingchuan Industrial	248	356
South Air	236	355
Lingchuan Tank	225	2,328
Chengdu Ningxing	211	-
Yihong Plastic	160	-
Sichuan Huaqing	120	-
Hafei Automobile	60	-
Minsheng Logistics	54	-
Sichuan Hongguang	50	-
Tiannake Lingchuan	31	-
Changan Visteon	9	98
Chengdu Jialing Huaxi	9	-
Minsheng International Container	1	11
Tianjin Sales	1	-
Dajiang Yanxing	-	58
Changan New Energy	-	7
	1,339,288	1,284,157

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

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

	2016 RMB'000	2015 RMB'000
Changan Ford	1,940,174	1,684,974
Changan Industry Company	7,789	8,868
Changan Automobile	4,780	17,116
Hefei Changan	3,627	580
Jianshe Industrial	2,431	3,817
Hebei Changan	1,286	1,033
Changan Bus	603	-
Changan Suzuki	542	1,035
Changan Service	503	1,773
Chongqing Ante	-	85
Changan New Energy	-	29
	1,961,735	1,719,310

(iv) Purchase of transportation services:

	2016 RMB'000	2015 RMB'000
Minsheng Logistics	345,003	381,605
Shanghai Minsheng Shipping	11,567	-
Minsheng International Freight	10,954	6,570
Dajiang Yanxing	10,186	14,357
Minsheng International Container	4,440	1,320
Tianjin Minsheng Shipping	1,057	1,175
APLL Shanghai	901	1,219
Changan Industry Company	802	1,084
Minsheng Shipping	444	56,173
Shanghai Minsheng International Freight	350	597
Guangzhou Minsheng International Freight	323	18
APLLC	186	-
Changan Ford	174	-
Hafei Automobile	-	394
	386,387	464,512

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

(v) Purchase of construction services:

	2016 RMB'000	2015 RMB'000
Chongqing Changan Construction	41,057	44,826
Chongqing Changxin	779	-
	41,836	44,826

(vi) Purchase of security and cleaning services:

	2016 RMB'000	2015 RMB'000
Changan Property	6,209	6,884

(vii) Operating lease - warehouse and venue:

	2016 RMB'000	2015 RMB'000
Hafei Automobile	2,274	-
Changan Industry Company	881	3,463
Dajiang Yanxing	750	800
	3,905	4,263

(viii) Loans from a related party:

	2016 RMB'000	2015 RMB'000
Zhuangbei Finance	306,000	224,000

The interest rates range from 4.35% to 5.20% per annum (2015: 4.35% to 5.20%).

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2016 and 2015, the related party balances were as follows:

Due from related parties:

	2016 RMB'000	2015 RMB'000
Balances from the rendering of services and the sale of goods		
Changan Ford	1,258,451	1,222,912
Changan Automobile	405,625	502,845
Changan Mazda	179,875	141,602
Changan Bus	53,192	7,318
Hafei Automobile	28,729	31,400
Changan International Sales	26,035	715
Chongqing Ante	20,165	22,685
Changan Ford Engine	12,612	12,360
Hefei Changan	9,723	14,406
Changan Industry Company	8,696	9,844
Changan Suzuki	6,233	10,369
Jianshe Industrial	2,911	736
Nanjing Changan	2,645	31,929
CTCS	1,981	642
Harbin DAE	1,634	326
Minsheng Logistics	1,374	1,506
Hebei Changan	1,299	55,053
China Changan	1,101	1,376
Hubei Xiaogan	958	1,498
Chongqing Naishite	811	-
Changan Service	787	4,132
Hangzhou Anji	766	-
Ningjiang Shock	746	104
Dajiang Xinda	594	-
Chengdu Huachuan	562	-
Changrong Machinery	561	-
Ningjiang Showa	509	1,182
Changfeng Jiquan	471	482
Sichuan Jian'an	447	1,272
Dajiang Yanxing	362	-
Shangfang Fitting	286	-
Hubei Huazhong Maruili	271	-
Chengdu Wanyou	263	-
Lingchuan Industrial	113	90
Lingchuan Tank	101	279
Changan Kuayue	93	93
Sichuan Huaqing	92	-
Chongqing Jianshe Auto-Air	92	-
Yihong Plastic	79	-
Chengdu Ningxing	63	-
Yunnan Xiyi	57	176
Chongqing Changjiang Electric	39	-
Chengdu Jialing Huaxi	37	-
Harbin DAP	32	-
Sichuan Hongguang	23	-
South Air	10	97
Changan Visteon	-	23
Minsheng International Container	-	4
	2,031,506	2,077,456

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2016 and 2015, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

	2016 RMB'000	2015 RMB'000
Deposits and other receivables		
Hangzhou Anji	3,837	-
Changan Suzuki	2,806	2,806
Changan Ford	1,128	2,558
Changan Mazda	1,031	1,034
Changan Automobile	1,004	916
Chongqing Ante	726	83
Hebei Changan	649	600
Hafei Automobile	519	618
Ming Sung (HK)	448	109
Changan Bus	300	300
Chongqing Terui	100	100
Chongqing Changan Construction	80	38
Minsheng Logistics	40	3
Nanjing Changan	40	595
Changan Ford Engine	13	13
Wuhan Minfutong	12	83
Changan Industry Company	5	-
China Changan	3	3
Minsheng International Freight	1	1
Jianshe Industrial	1	-
Hefei Changan	-	180
Minsheng Shipping	-	174
CTCS	-	100
Minsheng Industrial	-	3
	12,743	10,317
Prepayments		
Minsheng International Freight	728	4
Changan Ford	84	84
Changan Automobile	17	16
Minsheng Shipping	-	144
Changan Industry Company	-	15
Shanghai Minsheng International Freight	-	4
	829	267
Less: Provision for impairment of amounts due from related parties	(32,463)	(30,219)
	2,012,615	2,057,821

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2016 and 2015, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

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

	2016 RMB'000	2015 RMB'000
Within 3 months	1,984,579	1,734,886
3 to 6 months	14,755	311,070
6 months to 1 year	1,612	1,090
1 year to 2 years	1	191
	2,000,947	2,047,237

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

	2016 RMB'000	2015 RMB'000
At 1 January	30,219	31,166
Impairment losses recognised/(reversed)	2,244	(947)
	32,463	30,219

Included in the above provision for impairment of amounts due from related parties is a provision for individually and collectively impaired trade receivables of RMB 32,463,000 (2015: RMB 30,219,000) with a carrying amount before provision of RMB 34,357,000 (2015: RMB 31,400,000).

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2016 and 2015, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	1,984,969	1,734,886
Less than 3 month past due	14,755	311,070
3 months to 1 year past due	-	1,281
	1,999,724	2,047,237

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

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

Due to related parties:

	2016 RMB'000	2015 RMB'000
Balances from transportation services provided by related parties		
Minsheng Logistics	93,573	22,917
Chongqing Terui	6,872	11,001
Dajiang Yanxing	6,399	3,063
Minsheng Shipping	6,122	56,057
Wuhan Minfutong	5,885	9,429
Shanghai Minsheng Shipping	2,952	-
Tianjin Minsheng Shipping	1,455	-
Hafei Automobile	1,106	1,106
Changan Industry Company	675	1,979
Minsheng International Container	423	130
APLL Shanghai	382	884
Nanjing Changan	250	-
Minsheng International Freight	86	2,345
Changan Ford	36	-
Shanghai Minsheng International Freight	15	109
Changan International Sales	-	71
	126,231	109,091

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2016 and 2015, the related party balances were shown as follows: (continued)

Due to related parties: (continued)

	2016 RMB'000	2015 RMB'000
Other payables		
Chongqing Changan Construction	66,230	35,159
Chongqing Changxin	10,069	-
Changan Automobile	7,308	765
Changan Property	5,030	2,176
Changan Industry Company	2,432	1,421
Minsheng Logistics	2,026	2,216
Changan Ford	1,170	812
Chongqing Terui	1,002	600
Dajiang Yanxing	1,000	706
Wuhan Minfutong	210	210
Ming Sung (HK)	162	-
APLLC	90	-
Ningjiang Shock	86	86
Hafei Automobile	83	75
Changan Ford Engine	60	60
China Changan	33	-
Nanjing Changan	32	612
Changan Mazda	32	32
Jiangling Holding	20	20
Minsheng Industrial	11	11
Minsheng Shipping	1	5
Hefei Changan	-	63
	97,087	45,029
Advances from customers		
Changrong Machinery	17	-
Changan Automobile	12	-
Chengdu Huachuan	4	-
Changan Sales	3	-
	36	-
	223,354	154,120

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2016 and 2015, the related party balances were shown as follows: (continued)

Due to related parties: (continued)

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

	2016 RMB'000	2015 RMB'000
Within 3 months	123,909	108,600
3 to 6 months	1,760	180
6 months to 1 year	229	-
1 to 2 years	33	300
Over 2 years	300	11
	126,231	109,091

The amounts from transportation services provided by related parties are non-interest-bearing and are normally settled on 90-day terms.

As at 31 December 2016 and 2015, all related party balances above were unsecured.

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

Deposits	2016 RMB'000	2015 RMB'000
Zhuangbei Finance	266,061	199,405

The interest rates range from 0.46% to 1.76% per annum (2015: 0.46% to 1.50%).

Loans	2016 RMB'000	2015 RMB'000
Zhuangbei Finance	6,000	4,000

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016

Financial assets

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

Financial liabilities

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

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2015

Financial assets

	Loans and receivables RMB'000	An available-for-sale financial investment RMB'000	Total RMB'000
An available-for-sale investment	-	28,900	28,900
Trade and bills receivables	408,583	-	408,583
Financial assets included in prepayments, deposits and other receivables	93,738	-	93,738
Due from related parties	2,057,554	-	2,057,554
Pledged deposits	51,155	-	51,155
Cash and cash equivalents	658,952	-	658,952
	3,269,982	28,900	3,298,882

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,746,916
Financial liabilities included in other payables and accruals	116,345
Due to related parties	154,120
Interest-bearing bank and other loans	4,000
	2,021,381

39. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

As at 31 December 2016, the Group endorsed certain bills (notes) receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB 58,349,000 (2015: RMB 51,702,000) ("the Endorsement"). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in Mainland China, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

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

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

Foreign currency risk

The Group's principal businesses are located in the Mainland China and most of the transactions are conducted in RMB. During the year, 99% (2015: 100%) of the Group's sales were denominated in the Group's functional currencies, whilst approximately 1% (2015: 3%) of costs were denominated in currencies other than the functional currencies of the Group. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents that are denominated in US$ and other currencies.

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

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

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

Since the Group trades only with recognised and creditworthy related partied and third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 54% (2015: 48%) and 83% (2015: 75%) of the Group's receivables arising from rendering services and sales of goods (including trade receivables and amounts due from related parties) were due from the Group's largest customer and the five largest customers, respectively.

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the settlement from customers and the payment to vendors. Almost all the Group's debts would mature in less than one year as at 31 December 2016 (2015: 100%) based on the carrying value of loans reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2016	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	27,736	1,870,488	76,852	-	-	1,975,076
Financial liabilities included in other payables and accruals	182,549	-	-	-	-	182,549
Due to related parties	223,318	-	-	-	-	223,318
Interest-bearing bank and other loans	-	6,251	658	1,756	-	8,665
	433,603	1,876,739	77,510	1,756	-	2,389,608

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

2015	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	23,302	1,578,355	145,259	-	-	1,746,916
Financial liabilities included in other payables and accruals	116,345	-	-	-	-	116,345
Due to related parties	154,120	-	-	-	-	154,120
Interest-bearing bank and other loans	-	-	4,211	-	-	4,211
	293,767	1,578,355	149,470	-	-	2,021,592

Capital management

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

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

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

	2016 RMB'000	2015 RMB'000
Interest-bearing bank and other loans	8,441	4,000
Trade and bills payables	1,975,076	1,746,916
Other payables and accruals	456,429	429,482
Due to related parties	223,354	154,120
Less: Cash and cash equivalents	(1,087,394)	(658,952)
Pledged deposits	(51,136)	(51,155)
Net debt	1,524,770	1,624,411
Equity attributable to owners of the parent	1,838,014	1,717,844
Adjusted capital and net debt	3,362,784	3,342,255
Gearing ratio	45%	49%

42. SHARE-BASED PAYMENT

On 6 June 2005, the Company established a 10-year share appreciation right incentive scheme (“SARIS”). Pursuant to a resolution of the Board of Directors dated 29 December 2005, the SARIS was effective on the date when the H shares of the Company were listed on the GEM. As of 23 February 2016, it has been 10 years since the SARIS first became effective, and it is no longer in force since then. Until the expiration date, no share appreciation rights have been granted under the SARIS.

43. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the board resolution dated on 20 January 2017 and approval from Wuhan Administration of Industry and Commerce dated on 24 January 2017, Wuhan Minfutong, an associate of the Company, was liquidated and the Company received clearing amount of RMB 3,305,000 from the associate. As at 31 December 2016, the carrying amount of investment of the associate was RMB 3,307,000.

The Board of Directors proposed a final dividend of approximately RMB 16,206,000 on 28 March 2017 for the year ended 31 December 2016. Further details are disclosed in note 11.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2016 RMB’000	31 December 2015 RMB’000
NON-CURRENT ASSETS		
Property, plant and equipment	285,205	253,141
Investment properties	9,705	-
Prepaid land lease payments	104,208	107,146
Goodwill	2,222	2,222
Other intangible assets	16,505	4,859
Investments in subsidiaries	900,613	540,613
Investment in a joint venture	10,000	-
Investments in associates	12,100	12,100
An available-for-sale investment	28,900	28,900
Deferred tax assets	51,005	38,794
Other non-current assets	57,536	61,678
Total non-current assets	1,477,999	1,049,453
CURRENT ASSETS		
Inventories	25,498	29,769
Trade and bills receivables	271,995	265,466
Prepayments, deposits and other receivables	37,895	22,892
Due from related parties	1,638,032	1,801,822
Pledged deposits	51,136	51,155
Cash and cash equivalents	689,837	338,358
Total current assets	2,714,393	2,509,462

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Total current assets	2,714,393	2,509,462
CURRENT LIABILITIES		
Trade and bills payables	1,829,847	1,228,485
Other payables and accruals	557,884	329,968
Due to related parties	155,126	393,058
Tax payable/(credit)	(14,435)	3,577
Total current liabilities	2,528,422	1,955,088
NET CURRENT ASSETS	185,971	554,374
TOTAL ASSETS LESS CURRENT LIABILITIES	1,663,970	1,603,827
NON-CURRENT LIABILITIES		
Deferred income	7,584	2,941
Total non-current liabilities	7,584	2,941
Net assets	1,656,386	1,600,886
EQUITY		
Equity attributable to owners of the parent		
Share capital	162,064	162,064
Reserves (note)	1,494,322	1,438,822
Total equity	1,656,386	1,600,886

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

Note:

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

	Share premium account RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2015	75,150	85,867	1,080,384	1,241,401
Total comprehensive income for the year	-	-	241,178	241,178
Final 2014 dividend declared	-	-	(43,757)	(43,757)
At 31 December 2015	75,150	85,867	1,277,805	1,438,822
Total comprehensive income for the year	-	-	55,500	55,500
At 31 December 2016	75,150	85,867	1,333,305	1,494,322

Statutory reserves

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

As the balance of the statutory surplus reserve amounting to RMB 81,032,000 reached 50% of the Company's registered capital, no amount was appropriated to the statutory surplus reserve from net profit for the year ended 31 December 2016 (2015: Nil).

Discretionary surplus reserve

Pursuant to the Articles of Association of the Company, the Company has the discretion to appropriate its annual statutory net profit to the discretionary surplus reserve after the appropriation of statutory surplus reserve upon the approval by shareholders. The discretionary surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital. As at 31 December 2016, the balance of the discretionary surplus reserve was RMB 4,835,000 (2015: RMB 4,835,000).

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2017.