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重慶長安民生物流股份有限公司

**Changan Minsheng APLL Logistics Co., Ltd.\***

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

**(Stock Code: 01292)**

## Results Announcement for the year ended 31 December 2022

### FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2022, the audited consolidated revenue of the Group was approximately RMB7,697,350,000, representing an increase of approximately 28% from the previous year.
- For the year ended 31 December 2022, the audited profit attributable to equity holders of the Company was approximately RMB38,482,000, representing an increase of 32% from profit of RMB29,148,000 in 2021.
- For the year ended 31 December 2022, the audited basic earnings per share was RMB0.24 (2021: RMB0.18).

### ANNUAL RESULTS

The board of directors of Changan Minsheng APLL Logistics Co., Ltd. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022 and the comparative figures for the corresponding period of 2021 as follows:

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5(a)	7,697,350	6,020,899
Cost of sales and services		<u>(7,319,937)</u>	<u>(5,695,977)</u>
Gross profit		377,413	324,922
Other income, losses and gains	5(b)	64,824	61,601
Selling and distribution expenses		(50,991)	(54,192)
Administrative expenses		(290,632)	(259,875)
Other expenses		(24,084)	(3,167)
Finance costs	7	(5,800)	(8,140)
Share of results of:			
A joint venture		(407)	1,256
An associate		<u>(2,030)</u>	<u>(3,562)</u>
PROFIT BEFORE TAX	6	68,293	58,843
Income tax expense	10	<u>(21,777)</u>	<u>(16,734)</u>
PROFIT FOR THE YEAR		<u>46,516</u>	<u>42,109</u>
Attributable to:			
Owners of the Company		38,482	29,148
Non-controlling interests		<u>8,034</u>	<u>12,961</u>
		<u>46,516</u>	<u>42,109</u>
EARNINGS PER SHARE			
Basic and diluted:			
- For profit for the year	12	<u>RMB0.24</u>	<u>RMB0.18</u>

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR		<u>46,516</u>	<u>42,109</u>
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss in subsequent periods:			
An equity investment designated at fair value through other comprehensive income:			
Changes in fair value	20, 40	2,000	2,932
Income tax effect	29	<u>(300)</u>	<u>(440)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>1,700</u>	<u>2,492</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>1,700</u>	<u>2,492</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>48,216</u>	<u>44,601</u>
Attributable to:			
Owners of the Company		40,182	31,640
Non-controlling interests		<u>8,034</u>	<u>12,961</u>
		<u>48,216</u>	<u>44,601</u>

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	598,653	608,298
Investment properties	14	36,001	39,263
Right-of-use assets	15(a)	431,055	305,308
Goodwill	16	5,016	5,016
Other intangible assets	17	24,258	21,680
Investment in a joint venture	18	12,370	12,777
Investment in an associate	19	77,042	79,072
An equity investment designated at fair value through other comprehensive income	20	72,000	70,000
Deferred tax assets	29	68,205	62,814
Prepayments for non-current assets	21	<u>17,253</u>	<u>54,845</u>
Total non-current assets		<u>1,341,853</u>	<u>1,259,073</u>
<b>CURRENT ASSETS</b>			
Inventories	22	18,522	2,817
Trade and bills receivables	23	1,648,974	1,188,978
Prepayments, other receivables and deposits	24	162,474	204,243
Amounts due from related parties	37	768,689	515,089
Restricted bank balance	25	30,300	-
Pledged bank deposits	25	189,730	13,762
Cash and cash equivalents	25	<u>755,717</u>	<u>992,314</u>
Total current assets		<u>3,574,406</u>	<u>2,917,203</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	26	2,005,633	1,398,188
Other payables and accruals	27	432,625	387,720
Amounts due to related parties	37	70,126	139,695
Interest-bearing bank and other loans	28	400	2,800
Lease liabilities	15(b)	42,564	36,889
Tax payable		<u>4,809</u>	<u>3,562</u>
Total current liabilities		<u>2,556,157</u>	<u>1,968,854</u>
<b>NET CURRENT ASSETS</b>		<u>1,018,249</u>	<u>948,349</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,360,102</u>	<u>2,207,422</u>

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CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,360,102</u>	<u>2,207,422</u>
NON-CURRENT LIABILITIES			
Other payables and accruals	27	3,150	-
Deferred income	30	9,307	11,519
Amounts due to related companies	37	-	73,378
Interest-bearing bank and other loans	28	39,584	-
Lease liabilities	15(b)	139,711	20,127
Deferred tax liabilities	29	<u>6,476</u>	<u>6,325</u>
Total non-current liabilities		<u>198,228</u>	<u>111,349</u>
Net assets		<u>2,161,874</u>	<u>2,096,073</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	162,064	162,064
Reserves	32	<u>1,823,739</u>	<u>1,789,627</u>
		1,985,803	1,951,691
Non-controlling interests		<u>176,071</u>	<u>144,382</u>
Total equity		<u>2,161,874</u>	<u>2,096,073</u>

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Director

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Director

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the Company							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 31)	Share premium RMB'000	Statutory reserve RMB'000 (note 32(a))	Safety fund surplus reserve RMB'000 (note 32(b))	Fair value through other comprehensive income reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000		
At 1 January 2021	162,064	66,907	85,867	7,605	18,738	1,577,151	1,918,332	122,167	2,040,499
Total comprehensive income for the year	-	-	-	-	2,492	29,148	31,640	12,961	44,601
Provision for safety fund surplus reserve	-	-	-	1,905	-	-	1,905	294	2,199
Utilisation of safety fund surplus reserve	-	-	-	(186)	-	-	(186)	-	(186)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	6,000	6,000
Acquisition of a subsidiary (note 45)	-	-	-	-	-	-	-	15,900	15,900
Dividends paid to the non-controlling shareholders by a subsidiary	-	-	-	-	-	-	-	(12,940)	(12,940)
At 31 December 2021	<u>162,064</u>	<u>66,907*</u>	<u>85,867*</u>	<u>9,324*</u>	<u>21,230*</u>	<u>1,606,299*</u>	<u>1,951,691</u>	<u>144,382</u>	<u>2,096,073</u>

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CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2022

	Attributable to owners of the Company						Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 31)	Share premium RMB'000	Statutory reserve RMB'000 (note 32(a))	Safety fund surplus reserve RMB'000 (note 32(b))	Fair value through other comprehensive income reserve RMB'000	Retained profits RMB'000			
At 1 January 2022	162,064	66,907	85,867	9,324	21,230	1,606,299	1,951,691	144,382	2,096,073
Total comprehensive income for the year	-	-	-	-	1,700	38,482	40,182	8,034	48,216
Dividend declared and paid	-	-	-	-	-	(8,225)	(8,225)	-	(8,225)
Provision for safety fund surplus reserve	-	-	-	6,157	-	-	6,157	-	6,157
Utilisation of safety fund surplus reserve	-	-	-	(4,002)	-	-	(4,002)	(318)	(4,320)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	35,193	35,193
Dividends paid to the non-controlling shareholder by a subsidiary	-	-	-	-	-	-	-	(11,220)	(11,220)
At 31 December 2022	<u>162,064</u>	<u>66,907*</u>	<u>85,867*</u>	<u>11,479*</u>	<u>22,930*</u>	<u>1,636,556*</u>	<u>1,985,803</u>	<u>176,071</u>	<u>2,161,874</u>

\* These reserve accounts comprise the consolidated reserves of RMB1,823,739,000 (2021: RMB1,789,627,000) in the consolidated statement of financial position.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		68,293	58,843
Adjustments for:			
Finance costs	7	5,800	8,140
Share of results of:			
A joint venture		(593)	(1,256)
An associate		2,030	3,562
Interest income	5(b)	(17,671)	(13,332)
Dividend income from an equity investment designated at fair value through other comprehensive income	5(b)	(2,096)	(1,867)
Gain on disposal of property, plant and equipment	5(b)	(375)	(4,265)
Loss/(gain) on lease modification	5(b)	2,602	(1,470)
Gain on deregistration of a subsidiary	5(b)	-	(2)
Fund occupation fee	5(b)	(9,221)	(7,297)
Depreciation of property, plant and equipment	13	87,418	79,308
Depreciation of investment properties	14	1,516	1,568
Depreciation of right-of-use assets	15(a)	50,835	44,371
Amortisation of other intangible assets	17	15,329	17,016
Written off of property, plant and equipment	13	275	-
Provision for impairment of trade and other receivables, net	6	14,884	19,456
Provision for/(reversal of) impairment losses of amounts due from related parties, net	6	880	(24,083)
Impairment of investment properties	14	1,766	1,867
Deferred income released to profit or loss	30	(2,212)	(4,013)
Operating profit before working capital changes		219,460	176,546
(Increase)/decrease in inventories		(15,705)	79
Increase in trade and bills receivables		(474,900)	(345,650)
Decrease/(increase) in prepayments, other receivables and deposits		41,769	(44,850)
(Increase)/decrease in amounts due from related parties		(254,480)	559,441
Increase/(decrease) in trade and bills payables		607,445	(282,048)
(Decrease)/increase in other payables and accruals		(30,636)	6,812
Decrease in amounts due to related parties		(55,039)	(25,504)
Increase in safety fund surplus reserve		1,837	2,013
Cash generated from operations		39,751	46,839
Income taxes paid		(26,070)	(7,547)
Net cash flows from operating activities		13,681	39,292

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## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Net cash flows from operating activities		<u>13,681</u>	<u>39,292</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	5(b)	17,671	13,332
Dividends received from an equity investment designated at fair value through other comprehensive income	5(b)	2,096	1,867
Dividends received from a joint venture		1,000	1,000
Purchases of property, plant and equipment		(93,214)	(51,179)
Proceeds on disposals of property, plant and equipment		7,440	807
Withdrawal of pledged bank deposit		13,762	186,394
Placement of pledged bank deposit		(189,730)	-
Acquisition of a subsidiary	45	-	(13,850)
Net cash inflow on deregistration of a subsidiary	5(b)	-	2
Additions to other intangible assets		(17,030)	(10,163)
Additions to right-of-use assets		(11,001)	(776)
Additions to prepayment for non-current assets		(1,437)	(14,275)
Refund of prepayment for non-current assets	21	<u>39,029</u>	<u>-</u>
Net cash flows (used in)/from investing activities		<u>(231,414)</u>	<u>113,159</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank and other loan raised		40,422	2,800
Repayments of principal portion of bank loans		(3,238)	(6,000)
Repayments of principal portion of lease payments		(35,696)	(36,197)
Capital contributions from non-controlling interests		35,193	6,000
Dividends paid to the non-controlling shareholder by subsidiaries		(11,220)	(12,940)
Dividend paid		(8,225)	-
Interest paid	7	<u>(5,800)</u>	<u>(8,140)</u>
Net cash flows from/(used in) financing activities		<u>11,436</u>	<u>(54,477)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(206,297)	97,974
Cash and cash equivalents at beginning of year		992,314	894,340
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
represented by			
Bank balances and cash		755,717	992,314
Restricted bank balance		<u>30,300</u>	<u>-</u>
		<u>786,017</u>	<u>992,314</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

## 1. CORPORATE AND GROUP INFORMATION

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

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

Particulars of the Company’s subsidiaries as at 31 December 2022 and 2021 are as follows:

Company name	Corporate category	Place of operations /Country of incorporation and date of incorporation /registration	Paid-in capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
重庆长安民生博宇运输有限公司 CMAL Bo Yu Transportation Co., Ltd. (“CMAL Bo Yu”)	Limited liability company	PRC/Mainland China 3 November 2005	RMB60,000,000	100	-	Rendering of logistics services
南京长安民生住久物流有限公司 Nanjing CMSC Logistics Co., Ltd. (“Nanjing CMSC”)	Limited liability company	PRC/Mainland China 26 July 2007	RMB100,000,000	67	-	Rendering of logistics services
重庆福集供应链管理有限公司 Chongqing Future Supply Chain Management Co., Ltd.	Limited liability company	PRC/Mainland China 18 March 2009	RMB30,000,000	100	-	Rendering of logistics services and sale of packaging materials
重庆长安民生福永物流有限公司 Chongqing Changan Minsheng Fuyong Logistics Co., Ltd.	Limited liability company	PRC/Mainland China 28 April 2011	RMB5,000,000	100	-	Rendering of logistics services
杭州长安民生物流有限公司 Hangzhou Changan Minsheng Logistics Co., Ltd. (“Hangzhou Changan Minsheng”)	Limited liability company	PRC/Mainland China 17 May 2013	RMB610,000,000	100	-	Rendering of logistics services and processing of tyres
福路国际物流有限公司 Fulu International Logistics Co., Ltd.	Limited liability company	PRC/Mainland China 9 April 2014	RMB11,500,000	100	-	Rendering of logistics services
重庆长足飞越科技有限公司 Chongqing Changzu Feiyue Technology Co.Ltd. (previously known as Chongqing Changliang Logistics Technology Co.Ltd.)	Limited liability company	PRC/Mainland China 16 May 2014	RMB50,000,000 (2021: RMB18,000,000)	55	-	Sale of packaging materials
重庆长享供应链科技有限公司 Chongqing Changxiang Supply Chain Technology Co., Ltd.	Limited liability company	PRC/Mainland China 24 March 2022	RMB20,000,000	70	-	Rendering of logistics services

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

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

Company name	Corporate category	Place of operations /Country of incorporation and date of incorporation /registration	Paid-in capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
长安民生(上海)供应链有限公司 Changan Minsheng (Shanghai) Supply Chain Co., Ltd.	Limited liability company	PRC/Mainland China 5 August 2014	RMB30,000,000	100	-	Rendering of logistics services
武汉长盛港通供应链管理有限公司 Wuhan Changsheng Gangtong Supply Chain Management Co., Ltd.	Limited liability company	PRC/Mainland China 18 August 2010	RMB23,070,000	60	-	Rendering of logistics services
沈阳长友供应链有限公司 Shenyang Changyou Supply Chain Co., Ltd.	Limited liability company	PRC/Mainland China 6 November 2019	RMB65,900,000 (2021: RMB45,900,000)	51	-	Processing of tyres, rendering of logistics services
武汉长江智联港口发展有限公司 Wuhan Changjiang Zhilian Port Development Co., Ltd.	Limited liability company	PRC/Mainland China 3 November 2017	RMB30,000,000	47 (note 45)	-	Rendering of logistics services and port operation

## 2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., it has power over the investee when the voting rights are sufficient to give it power).

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

2.1 BASIS OF PREPARATION (CONTINUED)

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above.

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

2.2 CHANGES IN ACCOUNTING POLICIES

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021
Amendments to HKAS 16	Property, plant and Equipment - Proceeds before Intended Use
Amendments to HKFRS 37	Onerous Contracts- Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018-2020

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

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## 2.3 AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 16	Lease liabilities in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

*Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies.

31 December 2022

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments in an associate and a joint venture

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. The Group's share of the post-acquisition results and other comprehensive income of the associate and joint venture is included in the consolidated statement of profit or loss and consolidated statement of other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised profits and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred in which case they are recognised immediately in profit or loss. Goodwill arising from the acquisition of the associate or joint venture is included as part of the Group's investments in the associate or joint venture.

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

### Business combinations and goodwill

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

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

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

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fair value measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the level of observability and significance of the input used in the valuation technique:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

### Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset (or a CGU) exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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## 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 (or a CGU) other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset (or a CGU), but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

### Related parties

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

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

or

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

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



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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

<b>Category</b>	<b>Useful lives</b>	<b>Residual Value</b>
Buildings	20-30 years	3%
Plant, machinery and other equipment	4-5 years	3%
Leasehold improvement	10-60 years	Nil
Office equipment	4-8 years	3%
Motor vehicles	3-5 years	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. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

Category	Useful lives	Residual value
Investment property – Commercial buildings	20-30 years	3%

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

Any gains or losses (calculated as the net disposal proceeds and the carrying amount of the asset) on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

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

## (a) Software

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

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

## (b) Trademark and patent

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

*Group as a lessee*

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

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

## (a) Right-of-use assets

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

<b>Category</b>	<b>Useful lives</b>
Leasehold land	30 to 50 years
Plant and machinery	2 to 15 years
Motor vehicles	2 to 4 years
Other equipment	2 to 3 years

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

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

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

## (b) Lease liabilities

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

*Group as a lessee* (continued)

(b) Lease liabilities (continued)

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

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

(c) Short-term leases and leases of low-value assets

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

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

*Group as a lessor*

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

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

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments and other financial assets

#### *Initial recognition and measurement*

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

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

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

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

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

#### *Subsequent measurement*

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

#### **Financial assets at amortised cost (debt instruments)**

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

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)Subsequent measurement (continued)**Financial assets at fair value through other comprehensive income (debt instruments)**

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

**Financial assets designated at fair value through other comprehensive income (equity investments)**

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

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

Derecognition of financial assets

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

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

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

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

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of financial assets

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

### *General approach*

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

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

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of financial assets (continued)

#### *Simplified approach*

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

### Financial liabilities

#### *Initial recognition and measurement*

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

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

#### Offsetting of financial instruments

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

#### Inventories

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

#### Cash and cash equivalents

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

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



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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future cash flows expected to be required to settle the obligation.

### Income tax

Income tax comprises current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

- when the temporary differences arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, the associate and joint venture, when the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, the associate and joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income tax (continued)

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

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

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

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

### Government grants

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

Where the grant relates to an asset, the grant is recognised as a deferred income in the consolidated statement of financial position and is released to the consolidated statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### Revenue recognition

#### *Revenue from contracts with customers*

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

*Revenue from contracts with customers* (continued)

(a) Sale of products

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

(b) Rendering of services

Revenue from the rendering of services includes rendering of transportation services for finished vehicles, supply chain management services for automobile components, raw materials and parts, and transportation services for non-automobile commodities, generally occur over a very short period of time and are recognized over time as we perform the services which have no significant difference as the completion date.

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

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

*Other income*

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

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

Contract liabilities

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

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Pension schemes

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

### Termination benefits

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

### Short-term and other long-term employee benefits

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

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

### Borrowing costs

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

### Dividends

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

### Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

### Share-based payments

Equity-settled share-based payment transactions

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

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### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these consolidated financial statements. The principal accounting policies are set forth in Note 2 above. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these consolidated financial statements.

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

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

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

#### *Impairment of non-financial assets (other than goodwill)*

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

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

#### *Deferred tax assets*

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

#### *Fair value of an unlisted equity investment*

The unlisted equity investment has been valued based on a market-based valuation technique as detailed in note 40 to the consolidated financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Further details are included in note 20 to the consolidated financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 4. OPERATING SEGMENT INFORMATION

The directors of the Company, being the chief operating decision maker of the Group, consider the Group's operating activities are related to a single operating segment for management purposes, which is the rendering of transportation services for finished vehicles, supply chain management services for automobile raw materials, components and parts, transportation services for non-automobile commodities, the sale of packaging materials and the processing of tyres.

Geographical information

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

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:

	2022 RMB'000	2021 RMB'000
Customer A	2,087,562	1,657,548
Customer B	<u>1,802,810</u>	<u>1,320,435</u>

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

## 5. REVENUE, OTHER INCOME, LOSSES AND GAINS

(a) An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
<i>Revenue from contracts with customers</i>	<u>7,697,350</u>	<u>6,020,899</u>

(i) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
<i>Sale of packing materials and the processing of tyres</i>	1,097,200	643,897
<i>Rendering of logistics services</i>		
Transportation of finished vehicles	3,713,250	3,115,123
Supply chain management for vehicle raw materials, components and parts	<u>2,886,900</u>	<u>2,261,879</u>
Total revenue from contracts with customers	<u>7,697,350</u>	<u>6,020,899</u>

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

	2022 RMB'000	2021 RMB'000
Rendering of services	<u>5,571</u>	<u>3,794</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 5. REVENUE, OTHER INCOME, LOSSES AND GAINS (CONTINUED)

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

(ii) Performance obligations

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

*Sale of packaging materials and the processing of tyres*

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

*Rendering of logistics services*

Revenue from the rendering of services includes rendering of transportation services for finished vehicles, supply chain management services for automobile components, raw materials and parts, and transportation services for non-automobile commodities, generally occur over a very short period of time and are recognized over time as we perform the services which have no significant difference as the completion date and payment is generally due within 90 days from the acceptance of the finished vehicle, automobile components and parts or non-vehicle commodities.

(b) Other income, losses and gains

	Notes	2022 RMB'000	2021 RMB'000
Interest income		17,671	13,332
Foreign exchange gain/(loss), net		4,901	(833)
Government grants		8,339	15,301
Fund occupation fee		9,221	7,297
Penalty on transportation companies		5,101	4,175
Sales of recycled packages of vehicle spare parts		6,240	4,103
Rental income from investment properties	15(c)	3,225	3,563
Dividend income from an equity investment designated at fair value through other comprehensive income	20	2,096	1,867
(Loss)/gain on lease modification		(2,602)	1,470
Gain on disposal of property, plant and equipment		375	4,265
Gain on deregistration of a subsidiary		-	2
Management services		1,558	1,613
VAT refund		3,448	-
Compensation income		517	-
Others		4,734	5,446
		<u>64,824</u>	<u>61,601</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		1,078,188	636,777
Cost of logistics services rendered		6,241,749	5,059,200
Depreciation of property, plant and equipment	13	87,418	79,308
Depreciation of right-of-use assets	15(a)	50,835	44,371
Depreciation of investment properties	14	1,516	1,568
Amortisation of other intangible assets	17	15,329	17,016
Lease payments not included in the measurement of lease liabilities	15(c)	44,610	46,133
Auditor's remuneration		1,580	1,580
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries and relevant benefits		520,931	523,317
Pension scheme contributions		40,346	29,653
Termination benefits		1,575	14,635
		<u>562,852</u>	<u>567,605</u>
Provision for impairment of trade and other receivables, net	23, 24	14,884	19,456
Provision for/(reversal of) impairment losses of amounts due from related parties, net		880	(24,083)
Impairment of investment properties	14	1,766	1,867
Research and development costs recognised as an expense		<u>13,291</u>	<u>12,220</u>

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	2022 RMB'000	2021 RMB'000
Interest on bank and other loans		2,892	4,351
Interest on lease liabilities	15(b)	<u>2,908</u>	<u>3,789</u>
		<u>5,800</u>	<u>8,140</u>



## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 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:

	2022 RMB'000	2021 RMB'000
Fees	<u>500</u>	<u>500</u>
Other emoluments:		
Salaries, allowances and benefits in kind	1,243	1,180
Performance related bonuses	1,332	846
Pension scheme contributions	<u>451</u>	<u>249</u>
	<u>3,026</u>	<u>2,275</u>
	<u><u>3,526</u></u>	<u><u>2,775</u></u>

## (a) Independent non-executive directors

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

	2022 RMB'000	2021 RMB'000
Chong Teck Sin	125	125
Poon Chiu Kwok	125	125
Jie Jing	125	125
Zhang Yun	<u>125</u>	<u>125</u>
	<u><u>500</u></u>	<u><u>500</u></u>

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 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
2022				
Executive directors:				
Xie Shikang	365	556	122	1,043
Chen Wenbo	-	-	-	-
Wan Nianyong	365	556	122	1,043
Non-executive directors:				
Che Dexi	-	-	-	-
Man Hin Wai Paul	-	-	-	-
Dong Shaojie (i)	-	-	-	-
Xia Lijun (i)	-	-	-	-
Supervisors:				
Wang Huaicheng	-	-	-	-
Yang Gang	-	-	-	-
Jin Jie	-	-	-	-
Deng Li	272	117	115	504
Liu Shasha (ii)	99	42	35	176
Yang Xunping (ii)	142	61	57	260
	<u>1,243</u>	<u>1,332</u>	<u>451</u>	<u>3,026</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021				
Executive directors:				
Xie Shikang	367	383	70	820
Chen Wenbo	-	-	-	-
William K. Villalon (iii)	-	-	-	-
Shi Jinggang (iv)	184	191	35	410
Wan Nianyong (v)	61	64	12	137
Non-executive directors:				
Che Dexi (v)	-	-	-	-
Chen Xiaodong (v)	-	-	-	-
Man Hin Wai Paul	-	-	-	-
Xia Lijun	-	-	-	-
Supervisors:				
Wang Huaicheng	-	-	-	-
Yang Gang	-	-	-	-
Jin Jie	-	-	-	-
Deng Li	280	102	64	446
Yang Xunping	288	106	68	462
	<u>1,180</u>	<u>846</u>	<u>249</u>	<u>2,275</u>

- (i) Mr. Dong Shaojie was appointed as non-executive director and Mr. Xia Lijun resigned as non-executive director on 19 January 2023.
- (ii) Ms. Liu Shasha was appointed as supervisor and Mr. Yang Xunping resigned as supervisor on 17 June 2022.
- (iii) Mr. William K. Villalon resigned as executive director on 24 December 2021.
- (iv) Mr. Shi Jinggang resigned as executive director on 24 June 2021.
- (v) Mr. Wan Nianyong was appointed as executive director; Mr. Che Dexi was appointed as non-executive director and Mr. Chen Xiaodong resigned as non-executive director on 26 November 2021.

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

Mr. Xie Shikang is serves as chief executive of the Group for the year ended 31 December 2022 and 2021.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2021: No).

During the year ended 31 December 2021, certain directors were granted share appreciation rights, in respect of their services to the Group under the Share Appreciation Incentive Scheme of the Company. Details of the Share Appreciation Incentive Scheme are set out in note 42 to the consolidated financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2021: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither directors nor supervisors nor the chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	1,120	958
Performance related bonuses	1,080	596
Pension scheme contributions	<u>210</u>	<u>208</u>
	<u>2,410</u>	<u>1,762</u>

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	
	2022	2021
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

During the year ended 31 December 2021, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 42 to the consolidated financial statements.

## 10. INCOME TAX EXPENSE

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

	2022 RMB'000	2021 RMB'000
Current – the PRC		
Charge for the year	15,845	12,302
Under/(over)- provision in prior years	11,472	(552)
Deferred tax (note 29)	<u>(5,540)</u>	<u>4,984</u>
Total tax charge for the year	<u>21,777</u>	<u>16,734</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 10. INCOME TAX EXPENSE (CONTINUED)

The income tax for the year can be reconciled to the profit before income tax per consolidated statement of profit or loss as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	<u>68,293</u>	<u>58,843</u>
Tax at the preferential tax rate	10,244	8,826
Effect of different tax rate of subsidiaries	6,298	4,089
Under/(over)-provision of tax of previous years	11,472	(552)
Income not subject to tax	(3,731)	-
Expenses not deductible for tax	324	476
Effect of tax concession granted to certain subsidiaries	(140)	(1,461)
Effect of changes in tax rate on brought forward deferred tax	478	128
Tax losses utilised from previous years	(9,627)	(125)
Tax losses and deductible temporary differences not recognised	<u>6,459</u>	<u>5,353</u>
Tax charge	<u>21,777</u>	<u>16,734</u>

According to Caishui (2020) No.23 "Notice on continuation of the corporate income tax policy for the enterprises in Western China" jointly issued by Ministry of Finance, SAT and National Development and Reform Commission on 28 April 2020, the enterprises in encouraged industries in Western China are eligible for a preferential CIT rate of 15% for the period from 1 January 2021 to 31 December 2030. Accordingly, the Company is subject to the CIT rate of 15% and certain subsidiaries of the Company are subject to the CIT rate of 25%.

According to the Announcement No. 23 of 2020 by the Ministry of Finance, the State Administration of Taxation, and the National Development and Reform Commission on the continuation of the income tax policies for the Western Development, from January 1, 2021 to December 31, 2030, encouraged industries located in the western region of China will be levied a corporate income tax at a reduced rate of 15%. The Company's corporate income tax payable is calculated based on the 15% tax rate.

According to the Announcement No. 2 of 2019 by the State Administration of Taxation on issues related to the implementation of the preferential income tax policies for small and micro-profit enterprises, from January 1, 2019 to December 31, 2021, for small and micro-profit enterprises whose annual taxable income does not exceed RMB 1 million, 25% of the taxable income will be deducted and included in the taxable income, and corporate income tax will be levied at a rate of 20%. For the portion of annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 50% of the taxable income will be deducted and included in the taxable income, and corporate income tax will be levied at a rate of 20%.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 11. DIVIDENDS

The directors of the Company proposed to declare a final dividend of RMB0.15 per ordinary share (2021 final dividend: RMB0.05). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic and diluted earnings per share amount is based on the earnings for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares of 162,064,000 (2021: 162,064,000) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

	2022	2021
<u>Earnings</u>		
Profit attributable to owners of the Company (RMB'000)	<u>38,482</u>	<u>29,148</u>
<u>Shares</u>		
Number of weighted average number of ordinary shares in issue	<u>162,064,000</u>	<u>162,064,000</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant, machinery and other equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
<b>31 December 2022</b>							
<b>Cost:</b>							
At 1 January 2022	765,772	205,734	64,805	190,637	-	80,374	1,307,322
Additions	51,958	78,928	7,225	2,440	3,927	36,648	181,126
Disposals	(68)	(18,748)	(3,072)	(6,011)	-	-	(27,899)
Written off	-	-	-	-	-	(275)	(275)
Reclassification from other intangible assets	-	-	-	-	2,594	-	2,594
Transfer to right-of use- assets	-	-	-	-	-	(95,136)	(95,136)
Transfer to other intangible assets	-	-	-	-	-	(3,428)	(3,428)
Transfer	3,224	230	3	-	-	(3,457)	-
At 31 December 2022	<u>820,886</u>	<u>266,144</u>	<u>68,961</u>	<u>187,066</u>	<u>6,521</u>	<u>14,726</u>	<u>1,364,304</u>
<b>Accumulated depreciation:</b>							
At 1 January 2022	(326,851)	(145,497)	(60,172)	(165,418)	-	-	(697,938)
Depreciation provided during the year (note 6)	(33,617)	(37,682)	(4,680)	(10,528)	(911)	-	(87,418)
Reclassification from other intangible assets	-	-	-	-	(43)	-	(43)
Eliminated on disposals	-	10,031	2,073	8,730	-	-	20,834
At 31 December 2022	<u>(360,468)</u>	<u>(173,148)</u>	<u>(62,779)</u>	<u>(167,216)</u>	<u>(954)</u>	<u>-</u>	<u>(764,565)</u>
<b>Impairment:</b>							
At 1 January 2022 and 31 December 2022	-	-	-	(1,086)	-	-	(1,086)
<b>Net carrying amount:</b>							
At 1 January 2022	<u>438,921</u>	<u>60,237</u>	<u>4,633</u>	<u>24,133</u>	<u>-</u>	<u>80,374</u>	<u>608,298</u>
At 31 December 2022	<u>460,418</u>	<u>92,996</u>	<u>6,182</u>	<u>18,764</u>	<u>5,567</u>	<u>14,726</u>	<u>598,653</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

As at 31 December 2022, certain of the Group's plant, machinery and other equipment with a net carrying amount of approximately RMB50,816,000 and construction in progress with a net carrying amount of approximately RMB10,888,000 were pledged to secure bank loans granted to the Group, which will be repayable in 2025 (note 28).



## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 14. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
<b>Cost:</b>		
At 1 January	49,203	48,662
Additions (from settlement of trade debts)	<u>20</u>	<u>541</u>
At 31 December	<u>49,223</u>	<u>49,203</u>
<b>Accumulated depreciation:</b>		
At 1 January	(6,678)	(5,110)
Depreciation provided during the year (note 6)	<u>(1,516)</u>	<u>(1,568)</u>
At 31 December	<u>(8,194)</u>	<u>(6,678)</u>
<b>Accumulated impairment:</b>		
At 1 January	(3,262)	(1,395)
Impairment provided during the year (note 6)	<u>(1,766)</u>	<u>(1,867)</u>
At 31 December	<u>(5,028)</u>	<u>(3,262)</u>
<b>Net carrying amount</b>		
At 1 January	<u>39,263</u>	<u>42,157</u>
At 31 December	<u>36,001</u>	<u>39,263</u>

During the year ended 31 December 2022, investment properties of RMB20,000 (2021: RMB541,000) were transferred to the Group to settle trade debts by a customer.

The Group's investment properties consist of 15 (2021: 15) commercial properties in the PRC. As at 31 December 2022, the total fair value of the investment properties was estimated to be approximately RMB45,985,000 (2021: RMB49,069,000). The fair values of all properties were above their carrying amounts except for four (2021: four) of which an impairment loss of RMB1,766,000 in aggregate (2021: RMB1,867,000) has been recognised. The valuation was performed by Chongqing Wanhe Real Estate Land Asset Appraisal Co., Ltd. (denotes an unofficial English translation of a Chinese name), an independent external qualified valuer engaged by the Group. Selection criteria including market knowledge, reputation, independence and whether professional standards are maintained are considered to appoint the external valuer. The valuation was determined based on market or income approach with reference to market prices and estimated future market rental of similar properties in the neighbourhood. The fair value measurement hierarchy of the investment properties requires certain significant unobservable inputs (Level 3).

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

## 15. LEASES

**The Group as a lessee**

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 15. LEASES (CONTINUED)

**The Group as a lessee (continued)**

## (a) Right-of-use assets

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

	Buildings, plant and machinery RMB'000	Motor vehicles RMB'000	Prepaid land lease payments RMB'000	Total RMB'000
As at 1 January 2021	68,975	4,040	222,720	295,735
Additions	25,738	-	-	25,738
Acquisition of a subsidiary	-	-	28,814	28,814
Lease modification	(427)	(214)	33	(608)
Depreciation charge (note 6)	<u>(36,852)</u>	<u>(1,262)</u>	<u>(6,257)</u>	<u>(44,371)</u>
As at 31 December 2021 and 1 January 2022	57,434	2,564	245,310	305,308
Additions	174,019	1,629	11,001	186,649
Lease modification	(8,775)	(1,292)	-	(10,067)
Depreciation charge (note 6)	<u>(42,739)</u>	<u>(1,283)</u>	<u>(6,813)</u>	<u>(50,835)</u>
As at 31 December 2022	<u>179,939</u>	<u>1,618</u>	<u>249,498</u>	<u>431,055</u>

## (b) Lease liabilities

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

	2022 RMB'000	2021 RMB'000
As at 1 January	57,016	70,329
New leases	168,420	24,962
Accretion of interest recognised during the year (note 7)	2,908	3,789
Payments	(38,604)	(39,986)
Lease modification	<u>(7,465)</u>	<u>(2,078)</u>
As at 31 December	<u>182,275</u>	<u>57,016</u>
Analysed into:		
Current portion	42,564	36,889
Non-current portion	<u>139,711</u>	<u>20,127</u>
	<u>182,275</u>	<u>57,016</u>

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

## NOTES TO FINANCIAL STATEMENTS

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## 15. LEASES (CONTINUED)

**The Group as a lessee (continued)**

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	2,908	3,789
Depreciation charge of right-of-use assets	50,835	44,371
Loss/(gain) on lease modification	2,602	(1,470)
Expense relating to short-term leases	<u>44,610</u>	<u>46,133</u>
Total amount recognised in profit or loss	<u><u>100,955</u></u>	<u><u>92,823</u></u>

**The Group as a lessor**

The Group leases its investment properties (note 14) consisting of six (2021: six) commercial properties in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB3,225,000 (2021: RMB3,563,000), details of which are included in note 5 to the financial statements.

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

	2022 RMB'000	2021 RMB'000
Within one year	1,087	699
After one year but within two years	876	620
After two years but within three years	430	384
After three years but within four years	320	77
After four years but within five years	<u>325</u>	<u>-</u>
	<u><u>3,038</u></u>	<u><u>1,780</u></u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 16. GOODWILL

	Cash-generating units		Total RMB'000
	Transportation services for finished vehicles RMB'000	Storage management services RMB'000	
<b>Cost:</b>			
At 1 January and 31 December 2022 and 2021	5,016	2,441	7,457
<b>Accumulated impairment:</b>			
At 1 January and 31 December 2022 and 2021	-	(2,441)	(2,441)
<b>Net carrying amount:</b>			
At 1 January and 31 December 2022 and 2021	5,016	-	5,016

Impairment testing of goodwill

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

- Transportation services for finished vehicles; and
- Storage management services unit.

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

*Discount rate* – The discount rate used is before tax and reflects specific risks relating to the relevant unit. The discount rate applied to the cash flow projections is 15.14% (2021: 13.8%).

*Growth rate* – The growth rate used to extrapolate the cash flows beyond the five-year period is 2.0% (2021: 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.

Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

The values assigned to the key assumptions on market conditions and the discount rate are consistent with external information sources. In the opinion of the Company's directors the recoverable amount is significantly above the carrying amount of the above units, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount as at 31 December 2022.

## NOTES TO FINANCIAL STATEMENTS

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## 17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Trademark RMB'000	Patent RMB'000	Total RMB'000
<b>31 December 2022</b>				
<b>Cost:</b>				
At 1 January 2022	122,474	107	-	122,581
Additions	16,981	-	49	17,030
Transfer from property, plant and equipment	3,428	-	-	3,428
Reclassification to property, plant and equipment	(2,594)	-	-	(2,594)
Disposals	<u>(160)</u>	<u>-</u>	<u>-</u>	<u>(160)</u>
At 31 December 2022	<u>140,129</u>	<u>107</u>	<u>49</u>	<u>140,285</u>
<b>Accumulated amortisation:</b>				
At 1 January 2022	(100,794)	(107)	-	(100,901)
Amortisation provided during the year (note 6)	(15,326)	-	(3)	(15,329)
Reclassification to property, plant and equipment	43	-	-	43
Disposals	<u>160</u>	<u>-</u>	<u>-</u>	<u>160</u>
At 31 December 2022	<u>(115,917)</u>	<u>(107)</u>	<u>(3)</u>	<u>(116,027)</u>
<b>Net carrying amount:</b>				
At 1 January 2022	<u>21,680</u>	<u>-</u>	<u>-</u>	<u>21,680</u>
At 31 December 2022	<u>24,212</u>	<u>-</u>	<u>46</u>	<u>24,258</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 17. OTHER INTANGIBLE ASSETS (CONTINUED)

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 18. INVESTMENT IN A JOINT VENTURE

	2022 RMB'000	2021 RMB'000
Share of net assets	<u>12,370</u>	<u>12,777</u>

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						Principal activities
			Ownership interest		Voting power		Profit sharing		
			2022	2021	2022	2021	2022	2021	
Hangzhou Changan Minsheng Anji Logistics Co., Ltd. ("Hangzhou Anji")	Ordinary shares	PRC	50	50	50	50	50	50	Providing logistics services in the PRC

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

The following table illustrates the financial information of Hangzhou Anji:

	2022 RMB'000	2021 RMB'000
Revenue	87,224	120,160
Total expenses	(86,038)	(117,648)
Profit and total comprehensive income for the year	<u>1,186</u>	<u>2,512</u>
Current assets	67,556	88,359
Non-current assets	504	617
Current liabilities	(43,320)	(63,422)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	3,670	22,155
Current financial liabilities (excluding trade and other payables and provisions)	<u>4,181</u>	<u>7,491</u>
Share of the joint venture's profit and total comprehensive income for the year, net of dividend income	(407)	1,256
The above profit for the year includes the following:		
Depreciation and amortisation	151	135
Income tax expense	<u>473</u>	<u>843</u>
Reconciliation of the above summarised financial information to the carrying amount of the interest in Hangzhou Anji recognised in the consolidated financial statements:		
Net assets of Hangzhou Anji	24,740	25,554
Proportion of the Group's ownership interest	50%	50%
Carrying amount of the Group's interest	<u>12,370</u>	<u>12,777</u>

Note: During the year ended 31 December 2022, dividend income received from a joint venture is RMB 1,000,000 (2021: RMB 1,000,000).

## NOTES TO FINANCIAL STATEMENTS

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## 19. INVESTMENT IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Share of net assets	<u>77,042</u>	<u>79,072</u>

As at 31 December 2022 and 2021, particulars of the Company's associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group		Principal activities
			2022	2021	
Chongqing Guoyuan Ro-Ro Terminal Company Limited ("Chongqing Guoyuan")	Ordinary shares	PRC	31	31	Providing port operation, freight forwarding and logistics services in the PRC

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

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

	2022 RMB'000	2021 RMB'000
Current assets	23,868	31,636
Non-current assets	404,466	414,008
Current liabilities	25,904	22,663
Non-current liabilities	169,205	183,189
Net assets	233,225	239,792
Proportion of the Group's ownership interest	<u>31%</u>	<u>31%</u>
	<u>77,042</u>	<u>79,072</u>
Revenue	31,405	23,227
Loss before tax	(6,550)	(11,503)
Loss for the year	(6,550)	(11,490)
Share of the associate's loss and total comprehensive loss for the year	(2,030)	(3,562)
Carrying amount of the Group's investment in the associate	<u>77,042</u>	<u>79,072</u>



## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

	2022 RMB'000	2021 RMB'000
Unlisted equity investment, at fair value China South Industries Group Finance Co., Ltd. ("Zhuangbei Finance")	<u>72,000</u>	<u>70,000</u>

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

During the year ended 31 December 2022, a fair value gain of RMB2,000,000 (2021: RMB2,932,000) was recognised in other comprehensive income. The fair value measurement of the equity investment designated at fair value through other comprehensive income is categorised within level 3 of the fair value hierarchy.

During the year ended 31 December 2022, the Group received dividends in the amount of RMB2,096,000 (2021: RMB1,867,000) from Zhuangbei Finance.

## 21. PREPAYMENTS FOR NON-CURRENT ASSETS

	Notes	2022 RMB'000	2021 RMB'000
Prepayment for a land use right	(i)	-	39,029
Prepayment for purchases of other intangible assets	(ii)	<u>17,253</u>	<u>15,816</u>
		<u>17,253</u>	<u>54,845</u>

(i) The prepayment was made for the project of land use right, for which the total consideration was RMB78,010,000. During the reporting period, the project has been terminated and the prepayment amount of RMB39,029,000 have been returned on 17 January 2022.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 22. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	6,296	2,089
Work in progress	8,041	680
Finished goods	<u>4,185</u>	<u>48</u>
	<u>18,522</u>	<u>2,817</u>

## 23. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Bills receivable	608,818	581,659
Trade receivables	1,096,497	651,057
Less: Allowance for credit losses	<u>(56,341)</u>	<u>(43,738)</u>
	<u>1,648,974</u>	<u>1,188,978</u>

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

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

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

As at 31 December 2022, with endorsed bills amounting to RMBNil (2021: RMB250,000) were pledged by the Group to secure bills payable (note 26).

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 23. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2022 RMB'000	2021 RMB'000
Less than 3 months	952,505	491,757
3 to 6 months	60,396	21,813
6 months to 1 year	25,778	93,749
Over 1 year	<u>1,477</u>	<u>-</u>
	<u>1,040,156</u>	<u>607,319</u>

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB87,651,000 (2021: RMB115,562,000) which are past due as at the reporting date.

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

	2022 RMB'000	2021 RMB'000
At beginning of year	43,738	22,264
Provision for impairment losses, net (note 6)	<u>12,603</u>	<u>21,474</u>
At end of year	<u>56,341</u>	<u>43,738</u>

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

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

	Current	Past due			Total
		Less than 3 months	3 to 9 months	Over 9 months	
<u>As at 31 December 2022</u>					
Expected credit loss rate	2.96%	19.58%	10.75%	32.77%	5.14%
Gross carrying amount (RMB'000)	964,789	52,594	38,325	40,789	1,096,497
Expected credit losses (RMB'000)	28,557	10,297	4,119	13,368	56,431
<u>As at 31 December 2021</u>					
Expected credit loss rate	3.10%	22.80%	11.50%	29.89%	6.72%
Gross carrying amount (RMB'000)	491,757	21,813	95,569	41,918	651,057
Expected credit losses (RMB'000)	15,244	4,973	10,990	12,531	43,738

## NOTES TO FINANCIAL STATEMENTS

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## 24. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

	2022 RMB'000	2021 RMB'000
Prepayments	73,355	55,282
Deposits and other receivables	92,813	150,374
Less: Allowance for credit losses	<u>(3,694)</u>	<u>(1,413)</u>
	<u>162,474</u>	<u>204,243</u>

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

	2022 RMB'000	2021 RMB'000
At beginning of year	1,413	3,431
Provision for/(reversal of) impairment losses, net (note 6)	<u>2,281</u>	<u>(2,018)</u>
At end of year	<u>3,694</u>	<u>1,413</u>

Deposits and other receivables mainly represent deposits with suppliers or customers. Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

## 25. RESTRICTED BANK BALANCE / PLEDGED BANK DEPOSITS / CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	<u>975,747</u>	<u>1,006,076</u>
Less:		
Bank balances pledged for bank acceptance bills	(189,730)	(13,762)
Restricted bank balance (note)	<u>(30,300)</u>	<u>-</u>
Cash and cash equivalents	<u>755,717</u>	<u>992,314</u>

Note: Refer to the announcement made on 30 December 2022, the restricted bank balance represented the frozen bank balance by Chongqing Yubei District People's Court order. Details are set in note 43.

## NOTES TO FINANCIAL STATEMENTS

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## 25. RESTRICTED BANK BALANCE / PLEDGED BANK DEPOSITS / CASH AND CASH EQUIVALENTS (CONT'D)

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB964,920,000 (2021: RMB955,872,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Included in RMB975,747,000 (2021: RMB1,006,076,000), there was RMB199,582,000 (2021: RMB160,000,000) of Zhuangbei Finance which is a related party of the Group (note 37 to the consolidated financial statement).

## 26. TRADE AND BILLS PAYABLES

	2022 RMB'000	2021 RMB'000
Bills payable	503,502	530,060
Trade payables	<u>1,502,131</u>	<u>868,128</u>
	<u>2,005,633</u>	<u>1,398,188</u>

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

	2022 RMB'000	2021 RMB'000
Within 3 months	1,632,408	1,192,545
3 to 6 months	305,541	201,737
6 months to 1 year	35,682	864
1 to 2 years	17,407	1,272
2 to 3 years	12,654	1,770
Over 3 years	<u>1,941</u>	<u>-</u>
	<u>2,005,633</u>	<u>1,398,188</u>

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

As at 31 December 2022, bills payable with an aggregate amount of approximately RMB167,116,000 (2021: RMB105,821,000) were secured by the pledged deposits of RMB189,730,000 (2021: RMB13,762,000) and bills receivable of RMBNil (2021: RMB250,000) (notes 23 and 25).

## NOTES TO FINANCIAL STATEMENTS

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## 27. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Contract liabilities (note 1)	3,297	5,397
Other payables (note 2)	287,461	235,353
Other taxes	11,962	11,817
Accruals for payroll and welfare	<u>133,055</u>	<u>135,153</u>
	435,775	387,720
Less: Non-current portion		
Other payables	<u>(3,150)</u>	<u>-</u>
Current portion	<u><u>432,625</u></u>	<u><u>387,720</u></u>

Note 1: Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current liabilities based on the Group's earliest obligation to transfer goods or services to the customers. For the year of 2022, the contract liabilities recorded at the beginning of the year RMB5,571,000 (2021: RMB3,794,000) had been recognised as revenue during the year. The management believed that the remaining will be recognised as revenue approximately within one year from 31 December 2022 (2021: the remaining RMB1,603,000 has been fully recognised as revenue during the year ended 31 December 2022).

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

## 28. INTEREST-BEARING BANK AND OTHER LOANS

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Unsecured bank loan*	3.80	2024	16,000	5.5	2022	2,800
Secured bank loan**	3.90	2025	<u>23,984</u>	-	-	<u>-</u>
			<u><u>39,984</u></u>			<u><u>2,800</u></u>
				2022		2021
				RMB'000		RMB'000
Analysed into:						
Loans repayable:						
Within one year				400		2,800
More than one year				<u>39,584</u>		<u>-</u>
				<u><u>39,984</u></u>		<u><u>2,800</u></u>

\* As at 31 December 2022, the Group's interest-bearing loan from a bank (2021: financial institution) bore interest of 3.80% (2021: 5.5%) per annum and is repayable in 2024 (2021: in 2022).

\*\* As at 31 December 2022, the Group's interest-bearing loan from a bank bore interest at prime rate + 0.2% per annum and was repayable in 2025. The loan was secured by certain plant, machinery and other equipment with carrying amount of approximately RMB50,816,000 and construction in progress with carrying amount of approximately RMB10,888,000 (note 13).

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## 29. DEFERRED TAX

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

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Fair value adjustments of an equity investment at fair value through other comprehensive income RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2021	2,744	3,306	15,531	21,581
Deferred tax credited to profit or loss during the year (note 10)	(165)	-	(1,941)	(2,106)
Deferred tax charged to other comprehensive income during the year	-	440	-	440
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	2,579	3,746	13,590	19,915
Deferred tax (credited)/debited to profit or loss during the year (note 10)	(149)	-	6,418	6,269
Deferred tax charged to other comprehensive income during the year	-	300	-	300
Gross deferred tax liabilities at 31 December 2022	<u>2,430</u>	<u>4,046</u>	<u>20,008</u>	<u>26,484</u>

CHANGAN MINSHENG APLL LOGISTICS CO., LTD.

NOTES TO FINANCIAL STATEMENTS

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29. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Depreciation allowance in excess of related depreciation and amortisation RMB'000	Impairment of financial assets RMB'000	Provision for impairment of property, plant and equipment RMB'000	Provision for impairment of investment properties RMB'000	Deferred income RMB'000	Loss available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Payroll payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	19,430	14,483	-	-	2,773	5,461	18,297	6,594	16,456	83,494
Deferred tax (charged)/credited to profit or loss during the year (note 10)	(1,540)	43	-	-	(820)	22,316	(18,022)	(6,594)	(2,473)	(7,090)
Gross deferred tax assets at 31 December 2021 and 1 January 2022	17,890	14,526	-	-	1,953	27,777	275	-	13,983	76,404
Deferred tax (charged)/credited to profit or loss during the year (note 10)	(4,372)	1,396	163	754	(393)	6,866	903	-	6,492	11,809
Gross deferred tax assets at 31 December 2022	<u>13,518</u>	<u>15,922</u>	<u>163</u>	<u>754</u>	<u>1,560</u>	<u>34,643</u>	<u>1,178</u>	<u>-</u>	<u>20,475</u>	<u>88,213</u>



## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 29. DEFERRED TAX (CONTINUED)

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

	2022 RMB'000	2021 RMB'000
Gross deferred tax assets recognised	88,213	76,404
Deferred tax liabilities on right-of-use assets recognised	<u>(20,008)</u>	<u>(13,590)</u>
Net deferred tax assets	<u>68,205</u>	<u>62,814</u>

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

	2022 RMB'000	2021 RMB'000
Tax losses	107,916	146,094
Deductible temporary differences	<u>84,038</u>	<u>2,811</u>
	<u>191,954</u>	<u>148,905</u>

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

## 30. DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
<i>Government grants</i>		
At 1 January	11,519	15,532
Released during the year	<u>(2,212)</u>	<u>(4,013)</u>
At 31 December	<u>9,307</u>	<u>11,519</u>

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

## NOTES TO FINANCIAL STATEMENTS

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## 31. SHARE CAPITAL

Shares

	2022 RMB'000	2021 RMB'000
Authorised:		
162,064,000 (2021: 162,064,000) ordinary shares of RMB1.00 each	<u>162,064</u>	<u>162,064</u>
Issued and fully paid:		
162,064,000 (2021: 162,064,000) ordinary shares of RMB1.00 each	<u>162,064</u>	<u>162,064</u>

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 2021, 1 January 2022 and 31 December 2022	<u>162,064,000</u>	<u>162,064</u>

## 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 6 and 7 of the financial statements.

## (a) Statutory reserves of the PRC subsidiaries

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

## (b) Safety fund surplus reserve

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

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

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

	2022 RMB'000	2021 RMB'000
Percentage of equity interest held by non-controlling interests	33%	33%
Profit for the year allocated to non-controlling interests	9,012	11,532
Dividends paid to non-controlling interests	11,220	12,940
Accumulated balances of non-controlling interests at the reporting date	<u>98,758</u>	<u>100,891</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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

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

	Nanjing CMSC	
	2022	2021
	RMB'000	RMB'000
Revenue	408,092	453,083
Total expenses	(380,784)	(418,139)
Profit and total comprehensive income for the year	<u>27,308</u>	<u>34,944</u>
Non-controlling interest of Nanjing CMSC	<u>9,012</u>	<u>11,532</u>
Current assets	365,687	413,052
Non-current assets	59,095	71,838
Current liabilities	(119,837)	(170,573)
Non-current liabilities	<u>(5,679)</u>	<u>(8,588)</u>
Share of net assets	<u>98,758</u>	<u>100,891</u>
Net cash flows from operating activities	23,445	73,110
Net cash flows used in investing activities	(3,706)	(10,034)
Net cash flows used in financing activities	(34,000)	(44,140)
Effect of foreign exchange rate changes, net	<u>1</u>	<u>(24)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(14,260)</u>	<u>18,912</u>

- (b) Details of a subsidiary, Changzu Feiyue, that has material non-controlling interests are set out below:

	2022	2021
	RMB'000	RMB'000
Percentage of equity interest held by non-controlling interests	45%	45%
Profit for the year allocated to non-controlling interests	1,294	1,597
Accumulated balances of non-controlling interests at the reporting date	<u>23,651</u>	<u>7,591</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

- (b) Details of a subsidiary, Changzu Feiyue, that has material non-controlling interests are set out below:
- 
- (continued)

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

	Changzu Feiyue	
	2022 RMB'000	2021 RMB'000
Revenue	96,356	113,136
Total expenses	(93,479)	(109,587)
Profit and total comprehensive income for the year	<u>2,877</u>	<u>3,549</u>
Non-controlling interest of Changzu Feiyue	<u>1,295</u>	<u>1,597</u>
Current assets	56,709	47,114
Non-current assets	43,960	4,276
Current liabilities	(32,392)	(34,234)
Non-current liabilities	<u>(15,720)</u>	<u>(288)</u>
Share of net assets	<u>23,651</u>	<u>7,591</u>
Net cash flows (used in)/from operating activities	(22,506)	3,580
Net cash flows used in investing activities	(20,861)	(1,672)
Net cash flows from financing activities	<u>49,763</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>6,396</u>	<u>1,908</u>

## 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) Major non-cash transactions

During the year, the Group entered into new lease agreements for the use of leased properties and motor vehicles. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB80,512,000 (2021: RMB25,738,000 and RMB24,962,000 respectively) as disclosed on note 15 to the financial statements.

During the year ended 31 December 2022, the Group had non-cash additions to investment properties of RMB20,000 (2021: RMB541,000) and RMB3,428,000 (2021: RMB6,809,000) of prepaid cost of other non-current assets transferred from property, plant and equipment (2021: Prepayments) as disclosed on note 14 and 21 to the financial statements.

During the year ended 31 December 2021, part of the trade payables were settled using property, plant and equipment, the impact of RMB20,617,000 was included in disposals of property, plant and equipment.

## NOTES TO FINANCIAL STATEMENTS

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

(b) Changes in liabilities arising from financing activities:

	Interest-bearing bank and other loans RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	6,000	70,329	76,329
Changes from financing cash flows	(7,551)	(39,986)	(47,537)
Other changes:			
Interest expenses	4,351	3,789	8,140
New leases	-	24,962	24,962
Lease modification	-	(2,078)	(2,078)
	<u>2,800</u>	<u>57,016</u>	<u>59,816</u>
At 31 December 2021 and 1 January 2022	2,800	57,016	59,816
Changes from financing cash flows	34,292	(38,604)	(4,312)
Other changes:			
Interest expenses	2,892	2,908	5,800
New leases	-	168,420	168,420
Lease modification	-	(7,465)	(7,465)
	<u>39,984</u>	<u>182,275</u>	<u>222,259</u>
At 31 December 2022	<u>39,984</u>	<u>182,275</u>	<u>222,259</u>

(c) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating activities	44,610	46,133
Within financing activities	<u>38,604</u>	<u>39,986</u>
	<u>83,214</u>	<u>86,119</u>

## 35. PLEDGE OF ASSETS

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

## 36. COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Plant and machinery	89,886	13,708
Capital contributions payable to equity investment	<u>-</u>	<u>22,700</u>
	<u>89,886</u>	<u>36,408</u>

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## 37. RELATED PARTY TRANSACTIONS

- (a) For the years ended 31 December 2022 and 2021, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows:

Name of related party	Relationship
APL Logistics Ltd. ("APL Logistics")	Shareholder
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial")	Shareholder
China Changan Automobile Group Co., LTD ("China Changan")	Shareholder
Nanjing Chelai Travel Technology Co.,Ltd. ("Nanjing Chelai ")	Associate of Changan Automobile
Chongqing Changan Kuayue Automobile Co., Ltd. ("Changan Kuayue")	Associate of Changan Automobile
Hubei Hannanggang Industrial Co. LTD ("Hubei Hannanggang")	Changsheng Port Pass related party
Nanjing Baogang Zhushang Metal Products Co., LTD ("Baogang Zhushang")	Associate of subsidiary
Chongqing Guoyuan Ro-Ro Terminal Company Limited ("Chongqing Guoyuan")	Associate
Changan Minsheng (Shanghai) Supply Chain Co., LTD ("Shanghai supply chain")	Subsidiary
Hangzhou Changan Minsheng Logistics Co., LTD ("Hangzhou Changan Minsheng")	Subsidiary
Nanjing Changan Minsheng Zhujiu Logistics Co., LTD ("Nanjing Zhujiu")	Subsidiary
Shenyang Changyou Supply Chain Co. LTD ("Shenyang Changyou")	Subsidiary
Wuhan Changjiang Zhilian Port Development Co. LTD ("Changjiang Zhilian")	Subsidiary
Wuhan Changsheng Gangtong Supply Chain Management Co. LTD ("Changsheng Gangtong")	Subsidiary
Chongqing Changan Minsheng Boyu Transportation Co., LTD ("Chongqing Boyu")	Subsidiary
Chongqing Changan Minsheng Fuyong Logistics Co., LTD ("Chongqing Fuyong")	Subsidiary
Chongqing Changxiang Supply Chain Technology Co., LTD ("Changxiang Supply Chain")	Subsidiary
Chongqing Changzu Feiyue Technology Co., LTD ("Changzu Feiyue")	Subsidiary
Chongqing Fuji Supply Chain Management Co. LTD ("Chongqing Fuji")	Subsidiary
Chongqing Fulu Bonded Logistics Co., LTD ("Fulu International")	Subsidiary
Hangzhou Changan Minsheng Anji Logistics Co., Ltd. ("Hangzhou Anji")	Joint venture of the Company
Anhui Jian'an Chassis System Co., Ltd. ("Anhui Jian'an")	Ultimately controlled by China Changan
Anhui Wanyou Automobile Sales Service Co., LTD ("Anhui Wanyou")	Ultimately controlled by China Changan
Bazhong Wanyou Automobile Sales Service Co. LTD ("Bazhong Wanyou")	Ultimately controlled by China Changan
Beijing Baiwang Changfu Automobile Sales Service Co., Ltd. ("Beijing Baiwang")	Ultimately controlled by China Changan
Beijing North Changfu Automobile Sales Co. LTD ("Beijing North")	Ultimately controlled by China Changan
Beijing Zhengde Yongxin Automobile Trade Service Co., LTD ("Beijing Zhengde")	Ultimately controlled by China Changan
Chengdu Huachuan Electric Equipment Co., Ltd. ("Chengdu Huachuan")	Ultimately controlled by China Changan
Chengdu Jianan Automobile Chassis Design Co., LTD ("Chengdu Jianan Chassis")	Ultimately controlled by China Changan
Chengdu Jianya Technology Co., LTD ("Chengdu Jianya")	Ultimately controlled by China Changan
Chengdu Ningjiang SHOWA Automobile Parts Co., Ltd. ("Ningjiang Showa")	Ultimately controlled by China Changan
Chengdu Qingshan Auto Trade Sales Co. LTD ("Qingshan Auto Trade")	Ultimately controlled by China Changan
Chengdu Qingshan Industrial Co. LTD ("Chengdu Qingshan Industrial")	Ultimately controlled by China Changan
Chengdu Wanxing Automobile Sales Service Co. LTD ("Chengdu Wanxing")	Ultimately controlled by China Changan
Chengdu Wanyou Economic and Technological Development Corporation ("Chengdu Wanyou Economic")	Ultimately controlled by China Changan
Chengdu Wanyou Trading Co., LTD ("Wanyou Trading")	Ultimately controlled by China Changan
Chengdu Wanyou Auto Sales Service Co. LTD ("Wanyou Auto Sales")	Ultimately controlled by China Changan
Chengdu Wanyou Eco-Tech Development Corporation ("Chengdu Wanyou Eco-Tech")	Ultimately controlled by China Changan
Chengdu Wanyou Xiangyu Auto Sales & Service Co., LTD ("Wanyou Xiangyu")	Ultimately controlled by China Changan
Chuxiong Wanfu Automobile Sales and Service Co. LTD ("Chuxiong Wanfu")	Ultimately controlled by China Changan
Dali Wanfu Automobile Sales Service Co., Ltd ("Dali Wanfu")	Ultimately controlled by China Changan

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## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) For the years ended 31 December 2022 and 2021, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Dehong Wanfu Automobile Sales & Service Co., Ltd. ("Dehong Wanfu")	Ultimately controlled by China Changan
Faurecia (Chongqing) Automobile Parts Co., LTD ("Faurecia")	Ultimately controlled by China Changan
Guangxi Wanyou Auto Sales and Service Co., Ltd. ("Guangxi Wanyou Sales")	Ultimately controlled by China Changan
Guiyang Huaxi Mengguan Wanfu Automobile Sales and Service Co., LTD ("Guiyang Huaxi")	Ultimately controlled by China Changan
Guizhou Chengxing Wanlin Automobile Sales and Service Co., LTD ("Guizhou Chengxing")	Ultimately controlled by China Changan
Guizhou Wanfu Automobile Sales & Service Co., Ltd. ("Guizhou Wanfu")	Ultimately controlled by China Changan
Guizhou Wanjia Automobile Sales Service Co., LTD ("Guizhou Wanjia")	Ultimately controlled by China Changan
Guizhou Wanyou Automotive Sales Service Co., Ltd. ("Guizhou Wanyou")	Ultimately controlled by China Changan
Harbin Botong Auto Parts Manufacturing Co. LTD ("Botong Auto")	Ultimately controlled by China Changan
Harbin Dongan Automotive Power Co., Ltd. ("Harbin DAP")	Ultimately controlled by China Changan
Harbin Dongan Automotive Engine Manufacturing Co., Ltd. ("Harbin DAE")	Ultimately controlled by China Changan
Harbin Hafei Automobile Industry Group Co. LTD ("Hafei Automobile")	Ultimately controlled by China Changan
Hengyang Jiangyan Shunchi Industrial Co. LTD ("Jiangyan Shunchi")	Ultimately controlled by China Changan
Honghe Wanfu Automobile Sales Service Co., LTD ("Honghe Wanfu")	Ultimately controlled by China Changan
Hunan Jiangbin Fuhua Oil Pump Co. LTD ("Jiangbin Fuhua")	Ultimately controlled by China Changan
Hunan Jiangbin Machinery (Group) Co. LTD ("Jiangbin Machinery")	Ultimately controlled by China Changan
Hunan Tianyan Machinery Co. LTD ("Hunan Tianyan")	Ultimately controlled by China Changan
Jiangsu Wanyou Automobile Sales Service Co. LTD ("Jiangsu Wanyou")	Ultimately controlled by China Changan
Kunming Wanling Auto Sales Service Co. LTD ("Kunming Wanling")	Ultimately controlled by China Changan
Liangshan Wanyou Automobile Sales Service Co. LTD ("Liangshan Wanyou")	Ultimately controlled by China Changan
Liuzhou Qingshan Transmission Co. LTD ("Liuzhou transmission")	Ultimately controlled by China Changan
Liupanshui Wanfu Automobile Sales and Service Co., Ltd. ("Liupanshui Wanfu")	Ultimately controlled by China Changan
Longchang Shanchuan Machinery Co. LTD ("Longchang Shanchuan Machinery")	Ultimately controlled by China Changan
Longchang Shanchuan Precision Welded Pipe Co. LTD ("Longchang Shanchuan Welded Pipe")	Ultimately controlled by China Changan
Luzhou Wanyou Automobile Service Co. LTD ("Luzhou Wanyou")	Ultimately controlled by China Changan
Mianyang Wanzhong Automobile Parts Co. LTD ("Mianyang Wanzhong")	Ultimately controlled by China Changan
Nanchang Lufeng Motor Marketing Co., Ltd. ("Nanchang Lufeng Motor")	Ultimately controlled by China Changan
Faurecia South Automobile Parts Co. LTD ("Faurecia South")	Ultimately controlled by China Changan
CSGC TRW Chassia Systems Co., Ltd. ("CTCS")	Ultimately controlled by China Changan
South Inter Air-Conditioner Co., Ltd. ("South Air")	Ultimately controlled by China Changan
Nanning Wanyou Auto Sales and Service Co., Ltd. ("Nanning Wanyou Sales")	Ultimately controlled by China Changan
Panzhihua Wanyou Automobile Sales Service Co. LTD ("Panzhihua Wanyou")	Ultimately controlled by China Changan
Sichuan Huachuan Yamaha Motorcycle Parts Manufacturing Co. LTD ("Sichuan Huachuan Yama")	Ultimately controlled by China Changan
Sichuan Jian'an Industrial Co., Ltd. ("Sichuan Jian'an")	Ultimately controlled by China Changan
Sichuan Ningjiang Shanchuan Machinery Co., Ltd. ("Ningjiang Shanchuan")	Ultimately controlled by China Changan
Wanyou Automobile Investment Co., LTD ("Wanyou Automobile")	Ultimately controlled by China Changan
Xinan Binggong (Chongqing) Intelligent Life Service Co., LTD ("Xinan Binggong")	Ultimately controlled by China Changan
Ya 'an Wanyou Automobile Sales Service Co. LTD ("Ya 'an Wanyou")	Ultimately controlled by China Changan
Yunnan Wanfu Automobile Sales Service Co., Ltd. ("Yunnan Wanfu")	Ultimately controlled by China Changan

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## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) For the years ended 31 December 2022 and 2021, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Yunnan Wanyou Automobile Sales Service Co., LTD. ("Yunnan Wanyou Sales")	Ultimately controlled by China Changan
Yunnan Xiangyu Automobile Sales and Service Co. LTD ("Yunnan Xiangyu")	Ultimately controlled by China Changan
China Changan Automobile Group Co., LTD ("China Changan")	Ultimately controlled by China Changan
China Changan Automobile Group Hangzhou Investment Co., Ltd. ("Hangzhou Investment")	Ultimately controlled by China Changan
China Changan Automobile Group Hefei Investment Co., Ltd. ("Changan Automobile Group Hefei")	Ultimately controlled by China Changan
China Changan Automobile Group Shenzhen Investment Co. LTD ("Changan Automobile Group Shenzhen")	Ultimately controlled by China Changan
China Changan Automobile Group Tianjin Sales Co., Ltd. ("Changan Automobile Group Tianjin")	Ultimately controlled by China Changan
China Changan Automobile Group Co., Ltd. ("China Changan")	Ultimately controlled by China Changan
China South Industrial Automobile Co. LTD ("South Industrial Automobile")	Ultimately controlled by China Changan
Zhonghui Futong Finance Lease (Shenzhen) Co., Ltd. ("Zhonghui Futong Shenzhen")	Ultimately controlled by China Changan
Zhonghui Futong Investment Co. LTD ("Zhonghui Futong")	Ultimately controlled by China Changan
Chongqing Anfu Automobile Marketing Co., Ltd. ("Anfu Automobile Marketing")	Ultimately controlled by China Changan
Chongqing North Qingshan Precision Machinery Manufacturing Co. LTD ("Qingshan Precision")	Ultimately controlled by China Changan
Chongqing Automobile Air Conditioning Co., LTD ("Chongqing Air Conditioning")	Ultimately controlled by China Changan
Chongqing Qingshan Industrial Co. LTD ("Qingshan Industrial")	Ultimately controlled by China Changan
Chongqing Qingshan Transmission Sales Co. LTD ("Qingshan Transmission")	Ultimately controlled by China Changan
Chongqing Wanyou Chenghang Automobile Sales Service Co., LTD ("Wanyou Chenghang")	Ultimately controlled by China Changan
Chongqing Wanyou Ducheng Automobile Sales Service Co., Ltd. ("Chongqing Wanyou Ducheng")	Ultimately controlled by China Changan
Chongqing Wanyou Advertising Co. LTD ("Wanyou Advertising")	Ultimately controlled by China Changan
Chongqing Wanyou Economic Development Co., Ltd. ("Wanyou Economic")	Ultimately controlled by China Changan
Chongqing Wanyou Longrui Auto Sales and Service Co., Ltd. ("Wanyou Longrui")	Ultimately controlled by China Changan
Chongqing Wanyou Longxing Automobile Sales and Service Co., LTD ("Wanyou Longxing")	Ultimately controlled by China Changan
Chongqing Wanyou Automobile Sales Service Co. LTD ("Chongqing Wanyou")	Ultimately controlled by China Changan
Chongqing Wanyou Xingjian Automobile Sales and Service Co., LTD ("Wanyou Xingjian")	Ultimately controlled by China Changan
Chongqing Wanyou Zhicheng Automobile Sales Service Co., LTD ("Wanyou Zhicheng")	Ultimately controlled by China Changan
Chongqing Wanyou Zunda Automobile Sales and Service Co., LTD ("Wanyou Zunda")	Ultimately controlled by China Changan
Chongqing Yuxing Real Estate Development Co. LTD ("Yuxing Real Estate")	Ultimately controlled by China Changan
Dalian Minsheng International Shipping Agency Co. LTD ("Dalian Minsheng")	Ultimately controlled by Minsheng Industrial
Guangzhou Minsheng International Shipping Agency Co., Ltd. ("Guangzhou Minsheng")	Ultimately controlled by Minsheng Industrial
Guangzhou Minsheng International Freight Forwarding Co., Ltd. ("Guangzhou Minsheng International")	Ultimately controlled by Minsheng Industrial
Hubei Minsheng International Cargo Transportation Agency Co. LTD ("Hubei Minsheng")	Ultimately controlled by Minsheng Industrial
Minsheng International Shipping Agency Co. LTD ("Minsheng International")	Ultimately controlled by Minsheng Industrial
Minsheng International Freight Co., Ltd. ("Minsheng International Freight")	Ultimately controlled by Minsheng Industrial
Minsheng International Container Transportation Co., Ltd. ("Minsheng Container")	Ultimately controlled by Minsheng Industrial
Minsheng Shipping Co., Ltd. ("Minsheng Shipping")	Ultimately controlled by Minsheng Industrial
Minsheng Logistics Co., Ltd. ("Minsheng Logistics")	Ultimately controlled by Minsheng Industrial
Nanjing Minsheng International Freight Forwarding Co., Ltd. ("Nanjing Minsheng")	Ultimately controlled by Minsheng Industrial
Ningbo Minsheng International Shipping Agency Co. LTD ("Ningbo Minsheng")	Ultimately controlled by Minsheng Industrial
China Changan Automobile Group Hangzhou Investment Co., Ltd. ("Hangzhou Investment")	Ultimately controlled by China Changan
Yunnan Wanyou Automobile Sales Service Co., LTD. Small tun car business Department ("Yunnan Wanyou Sales")	Ultimately controlled by China Changan
Yunnan Xiangyu Automobile Sales and Service Co. LTD ("Yunnan Xiangyu")	Ultimately controlled by China Changan
China Changan Automobile Group Ningbo Dongxiang Sales Co., Ltd. ("Ningbo Dongxiang")	Ultimately controlled by China Changan

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## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) For the years ended 31 December 2022 and 2021, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Qingdao Minsheng International Shipping Agency Co. LTD ("Qingdao Minsheng")	Ultimately controlled by Minsheng Industrial
Shanghai Minsheng International Freight Co., Ltd. ("Shanghai Minsheng International Freight")	Ultimately controlled by Minsheng Industrial
Shanghai Minsheng Shipping Co., Ltd. ("Shanghai Minsheng Shipping")	Ultimately controlled by Minsheng Industrial
Sichuan Changhong Minsheng Logistics Co. LTD ("Sichuan Changhong")	Ultimately controlled by Minsheng Industrial
Sichuan Minsheng International Cargo Transportation Agency Co. LTD ("Sichuan Minsheng")	Ultimately controlled by Minsheng Industrial
Tianjin Minsheng International Shipping Agencies Co., Ltd. ("Tianjin Minsheng Shipping")	Ultimately controlled by Minsheng Industrial
Wuhan Changan Minfutong Logistics Co. LTD ("Wuhan Changan")	Ultimately controlled by Minsheng Industrial
Wuhan Minfutong ("Wuhan Minfutong")	Ultimately controlled by Minsheng Industrial
Hong Kong Minsheng Industrial Co., LTD ("Hong Kong Minsheng")	Ultimately controlled by Minsheng Industrial
Chongqing Minsheng Customs Clearance Co., Ltd. ("Minsheng Custom")	Ultimately controlled by Minsheng Industrial
Chongqing Minsheng International Shipping Agency Co. LTD ("Chongqing Minsheng")	Ultimately controlled by Minsheng Industrial
Chongqing Minsheng Comprehensive Logistics Co., Ltd. ("Minsheng Comprehensive")	Ultimately controlled by Minsheng Industrial
Chongqing Wanzhou Minsheng International Cargo Transport Agency Co., LTD ("Chongqing Wanzhou")	Ultimately controlled by Minsheng Industrial
Qingbingqi Magazine ("Qingbingqi")	Ultimately controlled by CSI Group
Brazilian Amazon TRAXX ("Brazilian Amazon")	Ultimately controlled by CSI Group
Baobian Share - Atlanta Transformer India Co., LTD ("Baobian Share")	Ultimately controlled by CSI Group
Baoding Baoling Transformer Co., LTD ("Baoling transformer")	Ultimately controlled by CSI Group
Baoding Huiyuan Consulting Service Co. LTD ("Baoding Huiyuan")	Ultimately controlled by CSI Group
Baoding Tianwei Baobian Electric Co., LTD ("Tianwei Baobian Electric")	Ultimately controlled by CSI Group
Baoding Tianwei Transformer Engineering Technology Consulting and Maintenance Co., LTD ("Tianwei Transformer")	Ultimately controlled by CSI Group
Baoding Tianwei Transformer Co., LTD ("Tianwei Transformer")	Ultimately controlled by CSI Group
Baoding Tianweihuake Power Wire Co. LTD ("Tianweihuake")	Ultimately controlled by CSI Group
Baoding Tianwei Group Tebian Electric Co. LTD ("Tianwei Group")	Ultimately controlled by CSI Group
Baoding Tianwei Shunda Transformer Co. LTD ("Tianwei Shunda")	Ultimately controlled by CSI Group
Baoding Tianwei Investment Management Co. LTD ("Tianwei Investment")	Ultimately controlled by CSI Group
Baoding Tianwei Wire Manufacturing Co. LTD ("Tianwei Wire")	Ultimately controlled by CSI Group
Baoding Tianwei Xinyu Technology Development Co., LTD ("Tianwei Xinyu")	Ultimately controlled by CSI Group
Baoding Tianwei Zhuochuang Electrical Equipment Technology Co., LTD ("Tianwei Zhuochuang")	Ultimately controlled by CSI Group
Baoding Tongwei Electrical Equipment Co., LTD ("Baoding Tongwei")	Ultimately controlled by CSI Group
Baoding Xinsheng Cooling Equipment Co., LTD ("Baoding Xinsheng")	Ultimately controlled by CSI Group
Beijing North Changcheng Hotel ("Beijing North Changcheng")	Ultimately controlled by CSI Group
Beijing Beiji Electromechanical Industry Co. LTD ("Beijing Beiji")	Ultimately controlled by CSI Group
Beijing Danlingsi Kedi Technology Co., LTD ("Danlingsi Kedi")	Ultimately controlled by CSI Group
Beijing Danlingyun Technology Co., LTD ("Danlingyun Technology")	Ultimately controlled by CSI Group
Beijing South International Property Management Co. LTD ("Beijing South")	Ultimately controlled by CSI Group
Beijing Shangcheng Jiayuan Real Estate Development Co. LTD ("Beijing Shangcheng")	Ultimately controlled by CSI Group
Beijing Shijing Optoelectronic Technology Co., LTD ("Beijing Shijing")	Ultimately controlled by CSI Group
Beijing Yongyuan Heat Pump Co. LTD ("Beijing Yongyuan")	Ultimately controlled by CSI Group
Beijing Zhongbing Insurance Broker Co. LTD ("Beijing Zhongbing")	Ultimately controlled by CSI Group
Beijing Zhongbing Xingda Technology Co. LTD ("Beijing Zhongbing Xingda")	Ultimately controlled by CSI Group

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## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) For the years ended 31 December 2022 and 2021, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
China South Industries Group Finance Co., Ltd. ("Zhuangbei Finance")	Ultimately controlled by CSI Group
Bingzhuang Yunzhi (Beijing) Technology Co., LTD ("Bingzhuang Yunzhi")	Ultimately controlled by CSI Group
Hubei Hannangang Industrial Co., Ltd. ("Hubei Hannangang")	Ultimately controlled by CSI Group
Chengdu Auge Optical Glass Co., LTD ("Chengdu Auge")	Ultimately controlled by CSI Group
Chengdu Guangming Optoelectronics Share Co., LTD ("Guangming Optoelectronics")	Ultimately controlled by CSI Group
Chengdu Guangming Photoelectric Instrument Co. LTD ("Guangming Photoelectric Instrument")	Ultimately controlled by CSI Group
Chengdu Guangming Photoelectric Co. LTD ("Guangming Photoelectric")	Ultimately controlled by CSI Group
Chengdu Guangming Optical Components Co. LTD ("Guangming Optical Components")	Ultimately controlled by CSI Group
Chengdu Guangming South Optical Technology Co. LTD ("Guangming South")	Ultimately controlled by CSI Group
Chengdu Guangming Pat Precious Metal Co. LTD ("Guangming Pat")	Ultimately controlled by CSI Group
Chengdu Hengda Optical Co. LTD ("Chengdu Hengda")	Ultimately controlled by CSI Group
Chengdu Jialing Huaxi Optical & Precision Machinery Co., Ltd. ("Chengdu Jialing Huaxi")	Ultimately controlled by CSI Group
Chengdu Jinlin Industrial Manufacturing Co. LTD ("Chengdu Jinlin")	Ultimately controlled by CSI Group
Chengdu Lingchuan Vehicle Oil Tank Co., Ltd. ("Lingchuan Tank")	Ultimately controlled by CSI Group
Chengdu Lingchuan Special Industry Co. LTD ("Lingchuan Special")	Ultimately controlled by CSI Group
Chengdu Wanyou Filter Co., Ltd. ("Chengdu Wanyou")	Ultimately controlled by CSI Group
Chengdu Yuchang Photoelectric Co. LTD ("Chengdu Yuchang")	Ultimately controlled by CSI Group
Chengde Suken Yinhe Connecting Rod Co. LTD ("Chengde Suken Yinhe")	Ultimately controlled by CSI Group
Dayang New Energy Automobile (Luoyang) Co., LTD ("Dayang New Energy")	Ultimately controlled by CSI Group
Danyang Guangming Photoelectric Co., LTD ("Danyang Guangming")	Ultimately controlled by CSI Group
Dujiangyan Guangming Photoelectric Material Co. LTD ("Dujiangyan Guangming")	Ultimately controlled by CSI Group
Fujian Wanbing Cultural Development Co., LTD ("Fujian Wanbing")	Ultimately controlled by CSI Group
Fujian Xinnuo Robot Automation Co. LTD ("Fujian Xinnuo")	Ultimately controlled by CSI Group
Guangzhou Guangming Photoelectric Co., LTD ("Guangzhou Guangming")	Ultimately controlled by CSI Group
Guiyang Gaofeng Petroleum Machinery Co. LTD ("Guiyang Gaofeng")	Ultimately controlled by CSI Group
Guizhou Gaofeng Petroleum Machinery Co., LTD ("Guizhou Gaofeng")	Ultimately controlled by CSI Group
Harbin Longjiang Special Equipment Co. LTD ("Harbin Longjiang")	Ultimately controlled by CSI Group
Henan Zhongfukang Digital Display Co. LTD ("Henan Zhongfukang")	Ultimately controlled by CSI Group
Henan Zhong Optical Group Co. LTD ("Henan Zhong Optical")	Ultimately controlled by CSI Group
Henan Zhongyuan Special Steel Equipment Manufacturing Co. LTD ("Henan Zhongyuan")	Ultimately controlled by CSI Group
Heilongjiang North Tool Co. LTD ("Heilongjiang Tool")	Ultimately controlled by CSI Group
Heilongjiang North Shuangjia drilling Tool Co. LTD ("Heilongjiang Shuangjia")	Ultimately controlled by CSI Group
Hubei Changjiang Photoelectric Instrument Co. LTD ("Hubei Changjiang")	Ultimately controlled by CSI Group
Hubei 295 Technology Co., LTD ("Hubei 295")	Ultimately controlled by CSI Group
Hubei Fuhua Precision Photoelectric Co. LTD ("Hubei Fuhua")	Ultimately controlled by CSI Group
Hubei Huaqiang Technology Co., LTD ("Hubei Huaqiang Technology")	Ultimately controlled by CSI Group
Hubei Huaqiang Pharmaceutical Cover Co., LTD ("Hubei Huaqiang Pharmaceutical")	Ultimately controlled by CSI Group
Hubei Huazhong Optoelectronic Technology Co. LTD ("Hubei Huazhong Optoelectronic")	Ultimately controlled by CSI Group
Hubei Huazhong Maruili Automobile Lighting Co., Ltd. ("Hubei Huazhong Maruili")	Ultimately controlled by CSI Group
Hubei Xiaogan Huazhong Automotive Lighting Co., Ltd. ("Hubei Xiaogan")	Ultimately controlled by CSI Group

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## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) For the years ended 31 December 2022 and 2021, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Hunan Huanan Optoelectronics (Group) Co. LTD ("Huanan Optoelectronics")	Ultimately controlled by CSI Group
Hunan Huanan Optoelectronic Technology Co., LTD ("Huanan Optoelectronic Technology")	Ultimately controlled by CSI Group
Hunan Yunjian Group Co. LTD ("Yunjian Group")	Ultimately controlled by CSI Group
Hunan Yunjian Technology Co., LTD ("Yunjian Technology")	Ultimately controlled by CSI Group
Hunan Yunjian Guided Aerial Ammunition Research and Development Co. LTD ("Yunjian Guided")	Ultimately controlled by CSI Group
Hunan Yunjian Wisdom Technology Co., LTD ("Yunjian Wisdom")	Ultimately controlled by CSI Group
Huazhong Pharmaceutical Co., LTD ("Huazhong Pharmaceutical")	Ultimately controlled by CSI Group
Huihao (Hong Kong) Development Company Limited ("Huihao (Hong Kong)")	Ultimately controlled by CSI Group
Jinan Qingqi Biaozhi Motorcycle Co. LTD ("Qingqi Biaozhi")	Ultimately controlled by CSI Group
Jinan Qingqi Second Assembly Co., LTD ("Qingqi Second Assembly")	Ultimately controlled by CSI Group
Jinan Qingqi Engine Co., LTD ("Qingqi Engine")	Ultimately controlled by CSI Group
Jinan Qingqi Suzuki Motorcycle Co. LTD ("Qingqi Suzuki")	Ultimately controlled by CSI Group
Jinan Qingqi Motorcycle Co. LTD ("Qingqi Motorcycle")	Ultimately controlled by CSI Group
Jiyuan Shijing Photoelectric Frequency Technology Co. LTD ("Jiyuan Shijing")	Ultimately controlled by CSI Group
Jialing Group Foreign Trade Development Co. LTD ("Jialing Group")	Ultimately controlled by CSI Group
Jialing Motor America Co. LTD ("Jialing Motor")	Ultimately controlled by CSI Group
Jiangxi Changjiang Chemical Industry Co. LTD ("Jiangxi Changjiang")	Ultimately controlled by CSI Group
Luoyang North Enterprise Group Co. LTD ("North Enterprise")	Ultimately controlled by CSI Group
Luoyang North Yichu Motorcycle Co. LTD ("North Yichu")	Ultimately controlled by CSI Group
Luoyang Gaoxin Sanhuan Industrial Co. LTD ("Gaoxin Sanhuan")	Ultimately controlled by CSI Group
Luoyang Gaoxin Xinhua Welfare Processing Co. LTD ("Gaoxin Xinhua")	Ultimately controlled by CSI Group
Luoyang Tongyuan Motorcycle Building Co. LTD ("Luoyang Tongyuan")	Ultimately controlled by CSI Group
Mianyang Bohe Technology Service Co., LTD ("Mianyang Bohe")	Ultimately controlled by CSI Group
Mianyang Weibo Electronic Co., LTD ("Mianyang Weibo")	Ultimately controlled by CSI Group
Mudanjiang North Alloy Tool Co., LTD ("Mudanjiang North")	Ultimately controlled by CSI Group
South Bingqi Equipment Industry Co. LTD ("South Bingqi")	Ultimately controlled by CSI Group
South Industrial International Holdings (Hong Kong) Limited ("South Industrial International")	Ultimately controlled by CSI Group
South Industrial Technology Trade Co., LTD ("South Industrial Technology")	Ultimately controlled by CSI Group
South Industrial Asset Management Co. LTD ("Southern Industrial Assets")	Ultimately controlled by CSI Group
Nanfang Hehe Technology (Beijing) Co., LTD ("Nanfang Hehe")	Ultimately controlled by CSI Group
Nanfang Ruiyuan (Beijing) Investment Management Co. LTD ("Nanfang Ruiyuan")	Ultimately controlled by CSI Group
Nanyang Chuan Optical Power Technology Co. LTD ("Nanyang Chuan Optical")	Ultimately controlled by CSI Group
Nanyang Guangming Photoelectric Co., LTD ("Nanyang Guangming")	Ultimately controlled by CSI Group
Nanyang Lida Photoelectric Co., LTD ("Nanyang Lida")	Ultimately controlled by CSI Group
Nanyang South Wisdom Photoelectric Co., LTD ("Nanyang South")	Ultimately controlled by CSI Group
Nanyang Zhongyuan Wisdom Elevator Co., LTD ("Nanyang Zhongyuan")	Ultimately controlled by CSI Group
Shaanxi Kunlun Machinery Equipment Manufacturing Co. LTD ("Shaanxi Kunlun")	Ultimately controlled by CSI Group
Shanghai Beitong Guide Control Technology Development Co. LTD ("Shanghai Beitong")	Ultimately controlled by CSI Group
Shanghai Guangming Photoelectric Co. LTD ("Shanghai Guangming")	Ultimately controlled by CSI Group

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## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) For the years ended 31 December 2022 and 2021, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Shanghai Secke Industrial Co., LTD ("Shanghai Secke")	Ultimately controlled by CSI Group
Sichuan Hongguang Machinery and Electrics Co., Ltd. ("Sichuan Hongguang")	Ultimately controlled by CSI Group
Sichuan Huachuan Industry Co. LTD ("Sichuan Huachuan Industry")	Ultimately controlled by CSI Group
Sichuan Huaqing Machinery Co., Ltd. ("Sichuan Huaqing")	Ultimately controlled by CSI Group
Sichuan Nanshan Nail Fastening Equipment Co. LTD ("Sichuan Nanshan")	Ultimately controlled by CSI Group
Suken Yinhe Automobile Parts Yancheng Co., LTD ("Yancheng Suken Yinhe")	Ultimately controlled by CSI Group
Tenneco Lingchuan (Chongqing) Exhaust System Co., LTD ("Tenneco Lingchuan")	Ultimately controlled by CSI Group
Tianwei Baobian (Hefei) Transformer Co., LTD ("Tianwei Baobian (Hefei)")	Ultimately controlled by CSI Group
Tianwei Baobian (Qinhuangdao) Transformer Co., LTD ("Tianwei Baobian (Qinhuangdao)")	Ultimately controlled by CSI Group
Tianwei New Energy System Engineering (Beijing) Co., LTD ("Tianwei New energy")	Ultimately controlled by CSI Group
Wukuang Tianwei Iron & Steel Co. LTD ("Wukuang Tian")	Ultimately controlled by CSI Group
Wuhan Binhu Electronic Co. LTD ("Wuhan Binhu")	Ultimately controlled by CSI Group
Wuhan Changjiang Optoelectronics Co. LTD ("Changjiang Optoelectronics")	Ultimately controlled by CSI Group
Xi 'an Bingqi Industry Special Equipment Testing Co. LTD ("Xi 'an Bingqi")	Ultimately controlled by CSI Group
Xi 'an Kunlun Industrial (Group) Company ("Kunlun Industry")	Ultimately controlled by CSI Group
Xi 'an Kunlun Automobile Electronics Co., LTD ("Kunlun Automobile")	Ultimately controlled by CSI Group
Xinan Binggong Chongqing Environmental Protection Research Institute Co. LTD ("Xinan Binggong Research")	Ultimately controlled by CSI Group
Xinan Bingqi Industry Company ("Xinan Bingqi")	Ultimately controlled by CSI Group
Xiangyang 295 Pharmaceutical Management Co., LTD ("Xiangyang 295")	Ultimately controlled by CSI Group
Xiaogan Huazhong Precision Instrument Co. LTD ("Xiaogan Huazhong")	Ultimately controlled by CSI Group
Yangzhou Suken Yinhe Connecting Rod Co. LTD ("Yangzhou Suken Yinhe")	Ultimately controlled by CSI Group
Yichang Huaqiang Trading Co., LTD ("Huaqiang Trading")	Ultimately controlled by CSI Group
Yichang Huaqiang Plastic Industry Co. LTD ("Huaqiang Plastic Industry")	Ultimately controlled by CSI Group
Yunnan Xiyi Industrial Co., Ltd. ("Yunnan Xiyi")	Ultimately controlled by CSI Group
Zaoyang Jinante Chemical Co. LTD ("Zaoyang Jinan")	Ultimately controlled by CSI Group
China Optical Group Co., LTD ("China Optical")	Ultimately controlled by CSI Group
China North International Shooting Range ("North International")	Ultimately controlled by CSI Group
China Bingqi Newspaper Office ("Bingqi Newspaper Office")	Ultimately controlled by CSI Group
China Bingqi Industry 208th Research Institute ("Bingqi Industry 208th")	Ultimately controlled by CSI Group
China Bingqi Industry 218th Research Institute ("Bingqi Industry 218th")	Ultimately controlled by CSI Group
China Bingqi Industry 59th Research Institute ("Bingqi Industry 59th")	Ultimately controlled by CSI Group
China Bingqi Equipment Group Hangzhou Sanatorium ("Bingqi Hangzhou")	Ultimately controlled by CSI Group
China Bingqi Equipment Group motorcycle testing Technology Research Institute ("Bingqi motorcycle")	Ultimately controlled by CSI Group
China Bingqi Equipment Group Human Resources Development Center ("Bingqi Human Resources")	Ultimately controlled by CSI Group
China South Industries Financial Leasing Co., Ltd. ("Industries Leasing")	Ultimately controlled by CSI Group
China South Industries Group Factoring Co., Ltd. ("Zhuangbei Factoring")	Ultimately controlled by CSI Group
China Ordnance Equipment Group Co., Ltd. ("COEG")	Ultimately controlled by CSI Group
China Bingqi Equipment Group Information Center Co. LTD ("Bingqi Information Center")	Ultimately controlled by CSI Group
China Bingqi Equipment Group Automation Research Institute Co. LTD ("Bingqi Automation")	Ultimately controlled by CSI Group
China Bingqi Equipment Research Institute ("Bingqi Equipment Research")	Ultimately controlled by CSI Group

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## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) For the years ended 31 December 2022 and 2021, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Zhongtianheng Investment Management Co. LTD (“Zhongtianheng Investment”)	Ultimately controlled by CSI Group
Chongqing Ambo Automobile Sales Co., LTD (“Ambo Automobile”)	Ultimately controlled by CSI Group
Chongqing Chang’an Industry (Group)Co.,Ltd.(“Changan Industry Company”)	Ultimately controlled by CSI Group
Chongqing Changdian Materials Co. LTD (“Chongqing Changdian”)	Ultimately controlled by CSI Group
Chongqing Changfeng Jiquan Machinery Co., Ltd. (“Changfeng Jiquan”)	Ultimately controlled by CSI Group
Chongqing Changjiang Electrical Appliances Industries Group Co., Ltd.(“Chongqing Changjiang Electric”)	Ultimately controlled by CSI Group
Chongqing Three Gorges Comprehensive Market Co. LTD (“Chongqing Three Gorges”)	Ultimately controlled by CSI Group
Chongqing Changjiang Special Equipment Co. LTD (“Chongqing Changjiang Special”)	Ultimately controlled by CSI Group
Chongqing Changrong Machinery Co., Ltd. (“Changrong Machinery”)	Ultimately controlled by CSI Group
Chongqing Dajiang Industry Group Xingchen Logistics Co., Ltd.(“Dajiang Xingchen”)	Ultimately controlled by CSI Group
Chongqing Dajiang Industry Co. LTD (“Chongqing Dajiang Industry”)	Ultimately controlled by CSI Group
Chongqing Dajiang Jiexin Forging Co., Ltd. (“Dajiang Jiexin”)	Ultimately controlled by CSI Group
Chongqing Dajiang Xinda Vehicles Shares Co., Ltd.(“Dajiang Xinda”)	Ultimately controlled by CSI Group
Chongqing Dajiang Zhifang Special Equipment Co. LTD (“Chongqing Dajiang Zhifang”)	Ultimately controlled by CSI Group
Chongqing Haiyuan Motorcycle Parts Manufacturing Co. LTD (“Chongqing Haiyuan”)	Ultimately controlled by CSI Group
Chongqing Hongyu Precision Industry Co. LTD (“Hongyu Precision Industry”)	Ultimately controlled by CSI Group
Chongqing Hongyu Friction Products Co., LTD (“Hongyu Friction Products”)	Ultimately controlled by CSI Group
Chongqing Huxi Electric Machine Industry Co. LTD (“Chongqing Huxi”)	Ultimately controlled by CSI Group
Chongqing Jialing Industry Co. LTD (“Jialing Industry”)	Ultimately controlled by CSI Group
Chongqing Jialing Huaguang Photoelectric Technology Co., LTD (“Jialing Huaguang”)	Ultimately controlled by CSI Group
Chongqing Jialing Jiapeng Industry Co. LTD (“Jialing Jiapeng”)	Ultimately controlled by CSI Group
Chongqing Jialing Quanyu Motor Vehicle Co., LTD (“Jialing Quanyu”)	Ultimately controlled by CSI Group
Chongqing Jialing Special Equipment Co. LTD (“Jialing Special”)	Ultimately controlled by CSI Group
Chongqing Jialing Yimin Special Equipment Co. LTD (“Jialing Yimin”)	Ultimately controlled by CSI Group
Chongqing Jiamao Property Management Co. LTD (“Chongqing Jiamao”)	Ultimately controlled by CSI Group
Chongqing Construction Yamaha Motorcycle Co., LTD (“Chongqing Yama”)	Ultimately controlled by CSI Group
Chongqing Jianshe Automobile Air-Conditioner Co., Ltd. (“Chongqing Jianshe Auto-Air”)	Ultimately controlled by CSI Group
Chongqing Construction Transmission Technology Co., LTD (“Chongqing Transmission”)	Ultimately controlled by CSI Group
Chongqing Jianshe Industrial (Group) Co., Ltd. (“Jianshe Industrial”)	Ultimately controlled by CSI Group
Chongqing Construction Haofang Precision Manufacturing Co., LTD (“Chongqing Haofang”)	Ultimately controlled by CSI Group
Chongqing Construction Mechanical and Electrical Co. LTD (“Chongqing Mechanical and Electrical”)	Ultimately controlled by CSI Group
Chongqing Construction Automobile System Co., LTD (“Chongqing Automobile”)	Ultimately controlled by CSI Group
Chongqing Construction Toneluck Industrial Co., Ltd (“Chongqing Jianshe Toneluck”)	Ultimately controlled by CSI Group
Chongqing Naishite Steering System Co., Ltd. (“Chongqing Naishite”)	Ultimately controlled by CSI Group
Chongqing Pingshan Taikai Carburetor Co. LTD (“Chongqing Pingshan”)	Ultimately controlled by CSI Group
Chongqing Qiqi Property Service Co. LTD (“Qiqi Property”)	Ultimately controlled by CSI Group
Chongqing Sanhuan property development (“Chongqing Sanhuan”)	Ultimately controlled by CSI Group
Chongqing Shangfang Automobile Fittings Co., Ltd. (“Shangfang Fitting”)	Ultimately controlled by CSI Group
Chongqing Wanbing Plastic Industry Co. LTD (“Wanbing Plastic”)	Ultimately controlled by CSI Group
Chongqing Wanyou Kangnian Hotel Co., LTD (“Wanyou Kangnian”)	Ultimately controlled by CSI Group

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## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) For the years ended 31 December 2022 and 2021, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Chongqing Wangjiang Industry Co. LTD (“Wangjiang Industry”)	Ultimately controlled by CSI Group
Chongqing Wangjiang Haojue Engine Co. LTD (“Wangjiang Haojue”)	Ultimately controlled by CSI Group
Chongqing Wangjiang Property Management Co. LTD (“Wangjiang Property”)	Ultimately controlled by CSI Group
Chongqing 59 Precision Forging Co. LTD (“Chongqing 59 Forging”)	Ultimately controlled by CSI Group
Chongqing 59 Journal Press (“Chongqing 59 Journal”)	Ultimately controlled by CSI Group
Chongqing Xiyi Automobile Connecting Rod Co., LTD (“Xiyi Automobile”)	Ultimately controlled by CSI Group
Chongqing Yihong Engineering Plastic Products Co., Ltd. (“Yihong Plastic”)	Ultimately controlled by CSI Group
Chongqing Zhong Optical Construction Coating Technology Co., LTD (“Chongqing Zhong Optical”)	Ultimately controlled by CSI Group
Chongqing Zhujiang Optoelectronic Technology Co. LTD (“Chongqing Zhujiang”)	Ultimately controlled by CSI Group
Zhuhai Hengqin Zhong Optical Technology Co. LTD (“Zhuhai Hengqin”)	Ultimately controlled by CSI Group
Zhuzhou Construction Yamaha Motorcycle Co. LTD (“Zhuzhou Construction”)	Ultimately controlled by CSI Group
Chongqing Chanan Suzuki Automobile Co., Ltd. (“Changan Suzuki”)	Under the ultimate control of Changan Automobile
Avita Technology (Chongqing) Co., LTD (“Avita Technology”)	Under the ultimate control of Changan Automobile
Baoding Changan Bus Manufacture Co., Ltd. (“Changan Bus”)	Under the ultimate control of Changan Automobile
Beijing Changan Che Lian Technology Co., LTD (“Beijing Che Lian”)	Under the ultimate control of Changan Automobile
Beijing Changan Automobile Engineering Technology Research Co., LTD (“Beijing Changan”)	Under the ultimate control of Changan Automobile
Changan Brazil Holding Co. LTD (“Changan Brazil”)	Under the ultimate control of Changan Automobile
Changan Biaozhi Xuetielong Automobile Co. LTD (“Changan Biaozhi”)	Under the ultimate control of Changan Automobile
Changan Che Lian (Shanghai) Technology Co., LTD (“Shanghai Che Lian”)	Under the ultimate control of Changan Automobile
Changan Ford (Hangzhou) Trading Co., Ltd. (“Ford Trading”)	Under the ultimate control of Changan Automobile
Changan Ford Mazda Engine Co. LTD (“Ford Mazda Engine”)	Under the ultimate control of Changan Automobile
Changan Ford Automobile Co., Ltd. (“Changan Ford”)	Under the ultimate control of Changan Automobile
Changan Ford New Energy Automobile Sale Service Co., Ltd. (“Ford New Energy Guangzhou”)	Under the ultimate control of Changan Automobile
Changan Ford New Energy Automobile Sale Service Co., Ltd. (“Ford New Energy Shenzhen”)	Under the ultimate control of Changan Automobile
Changan Mazda Engine Co., Ltd. (“Changan Mazda Engine”)	Under the ultimate control of Changan Automobile
Changan Mazda Auto Sales branch (“Mazda Auto Sales”)	Under the ultimate control of Changan Automobile
Changan Mazda Automobile Co., Ltd. (“Changan Mazda”)	Under the ultimate control of Changan Automobile
Changan American R&D Center Co., LTD (“Changan American”)	Under the ultimate control of Changan Automobile
Changan Automobile (Group) Co. LTD (“Changan Automobile”)	Under the ultimate control of Changan Automobile
Changan Automobile Russia Co. LTD (“Changan Automobile Russia”)	Under the ultimate control of Changan Automobile
Changan Automobile Group Chongqing Guangda Company (“Chongqing Guangda”)	Under the ultimate control of Changan Automobile
Changan Automobile European Design Center Co. LTD (“Changan Automobile Europe”)	Under the ultimate control of Changan Automobile
Changan Automobile Investment (Shenzhen) Co., LTD (“Changan Automobile Shenzhen”)	Under the ultimate control of Changan Automobile
Changan Automobile Sales Co., LTD (“Changan Automobile sales”)	Under the ultimate control of Changan Automobile
Changan Japanese Design Centre co., LTD (“Changan Japan”)	Under the ultimate control of Changan Automobile
Changan UK R&D Center Co. LTD (“Changan UK”)	Under the ultimate control of Changan Automobile
Fuzhou Fuqing Changan New Energy Automobile Sales Co., LTD (“Fuzhou Changan”)	Under the ultimate control of Changan Automobile
Guangzhou Changan New Energy Vehicle Sales and Service Co., LTD (“Guangzhou Changan”)	Under the ultimate control of Changan Automobile
Haikou Changan Che Lian Technology Co., LTD (“Haikou Che Lian”)	Under the ultimate control of Changan Automobile
Hangzhou Changan Yihang Technology Co., LTD (“Hangzhou Changan Yihang”)	Under the ultimate control of Changan Automobile

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## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) For the years ended 31 December 2022 and 2021, related parties, other than the subsidiaries of the Company, and their relationship with the Group are as follows: (continued)

Name of related party	Relationship
Hefei Changan Automobile Co., Ltd. ("Hefei Changan")	Under the ultimate control of Changan Automobile
Hefei Changan Yixing Technology Co.,Ltd. ("Hefei Changan Yixing")	Under the ultimate control of Changan Automobile
Hebei Changan Automobile Co., Ltd. ("Hebei Changan")	Under the ultimate control of Changan Automobile
Jiangling Holdings Ltd. ("Jiangling Holdings")	Under the ultimate control of Changan Automobile
Jiangling Automobile Holdings Co., Ltd. ("Jiangling Automobile Holdings")	Under the ultimate control of Changan Automobile
Jiangling Heavy Truck Co. LTD ("Jiangling Heavy Truck")	Under the ultimate control of Changan Automobile
Nanchang Jiangling Investment Co. LTD ("Jiangling Investment")	Under the ultimate control of Changan Automobile
Nanjing Changan Che Lian Technology Co., LTD ("Nanjing Che Lian")	Under the ultimate control of Changan Automobile
Nanjing Changan Automobile Co., Ltd. ("Nanjing Changan")	Under the ultimate control of Changan Automobile
Nanjing Changan New Energy Vehicle Sales and Service Co., LTD ("Nanjing Changan")	Under the ultimate control of Changan Automobile
Xiamen Changan New Energy Vehicle Sales and Service Co., LTD ("Xiamen Changan")	Under the ultimate control of Changan Automobile
Tianjin Changan Che Lian Technology Co., LTD ("Tianjin Che Lian")	Under the ultimate control of Changan Automobile
Ya 'an Changan Affordable Housing Construction Co., LTD ("Ya 'an Changan")	Under the ultimate control of Changan Automobile
China Changan Automobile Group Ningbo Dongxiang Sales Co., Ltd. ("Ningbo Doxiang")	Under the ultimate control of Changan Automobile
Chongqing Ante Import and Export Trading Co., Ltd. ("Chongqing Ante")	Under the ultimate control of Changan Automobile
Chongqing Changan Che Lian Technology Co., Ltd. ("Changan Che Lian")	Under the ultimate control of Changan Automobile
Chongqing Changan Real Estate Development Co. LTD ("Chongqing Changan Real Estate")	Under the ultimate control of Changan Automobile
Chongqing Chang'an Construction Co., Ltd.("Changan Construction")	Under the ultimate control of Changan Automobile
Chongqing Changan Kacheng Automobile Technology Co., LTD ("Changan Kacheng")	Under the ultimate control of Changan Automobile
Chongqing Changan Automobile Co., Ltd.("Changan Automobile")	Under the ultimate control of Changan Automobile
Chongqing Changan Automobile Co., LTD. Sales company ("Changan Automobile")	Under the ultimate control of Changan Automobile
Chongqing Changan International Sales and Services Co., Ltd.("Changan International Sales")	Under the ultimate control of Changan Automobile
Chongqing Changan Automobile Supporting Service Co., Ltd. ("Changan Service")	Under the ultimate control of Changan Automobile
Chongqing Changan Automotive Software Technology Co., LTD ("Changan Software Technology")	Under the ultimate control of Changan Automobile
Chongqing Changan Automobile Sales Co., LTD ("Chongqing Changan Automobile Sales")	Under the ultimate control of Changan Automobile
Chongqing Changan New Energy Technology Co., Ltd. ("Changan New Energy Technology")	Under the ultimate control of Changan Automobile
Chongqing Changan Intelligent Industrial Technology Service Co., Ltd.("Chongqing Changan Intelligent")	Under the ultimate control of Changan Automobile
Chongqing Changan Special Automobile Sales Co., Ltd. ("Changan Special")	Under the ultimate control of Changan Automobile
Chongqing Chehemei Technology Co., LTD ("Chongqing Chehemei")	Under the ultimate control of Changan Automobile
Chongqing Kuaifu Technology Co., LTD ("Chongqing Kuaifu")	Under the ultimate control of Changan Automobile
Chongqing Lingyao Automobile Co. LTD ("Chongqing Lingyao")	Under the ultimate control of Changan Automobile
Chongqing Changan Property Management Co., Ltd. ("Changan Property")	Under the ultimate control of Changan Automobile
Meiji Chuyun (Shanghai) Co., LTD ("Meiji (Shanghai)")	Controlled by APL Logistics
APL Logistics (China) Ltd. ("APLLC")	Controlled by APL Logistics

## NOTES TO FINANCIAL STATEMENTS

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## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with the joint venture:

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

	2022 RMB'000	2021 RMB'000
Hangzhou Anji	<u>22,409</u>	<u>12,070</u>

(ii) Income from the leasing services:

	2022 RMB'000	2021 RMB'000
Hangzhou Anji	<u>324</u>	<u>-</u>

Transactions with the associate

(i) Logistic services provided by an associate:

	2022 RMB'000	2021 RMB'000
Chongqing Guoyuan	<u>18,762</u>	<u>-</u>

Transactions with other related parties

(i) Dividend income

	2022 RMB'000	2021 RMB'000
Zhuangbei Finance	<u>2,096</u>	<u>1,867</u>

(ii) Interest income

	2022 RMB'000	2021 RMB'000
Zhuangbei Finance	<u>2,226</u>	<u>1,654</u>

(iii) Administrative expenses

	2022 RMB'000	2021 RMB'000
Changan Automobile	<u>2,897</u>	<u>2,384</u>



## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

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

	2022	2021
	RMB'000	RMB'000
Changan Automobile	1,842,331	1,543,492
Changan Ford	476,331	450,021
Hebei Changan	266,698	236,790
Changan New Energy Technology	234,805	21,785
Mazda Auto Sales	173,853	-
Hefei Changan	37,295	91
Changan Bus	23,967	34,501
Changan Mazda	6,694	241,669
Changan International Sales	5,742	-
Nanjing Changan	4,264	131
Changan Mazda Engine	3,617	4,536
Chongqing Che Lian	568	-
Changan Che Lian	567	47
Minsheng Logistics	507	2,707
Avita Technology	385	-
Changan Kacheng	245	-
Yunnan Wanyou Sales	231	-
Anfu Automobile Marketing	70	97
Guizhou Wanyou	18	-
Changan Special	-	1,618
Ford New Energy Shenzhen	-	1,333
	<u>3,078,188</u>	<u>2,538,818</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

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

	2022 RMB'000	2021 RMB'000
Changan Ford	480,009	394,267
Changan Automobile	264,412	221,646
Changan Mazda	111,369	114,244
Hefei Changan	79,850	93,838
Sichuan Jian'an	54,794	46,151
Qingshan Industrial	52,502	-
Changan New Energy Technology	26,338	88,121
Changan Bus	24,909	14
Chengdu Huachuan	21,894	16,693
Changan Service	19,878	-
Jiangling Automobile	15,582	30,007
Nanjing Changan	14,425	16,160
Anhui Jian'an	11,599	10,472
Jiangling Holdings	9,159	-
Changan International Sales	8,001	23,692
Hebei Changan	7,749	22,171
Minsheng Logistics	5,529	-
CTCS	4,489	6,257
Baogang Zhushang	4,229	4,130
Chongqing Lingyao	3,506	3,071
Changan Mazda Engine	3,505	2,142
Yunnan Wanyou Sales	2,870	1,950
Harbin DAE	2,323	2,406
Guizhou Wanyou	1,681	-
Faurecia	1,167	-
Ningjiang Shanchuan	1,084	1,601
Wanyou Zunda	937	-
Mazda Auto Sales	662	-
Longchang Shanchuan Machinery	491	-
Faurecia South	487	-
Harbin DAP	336	-
South Air	297	288
Minsheng Comprehensive	160	-
Ningjiang Showa	87	1,223
Anfu Automobile Marketing	70	-
Meiji (Shanghai)	38	-
Wanyou Economic	27	-
Minsheng Container	12	-
Guizhou Wanfu	9	29
Avita Technology	6	-
Mianyang Wanzhong	5	-
Dali Wanfu	3	-
Wanyou Xingjian	2	-
Dehong Wanfu	1	-
Chuxiong Wanfu	1	-
Yunnan Wanfu	1	-
Ford Trading	-	539
China Changan	-	4
Chengdu Wanyou	-	3
Wanyou Longrui	-	1
	<u>1,236,485</u>	<u>1,101,120</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

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

	2022 RMB'000	2021 RMB'000
Changan Ford	855,607	530,456
Changan Mazda	22,164	-
Sichuan Jian'an	13,795	-
Hefei Changan	4,844	37,909
Chengdu Huachuan	2,259	-
Changan Bus	2,059	1,609
Changan Automobile	1,668	-
Hebei Changan	1,014	1,047
Changan Mazda Engine	113	-
Faurecia	86	-
Faurecia South	15	-
	<u>903,624</u>	<u>571,021</u>

(vii) Purchases of transportation services:

	2022 RMB'000	2021 RMB'000
Minsheng Logistics	179,667	119,196
Minsheng Comprehensive	29,310	20,211
Minsheng International Freight	13,308	24,528
Shanghai Minsheng Shipping	11,517	9,166
Sichuan Changhong	6,890	-
Minsheng Container	3,310	1,911
Guangzhou Minsheng International	2,949	8
Changan Automobile	1,537	174
Tianjin Minsheng Shipping	1,369	30
Changan Ford	1,073	657
Changan Special	220	-
Changan Mazda	334	326
Chongqing Lingyao	226	678
Hangzhou Investment	103	107
Minsheng Customs	14	55
Guangzhou Minsheng	3	-
Sichuan Jian'an	-	3,341
Changan Bus	-	668
APLLC	-	148
	<u>251,830</u>	<u>181,204</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions with other related parties: (continued)

(viii) Purchases of construction services:

	2022 RMB'000	2021 RMB'000
Changan Construction	<u>-</u>	<u>2,520</u>

(ix) Purchases of security and cleaning services:

	2022 RMB'000	2021 RMB'000
Changan Property	<u>12,570</u>	<u>10,340</u>

(x) Leases - warehouse and venue:

	2022 RMB'000	2021 RMB'000
Hubei Hannangang	4,595	-
Changan Mazda	660	663
Changan Automobile	<u>-</u>	<u>55</u>
	<u>5,255</u>	<u>718</u>

(xi) Interest on bank and other loans:

	2022 RMB'000	2021 RMB'000
Industries Leasing	<u>4,174</u>	<u>4,008</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2022 and 2021, the related party balances were as follows:

Due from related parties:

	2022	2021
	RMB'000	RMB'000
<i>Balances from the rendering of services and the sale of goods</i>		
Changan Automobile	343,314	110,687
Changan Ford	180,434	96,938
Changan New Energy Technology	91,073	53,700
Jiangling Holdings	46,260	37,889
Hebei Changan	30,826	42,846
Hefei Changan	23,391	62,318
Sichuan Jian'an	13,212	14,188
Changan Mazda	11,442	40,017
Changan Service	9,584	2,962
Qingshan Industry	8,082	6,941
Jiangling Automobile	7,470	27,923
Changan International Sales	6,326	442
Chengdu Huachuan	6,100	1,361
Changan Bus	6,083	9,908
Anhui Jian'an	3,629	2,755
CTCS	2,778	3,288
Ningjiang Shanchuan	1,163	1,429
Changan Mazda Engine	1,069	3,766
Chongqing Lingyao	846	540
Chongqing Naishite	834	360
Chengdu Wanyou	483	540
Faurecia	457	2
Hubei Xiaogan	446	465
Avita Technology	426	12
Guizhou Wanyou	317	653
Harbin DAE	241	482
Shangfang Fitting	217	83
Jianshe Industrial	216	144
Nanjing Changan	160	9,452
Ningjiang Showa	152	178
Hubei Huazhong Maruili	147	309
Nanchang Lufeng Motor	111	-
Longchang Shanchuan Machinery	95	-
Faurecia South	93	359
Changan Kuayue	89	-
Mazda Auto Sales	85	4,699
Dajiang Jiexin	66	76
Yunnan Xiyi	66	57
Changan Automobile Finance	63	-
Changan Suzuki	55	-
Changan Kacheng	45	647
Chongqing Mechanical and Electrical	43	-
Sichuan Hongguang	40	-
Harbin DAP	34	23
Chongqing Jianshe Auto-air	21	-

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## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2022 and 2021, the related party balances were as follows: (continued)

Due from related parties : (continued)

	2022 RMB'000	2021 RMB'000
<i>Balances from the rendering of services and the sale of goods (continued)</i>		
Changfeng Jiquan	13	-
Chongqing Changjiang Electric	9	-
Minsheng Custom	7	-
Wanyou Economic	7	-
Yangzhou Suken Yinhe	5	-
Minsheng Container	4	68
Tianwei Shunda	3	-
South Air	2	15
Tenneco Lingchuan	2	-
Dali Wanfu	1	2
Minyang Wanzhong	1	-
Zhuangbei Factoring	1	-
Minsheng Logistics	-	1,491
Hangzhou Anji	-	1,146
Baogang Zhushang	-	983
Minsheng Comprehensive	-	168
Chongqing Jianshe Toneluck	-	101
Shanghai Minsheng Shipping	-	56
Anbo Automobile	-	39
Chengdu Jialing Huaxi	-	21
Anfu Automobile Marketing	-	15
	<u>798,139</u>	<u>542,544</u>
<i>Deposits and other receivables</i>		
Industries Leasing	3,436	-
Chongqing Lingyao	3,100	3,100
Qingshan Industrial	2,855	6
Changan Ford	2,000	4,474
Changan Mazda	1,576	1,444
Changan Automobile	822	767
Hebei Changan	612	607
Changan Bus	304	300
Jiangling Automobile	300	300
Baogang Zhushang	300	300
Hangzhou Anji	244	1,878
Sichuan Jian'an	100	100
Shanghai Minsheng Shipping	100	100
Wanyou Zunda	100	-
Hefei Changan	79	4
Chongqing Ante	44	44
Changan Che Lian	10	10
Hong Kong Minsheng	10	-
Huazhong Pharmaceutical	5	10
Minsheng Logistics	3	-
Changan Industry Company	2	-
Nanjing Changan	-	50
	<u>16,002</u>	<u>13,494</u>

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## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2022 and 2021, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

	2022 RMB'000	2021 RMB'000
<i>Prepayments</i>		
Changan Automobile	203	369
Anfu Automobile Marketing	80	-
Chengdu Qingshan Industrial	10	-
Changan International Sales	2	-
Shanghai Minsheng International Freight	-	1,561
Minsheng Comprehensive	-	1,145
Ford Trading	-	612
Hefei Changan	-	210
Minsheng Container	-	21
	<u>295</u>	<u>3,918</u>
Less: Loss allowance for impairment of amounts due from related parties	<u>(45,747)</u>	<u>(44,867)</u>
	<u>768,689</u>	<u>515,089</u>

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

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

	2022 RMB'000	2021 RMB'000
Within 3 months	737,284	458,180
3 to 6 months	10,315	35,608
6 months to 1 year	3,562	5,257
1 year to 2 years	503	-
2 years to 3 years	602	-
3 years to 4 years	198	-
	<u>752,464</u>	<u>499,045</u>

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

	2022 RMB'000	2021 RMB'000
At 1 January	43,499	66,620
Impairment losses recognised/(reversed)	<u>2,176</u>	<u>(23,121)</u>
At 31 December	<u>45,675</u>	<u>43,499</u>

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2022 and 2021, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

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

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

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

	Current	Past due			Total
		Less than 3 months	4 to 9 months	Over 9 months	
<b>As at 31 December 2022</b>					
Expected credit loss rate	3.02%	19.57 %	33.01%	43.16%	5.72%
Gross carrying amount (RMB'000)	737,284	10,315	4,044	46,496	798,139
Expected credit losses (RMB'000)	22,255	2,019	1,335	20,066	45,675
<b>As at 31 December 2021</b>					
Expected credit loss rate	3.40%	15.30%	35.58%	47.75%	1.30%
Gross carrying amount (RMB'000)	458,180	35,608	6,641	42,115	542,544
Expected credit losses (RMB'000)	15,578	5,448	2,363	20,110	43,499



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## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2022 and 2021, the related party balances were shown as follows: (continued)

Due from related parties: (continued)

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

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

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

(ii) Deposits, other receivables and other prepayments

	2022 RMB'000	2021 RMB'000
Deposits, other receivables and other prepayments	16,297	17,412
Less: Impairment allowance	<u>(72)</u>	<u>(1,368)</u>
	<u>16,225</u>	<u>16,044</u>

Deposits, other receivables and other prepayments mainly represent deposits with related parties. Where applicable, an impairment analysis is performed at each reporting date by considering ECLs, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2022 ranged from 0% to 0.3% (2021: 0% to 8%).

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2022 and 2021, the related party balances were shown as follows: (continued)

Due to related parties:

	2022	2021
	RMB'000	RMB'000
<i>Balances from the rendering of services and the sale of goods</i>		
Minsheng Logistics	18,797	58,123
Minsheng Comprehensive	9,137	13,207
Changan Ford	3,044	4,135
Chongqing Guoyuan	2,849	3,033
Sichuan Changhong	2,426	-
Shanghai Minsheng Shipping	1,719	6,549
Hubei Hannangang	1,657	125
Guangzhou Minsheng International	769	2,988
Tianjin Minsheng Shipping Agency	442	-
Sichuan Jian'an	304	348
Minsheng International Freight	129	-
Jiangling Holdings	100	100
Minsheng Container	85	243
Minsheng Shipping	2	-
Changan Automobile	-	31,594
Shanghai Minsheng International Freight	-	3,146
Chongqing Lingyao	-	712
Hebei Changan	-	703
Changan Mazda	-	239
Hangzhou Investment	-	103
Chongqing Minsheng Custom	-	1
	41,460	125,349

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2022 and 2021, the related party balances were shown as follows: (continued)

Due to related parties: (continued)

	2022 RMB'000	2021 RMB'000
<i>Other payables</i>		
Industries Leasing (note)	11,475	8,510
Minsheng Logistics	3,029	3,030
Changan Property	2,584	-
Changan Automobile	1,448	910
Minsheng Comprehensive	754	218
Sichuan Jian'an	633	496
Changan Construction	601	-
Minsheng Industrial	530	713
Jiangling Automobile	300	-
Qingshan Industrial	297	-
Bingqi Newspaper Office	284	-
Changan Industry Company	281	-
Hebei Changan	213	-
Changan Ford	107	-
Shanghai Minsheng Shipping	100	100
Hefei Changan	100	-
APLLC	90	-
Changan Mazda Engine	46	45
COEG	22	-
Chengdu Wanyou Eco-Tech	21	-
Jiangling Holdings	20	-
Nanjing Changan	14	125
Chongqing Changan Intelligent	3	-
South Air	1	1
Minsheng Shipping	1	-
Wanyou Economic	1	-
Changan Bus	-	24
	<u>22,955</u>	<u>14,172</u>
<i>Contract liabilities</i>		
Changan Ford	3,399	-
Changan Automobile	1,062	-
Changan International Sales	880	-
Anfu Automobile Marketing	105	-
Changan Service	82	-
Qingshan Industrial	71	-
Chengdu Huachuan	40	-
CTCS	37	-
Chongqing Lingyao	33	26
Changan Property	1	-
Zhuangbei Factoring	1	-
Minsheng Comprehensive	-	50
Chengdu Wanyou	-	98
	<u>5,711</u>	<u>174</u>
	<u><u>70,126</u></u>	<u><u>139,695</u></u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2022 and 2021, the related party balances were shown as follows: (continued)

Due to related parties: (continued)

	2022 RMB'000	2021 RMB'000
<i>Non-current other payables</i>		
Industries Leasing (note)	-	71,128
Changan Automobile	<u>-</u>	<u>2,250</u>
	<u>-</u>	<u>73,378</u>

Note: On 20 October 2020, the Company's subsidiary, Shenyang Changyou Supply Chain Co., Ltd. ("Shenyang Changyou"), entered into the Finance Lease Arrangement with China South Industries Financial Leasing Co., Ltd. ("Industries Leasing"). Under the Arrangement, (1) Industries Leasing acquired the tyre assembly production line from Shanghai Hofmann Machinery Equipment Co., Ltd. at the consideration of RMB83,888,000, which became the Leased Asset of Shenyang Changyou; Industries Leasing acquired the Automatic Storage & Retrieval System from Wuxi Lead Intelligent Equipment Co., Ltd. at the consideration of RMB20,880,000, which became the Leased Asset of Shenyang Changyou. (2) Shenyang Changyou rented the tyre subpackage production line and the AS/RS from Industries Leasing at a total rent of no more than RMB130,280,000 (with the annual interest rate of 5.3% and paid on a quarterly basis). The lease term is 60 months at most. Shenyang Changyou shall also pay a lump sum payment of contract security deposit in the sum of RMB4,190,720 and handling fee in the sum of RMB523,840. At the same time, Shenyang Changyou pledged the accounts receivable not exceeding 1.2 times of the total rent to Industries Leasing. Upon the expiration of the lease term, Shenyang Changyou has an option to purchase the tyre assembly production line and the AS/RS from Industries Leasing at the nominal consideration of RMB1 each. For details, please refer to the Company's announcement dated 20 October 2020 and the circular dated 14 December 2020. The Lease Asset is ready for use during the year ended 31 December 2022, the corresponding amounts of RMB95,136,000 and RMB87,908,000 were recognised as right-of-use assets and lease liabilities, respectively.

## NOTES TO FINANCIAL STATEMENTS

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## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) As at 31 December 2022 and 2021, 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:

	2022 RMB'000	2021 RMB'000
Within 3 months	31,569	93,472
3 to 6 months	9,061	183
6 months to 1 year	703	-
1 to 2 years	8	315
2 to 3 years	6	31,379
Over 3 years	<u>113</u>	<u>-</u>
	<u>41,460</u>	<u>125,349</u>

The amounts from transportation services provided by related parties are non-interest-bearing and are normally settled on 90-day terms.

<u>Deposits</u>	2022 RMB'000	2021 RMB'000
Zhuangbei Finance	<u>189,363</u>	<u>160,000</u>

The interest rates range from 1.95% per annum (2021: 0.46% to 1.89%).

## NOTES TO FINANCIAL STATEMENTS

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## 38. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2022

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income		Total RMB'000
		Equity investments RMB'000	Debt investments RMB'000	
An equity investment designated at fair value through other comprehensive income	-	72,000	-	72,000
Trade and bills receivables	1,648,974	-	-	1,648,974
Financial assets included in deposits and other receivables	89,119	-	-	89,119
Amounts due from related parties	768,394	-	-	768,394
Restricted bank balance	30,300	-	-	30,300
Pledged deposits	189,730	-	-	189,730
Cash and cash equivalents	755,717	-	-	755,717
	<u>3,482,234</u>	<u>72,000</u>	<u>-</u>	<u>3,554,234</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	2,005,633
Financial liabilities included in other payables	287,461
Amounts due to related parties	70,126
Lease liabilities	182,275
Interest-bearing bank and other loans	39,984
	<u>2,585,479</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

31 December 2021

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income		Total RMB'000
		Equity investments RMB'000	Debt investments RMB'000	
An equity investment designated at fair value through other comprehensive income	-	70,000	-	70,000
Trade and bills receivables	1,188,978	-	-	1,188,978
Financial assets included in deposits and other receivables	148,961	-	-	148,961
Amounts due from related parties	511,171	-	-	511,171
Pledged deposits	13,762	-	-	13,762
Cash and cash equivalents	992,314	-	-	992,314
	<u>2,855,186</u>	<u>70,000</u>	<u>-</u>	<u>2,925,186</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,398,188
Financial liabilities included in other payables	235,353
Amounts due to related parties	212,899
Lease liabilities	57,016
Interest-bearing bank and other loans	<u>2,800</u>
	<u>1,906,256</u>

## 39. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

As at 31 December 2022, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payable with a carrying amount in aggregate of RMB102,698,000 (2021: RMB42,746,000). 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 the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

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39. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Financial assets that are derecognised in their entirety (continued)

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

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, restricted bank balance, trade and bills receivables, trade and bills payables, financial assets included in other receivables, financial liabilities included in other payables, amounts due from/to related parties, and the interest-bearing bank 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 chief financial officer and the audit committee. At the end of each reporting period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair value of an unlisted equity investment designated at fair value through other comprehensive income has been estimated using the comparable transaction method based on assumptions that are not supported by observable market prices or rates. The key ratio used in the computation of fair value is a price to book value ("P/B") multiple at 1.03 (2021: 1.02) . The key assumptions of using the P/B multiple under the comparable transaction method are 1) Zhuangbei Finance is a finance company and lack of comparable public companies; and 2) the P/B multiple matches Zhuangbei Finance's income composition, which is consistent with the identified comparable samples in the comparable transactions. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.



## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

For the fair value of the unlisted equity investment at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model. The fair value measurement is positively correlated to the P/B ratio. As at 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease in the P/B multiple by 10% would have increased/decreased the fair value by RMB7,200,000 (2021: RMB7,000,000).

**Fair value hierarchy**

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

Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 1 January 2021	-	-	67,068	67,068
An equity investment designated at fair value through other comprehensive income				
- Total gain in other comprehensive income	-	-	<u>2,932</u>	<u>2,932</u>
As at 31 December 2021	-	-	70,000	70,000
An equity investment designated at fair value through other comprehensive income				
- Total gain in other comprehensive income	-	-	<u>2,000</u>	<u>2,000</u>
As at 31 December 2022	<u>-</u>	<u>-</u>	<u>72,000</u>	<u>72,000</u>

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

*Interest rate risk*

The Group's fair value interest rate risk relates primarily to lease liabilities, interest-bearing bank and other loans and non-current amounts due to a related party (see Notes 15, 28 and 37(c) respectively).

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

The Group is mainly exposed to price risk through equity instrument measured at FVTOCI. The Directors do not implement specific measurements to mitigate the price risk. If the market price of equity instrument measured at FVTOCI increased or decreased by 10%, the Group would recognise additional gains or losses of RMB7,200,000 (2021: RMB7,000,000) respectively.

*Foreign currency risk*

The Group's principal businesses are located in the PRC and most of the transactions are conducted in RMB. During the years of 2022 and 2021, almost all of the Group's sales and costs were denominated in RMB, the Group's functional currency. Most of the Group's assets and liabilities are denominated in RMB, except for certain items with minimal amount of cash and bank equivalents that are denominated in US\$ and other currencies.

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

*Credit risk*

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

## NOTES TO FINANCIAL STATEMENTS

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## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

*Maximum exposure and year-end staging*

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

As at 31 December 2022

	12-month	Lifetime ECLs			Total RMB'000
	ECLs			Simplified	
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	approach RMB'000	
Trade receivables*	-	-	27,666	1,068,831	1,096,497
Bills receivable	608,818	-	-	-	608,818
Financial assets included in due from related parties:					
(i) Balances from the rendering of services and the sale of goods*	-	-	37,889	760,250	798,139
(ii) Deposits and other receivables					
- Normal**	15,911	91	-	-	16,002
- Doubtful**	-	-	-	-	-
Financial assets included in other receivables and other assets					
- Normal**	90,323	2,490	-	-	92,813
- Doubtful**	-	-	-	-	-
Restricted bank balance	30,300	-	-	-	30,300
Pledged deposits	189,730	-	-	-	189,730
Cash and cash equivalents	755,717	-	-	-	755,717
	<u>1,690,799</u>	<u>2,581</u>	<u>65,555</u>	<u>1,829,081</u>	<u>3,588,016</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

*Credit risk (continued)*

As at 31 December 2021

	12-month	Lifetime ECLs			Total RMB'000
	ECLs	Stage 2	Stage 3	Simplified approach	
	Stage 1 RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	-	-	-	651,057	651,057
Bills receivable	581,659	-	-	-	581,659
Financial assets included in due from related parties:					
(i) Balances from the rendering of services and the sale of goods*	-	-	-	542,544	542,544
(ii) Deposits and other receivables					
- Normal**	12,126	-	-	-	12,126
- Doubtful**	-	-	1,368	-	1,368
Financial assets included in other receivables and other assets					
- Normal**	148,961	-	-	-	148,961
- Doubtful**	-	-	1,413	-	1,413
Pledged deposits	13,762	-	-	-	13,762
Cash and cash equivalents	<u>992,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>992,314</u>
	<u>1,748,822</u>	<u>-</u>	<u>2,781</u>	<u>1,193,601</u>	<u>2,945,204</u>

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

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

Since the Group trades only with recognised and creditworthy related parties and third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 21% (2021: 1%) and 46% (2021: 12%) of the Group's receivables arising from the rendering of services and the sale of goods (including trade receivables and amounts due from related parties) were due from the Group's largest customer and the five largest customers, respectively.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

*Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through the settlement from customers and the payment to vendors. Same as 2022, almost all the Group's debts would mature in less than one year as at 31 December 2022 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:

2022	Within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<i>Current liabilities</i>					
Trade and bills payables	2,005,633	-	-	-	2,005,633
Financial liabilities included in other payables and accruals	284,311	-	-	-	284,311
Lease liabilities	53,813	109,416	30,284	15,180	208,693
Amounts due to related parties	70,126	-	-	-	70,126
Interest-bearing bank and other loans	400	21,600	21,380	-	43,380
	<u>2,414,283</u>	<u>131,016</u>	<u>51,664</u>	<u>15,180</u>	<u>2,612,143</u>
<i>Non-current liabilities</i>					
Other payables	-	3,150	-	-	3,150
	<u>-</u>	<u>3,150</u>	<u>-</u>	<u>-</u>	<u>3,150</u>
2021					
	Within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<i>Current liabilities</i>					
Trade and bills payables	1,398,188	-	-	-	1,398,188
Financial liabilities included in other payables and accruals	235,353	-	-	-	235,353
Lease liabilities	36,889	16,671	4,252	383	58,195
Amounts due to related parties	139,521	-	-	-	139,521
Interest-bearing bank and other loans	2,816	-	-	-	2,816
	<u>1,812,767</u>	<u>16,671</u>	<u>4,252</u>	<u>383</u>	<u>1,834,073</u>
<i>Non-current liabilities</i>					
Amounts due to related parties	-	12,800	69,638	-	82,438
	<u>-</u>	<u>12,800</u>	<u>69,638</u>	<u>-</u>	<u>82,438</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

*Capital management*

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

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

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

	2022 RMB'000	2021 RMB'000
Trade and bills payables	2,005,633	1,398,188
Other payables and accruals (excluded contract liabilities)	432,478	382,323
Amounts due to related parties	70,126	213,073
Interest-bearing bank and other loans	39,984	2,800
Lease liabilities	182,275	57,016
Less: Cash and cash equivalents	(755,717)	(992,314)
Pledged deposits	(189,730)	(13,762)
Restricted bank balance	(30,300)	-
Net debt	<u>1,754,749</u>	<u>1,047,324</u>
Equity attributable to owners of the Company	<u>1,985,803</u>	<u>1,951,691</u>
Adjusted capital and net debt	<u>3,740,552</u>	<u>2,999,015</u>
Gearing ratio	<u>47%</u>	<u>35%</u>

## 42. SHARE-BASED PAYMENT

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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## 42. SHARE-BASED PAYMENT (CONTINUED)

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

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

For the year ended 31 December 2022, no compensation expense was recognised by the Group in respect of share appreciation rights. As at 31 December 2022, the carrying amount of the liability arising from share appreciation rights was Nil.

The estimated fair value of the rights granted on 27 April 2021 was RMBNIL.

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

The estimated fair values of the options granted on the date was RMB 0.52.

	Granted date 2021 HK\$
Exercise price	2.98
Expected volatility	33.57%
Expected life	4 years
Risk-free rate	2.4256%
Expected dividend yield	0%

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43. CONTINGENT LIABILITIES

The Company signed a "Warehouse Supervision Agreement" with Chongqing Supply and Marketing Automobile Trading Co., Ltd. (hereinafter referred to as "Chongqing Supply and Marketing Automobile ") (the "Agreement") . The Company provides warehousing supervision services for the vehicles of Chongqing Supply and Marketing Automobile. The Company engaged Chongqing Yaohang Logistics Co., Ltd. (hereinafter referred to as "Yaohang Logistics") for the warehouse supervision work. In April 2022, a total of 105 commercial vehicles kept in the warehouse was stolen. Chongqing Supply and Marketing Automobile filed lawsuits with Chongqing Yubei District People's Court (hereinafter referred to as "Yubei Court") for a claim of RMB 30.0464 million and capital occupation loss from the Company due to contract disputes on vehicle supervision. Yubei Court froze the above-mentioned capital in the Company's bank account. For details, please refer to the announcement issued by the Company on 30 December 2022.

Furthermore, Yaohang Logistics has committed to assuming all direct responsibilities and related expenses pertaining to the case. In the opinion of the directors of the Company, the Company has viable counterclaims and no provision for contingent liabilities had been recognised as at 31 December 2022.



## NOTES TO FINANCIAL STATEMENTS

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## 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	225,463	228,424
Investment properties	36,001	39,263
Right-of-use assets	119,526	127,835
Goodwill	2,222	2,222
Other intangible assets	17,798	20,170
Investments in subsidiaries	954,182	935,613
Investment in a joint venture	12,370	12,777
Investments in an associate	77,042	79,072
An equity investment designated at fair value through other comprehensive income	72,000	70,000
Deferred tax assets	59,493	54,286
Prepayment for non-current assets	20,723	57,397
	<u>1,596,820</u>	<u>1,627,059</u>
<b>Total non-current assets</b>		
<b>CURRENT ASSETS</b>		
Trade and bills receivables	991,565	841,649
Prepayments, other receivables and other assets	360,188	216,604
Amounts due from related parties	618,105	416,792
Pledged deposits	219,250	13,762
Cash and cash equivalents	410,472	648,066
	<u>2,599,580</u>	<u>2,136,873</u>
<b>Total current assets</b>		
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	1,643,279	1,233,188
Other payables and accruals	740,229	647,743
Amounts due to related parties	18,245	79,544
Lease liabilities	8,867	3,310
Tax payable	216	216
	<u>2,410,836</u>	<u>1,964,001</u>
<b>Total current liabilities</b>		
<b>NET CURRENT ASSETS</b>	<u>188,744</u>	<u>172,872</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>1,785,564</u>	<u>1,799,931</u>

continued/...

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

	2022 RMB'000	2021 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,785,564</u>	<u>1,799,931</u>
NON-CURRENT LIABILITIES		
Lease liabilities	2,451	3,392
Deferred tax liabilities	5,687	3,747
Deferred income	7,365	8,313
Amounts due to related parties	<u>3,150</u>	<u>2,250</u>
Total non-current liabilities	<u>18,653</u>	<u>17,702</u>
Net assets	<u>1,766,911</u>	<u>1,782,229</u>
EQUITY		
Share capital	162,064	162,064
Reserves (note)	<u>1,604,847</u>	<u>1,620,165</u>
Total equity	<u>1,766,911</u>	<u>1,782,229</u>

Note:

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

	Share premium account RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Safety fund surplus reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2021	75,150	18,737	52	85,867	1,418,040	1,597,846
Total comprehensive income for the year	-	2,493	-	-	18,775	21,268
Provision for safety fund surplus reserve	-	-	1,051	-	-	1,051
At 31 December 2021	<u>75,150</u>	<u>21,230</u>	<u>1,103</u>	<u>85,867</u>	<u>1,436,815</u>	<u>1,620,165</u>
Total comprehensive income/(loss) for the year	-	1,700	-	-	(18,810)	(17,110)
Provision for safety fund surplus reserve	-	-	1,792	-	-	1,792
At 31 December 2022	<u>75,150</u>	<u>22,930</u>	<u>2,895</u>	<u>85,867</u>	<u>1,418,005</u>	<u>1,604,847</u>

31 December 2022

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

Note: (continued)

*Statutory reserves*

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

As the balance of the statutory surplus reserve amounting to RMB85,867,000 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 2022 (2021: Nil).

As at 31 December 2022, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to RMB1,604,847,000 (2021: RMB1,620,165,000).

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 45. ACQUISITION OF A SUBSIDIARY

On 30<sup>th</sup> July 2021, the Group acquired an 47% interest in Wuhan Changjiang Zhilian Port Development Co., Ltd. ("Wuhan Changjiang"). Wuhan Changjiang is principally engaged in the distribution logistics business and was acquired with the objective of improving the Group's distribution logistics. The acquisition has been accounted for as acquisition of business using the acquisition method.

**Consideration transferred**

RMB'000

Cash	<u>14,100</u>
------	---------------

**Assets acquired and liabilities recognised at the date of acquisition**

RMB'000

Right of use asset	28,814
Cash and cash equivalent	532
Prepayments and other receivables	936
Liabilities	<u>-</u>
Fair value of net assets acquired	<u>30,282</u>

**Non-controlling interests**

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

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

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

**Net cash outflow on acquisition of Wuhan Changjiang**

RMB'000

Cash consideration paid	14,100
Less: cash and cash equivalents balance acquired	<u>(250)</u>
	<u>13,850</u>

## 46. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2023

## FINANCIAL SUMMARY

### Results

Set out below is the summary of the consolidated results of the Group for the five years ended 31 December 2022 (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				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	7,697,350	6,020,899	4,685,655	4,341,585	5,112,410
Profit/(loss) before tax	68,293	58,843	23,241	(36,697)	101,777
Income tax expense	21,777	16,734	9,451	7,840	35,363
Profit/(loss) for the year	46,516	42,109	13,790	(44,537)	66,414
Profit attributable to the following parties:					
Non-controlling interest	8,034	12,961	13,369	11,430	20,305
Owners of the Company	38,482	29,148	421	(55,967)	46,109
	RMB yuan	RMB yuan	RMB yuan	RMB yuan	RMB yuan
Earnings per share attributable to ordinary equity holders of the Company					
Basic and diluted-for profit for the year (Note 1)	0.24	0.18	0.00	(0.35)	0.28
Dividends per share	0.15	0.05	Nil	Nil	0.1
	(including tax) (Note 2)	(including tax) (Note 2)	(including tax)	(including tax)	(including tax)

**Note 1:** Earnings per share attributable to ordinary equity holders of the Company is calculated by dividing the profit attributable to the owners of the Company for the years ended 31 December 2018, 2019, 2020, 2021 and 2022 by the weighted average number of shares in issue for the respective years ended 31 December 2018, 2019, 2020, 2021 and 2022 respectively, being 162,064,000, 162,064,000, 162,064,000, 162,064,000 and 162,064,000 shares.

**Note 2:** The Board recommends the payment of the final dividend for the year ended 31 December 2022, which is subject to the approval of the Company's annual general meeting.

### Assets and Liabilities

Set out below is the summary of the Group's balance sheet for the five years ended 31 December 2022 (as extracted from the Group's audited consolidated statement of financial position, which are prepared in accordance with the HKFRS):

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	1,341,853	1,259,073	1,225,005	1,285,021	1,121,682
Current assets	3,574,406	2,917,203	3,169,621	3,274,565	3,501,435
Total assets	4,916,259	4,176,276	4,394,626	4,559,586	4,623,117
Non-current liabilities	208,573	111,349	61,387	108,163	21,990
Current liabilities	2,545,812	1,968,854	2,292,740	2,412,669	2,509,546
Total liabilities	2,754,385	2,080,203	2,354,127	2,520,832	2,531,536
Non-controlling interest	176,071	144,382	122,167	121,259	121,767
Equity attributable to owners of the Company	1,985,803	1,951,691	1,918,332	1,917,495	1,969,814
Total equity	2,161,874	2,096,073	2,040,499	2,038,754	2,091,581

## CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Director(s)") of the Company, I am pleased to present the audited annual results of the Group for the year ended 31 December 2022 to all shareholders of the Company.

In 2022, global economy fluctuation, intense geopolitics and upheavals in the global supply chain have presented challenges for the logistics sector. Ongoing ravages of the COVID-19, turbulence in international oil price, hot spells and power rationing in the third quarter of 2022 have largely disrupted domestic businesses and severely impacted the Company's businesses and operation. Against various unfavourable factors, the Company's revenue grew against the trend, up by 28% year on year, attributed to the efforts and hard work of all the staff, also scientific and reasonable overall plans and clear development paths.

In 2022, for automobile logistics, we fully integrated the export of Changan automobiles, and fully undertook the transportation of Changan auto spare parts; provided finished vehicles and parts transportation and warehousing services for BYD, Leapmotor, He Zhong Auto, and XPENG Motors; for non-automotive logistics, we started to provide inbound logistics services for Haier, nationwide transportation services for Festo, and import and export services for Gree. Being customer-centric and expanding business, we accelerated the transformation into a technology company with digitalization, intelligence, and green development to make the Company greener. Firstly, accelerating digital transformation: with core technologies independently developed by the Company, we published the self-developed platform CUDP.10. We also independently developed application systems, built data platforms, and released the brand-new platform DDOM2.0. Secondly, improving intelligence: we strengthened the integration and application of intelligent equipment, and promoted unmanned logistics in the whole process. Thirdly, building green advantages: we built a packaging cloud platform, promoted 15 green packaging projects, taking the lead in researching and building a carbon footprint digital management platform in the automotive logistics industry.

In addition to serving corporate customers and improving ourselves, we also fully implemented the new development philosophy by actively giving back to the community and country and responding to the call of the times, and actively explored and practiced in the ESG field. The Board and management collaborated with each other, incorporating the ESG sustainability into the Company's daily operation. Adhering to the law governing the enterprise, we standardized the construction of internal control system, actively practiced clean employment, and constantly improved the governance structure of sustainable development, so as to lay a solid foundation for steady development. We completed H share full circulation in 2022, releasing the potential of domestic shares and non-H foreign shares, aligning the interests of all shareholders and improving corporate governance. We actively supported the development of national carbon peaking and carbon neutralization by carrying out energy conservation, emission reduction and carbon reduction, comprehensively handling the relationship between environmental protection and industrial development and integrating the green concept into storage, transportation, packaging, recycling and other links to build a carbon reduction ecology. With active response to national policies, we formulated social responsibility strategic planning, engaged in rural revitalization and pandemic relief to build a harmonious and beautiful community.

### Annual Results

While 2022 saw chip shortages, high prices of raw materials for power batteries and other unfavourable factors, the Chinese auto market was picking up in adversity and achieved positive growth with a series of policies of stabilizing economic growth and promoting consumption including halved tax rate on car purchase. Domestic automobile production and sales was up to 27,021,000 vehicles and 26,864,000 vehicles in 2022, representing a year-on-year increase of approximately 3.4% and 2.1% respectively, ranking first place globally again. When the automobile industry was moving in a positive direction, Chongqing Changan Automobile Co., Ltd. ("Changan Automobile"), the Group's major customer, outperformed the industry's average in growth margin with each of the production volume and sales volume mounting to 2,298,400 vehicles and 2,346,100 vehicles in 2022, representing a year-on-year growth of 0.36% and 1.98%, respectively.

In 2022, the Group's revenue reached RMB7,697,350,000, up by 27.84% as compared with RMB6,020,899,000 last year. The profit attributable to equity holders of the Company was up to RMB38,482,000, representing an increase of RMB29,148,000 as compared with RMB9,334,000 last year. The basic earnings per share was RMB0.24 (in 2021: RMB0.18).

# CHAIRMAN'S STATEMENT

## Annual Review

In 2022, faced up to difficulties, the Company forged ahead and worked together to consistently promote high technology, high vitality, high efficiency, high brand, and high quality. The Company's transformation and upgrading and high-quality development made progress, achieving upward transformation and upgrading, stronger vitality, stronger organizational effectiveness, more prominent brand potential, and more solid development momentum. The Company made outstanding achievements in business performance, strategic planning, technological innovation, and reform and innovation. The Company's operating scale and the proportion of non-connected transactions reached record highs.

## Awards

AWARD	ORGANISER
National "May Day" Labor Award	All-China Federation of Trade Unions
Advanced Unit in Party Building + Enterprise Culture in the New Era Second Prize of Excellent Cases of Strengthening Enterprise with Culture First Prize of Green Development and Innovation Achievements of Enterprises Silver Award Endorsement Works of the Voice of the Most Beautiful Brand Silver Award Endorsement Works of the Voice of the Most Beautiful Propagation	China Enterprise Culture Administration Association
2022 Logistics and Supply Chain (China's) Solutions Top 50	China Logistics Times
Third Prize of Technology Progress Award P.G. Logistics Award Excellent Case of Intelligent Logistics Technology and Equipment Innovation Application in 2022	China Federation of Logistics & Purchasing
Logistics Technology Innovation Case Award Recommended Brand of Logistics Technology and Equipment	China Logistics Equipment Committee of CFLP
Excellent Innovation Case in Automobile Logistics Industry	China Automotive Logistics Association of CFLP
2022 Excellent Supplier	Chongqing Changan Automobile Co., Ltd.
2022 Excellent Supplier	Changan Ford Automobile Co., Ltd.

## Outlook and Prospects

In 2023, the global economy will see rising inflation and downward pressure on the economy, and the domestic economy will face the triple pressure of shrinking demand, supply shocks, and weakening expectations. However, as the impact of the epidemic on economic activities gradually weakens, domestic economic recovery will accelerate.

According to the China Association of Automobile Manufacturers, the total sales volume of automobiles in China is expected to reach 27.6 million vehicles, up by 3% year on year; automobile exports are expected to hit 4 million units, up by 33% year on year; the total sales volume of new energy vehicles is expected to reach 9 million vehicles, up by 35% year on year, with the penetration rate of 36% in 2023. The automotive logistics industry is stabilizing and is turning for the better. Meanwhile, the delayed transportation demand for bulk commodities and industrial products out of the lockdown may be released, and the production and sales volume of the Company's non-auto logistics customers will also increase. In addition, many national departments are promoting the deep integration of the logistics industry and the manufacturing industry, and many manufacturing industries is paying more attention to the independent controllability, safety and stability of the industrial chain supply chain. Both will effectively promote the establishment of long-term strategic partnerships between logistics companies and manufacturing companies. In the context of the continuous development of logistics scenarios where new technologies such as third-generation identification technology, unmanned driving, supply chain digitization, XR technology, and green packaging are widely used, new models such as the Company's network freight platform become more competitive.

## **CHAIRMAN'S STATEMENT**

But at the same time, we must also see the challenges that we face. On the one hand, many logistics companies are strengthening the network and capacity resource layout, marching towards integrated supply chain logistics and automobile logistics, and the market competition is becoming increasingly fiercer. On the other hand, the auto industry is in a period of change, and the negative impact of the price wars of major auto companies will gradually be transmitted to the supply chain, thus the Company will face enormous pressure. However, with clear strategic focus and a solid growth strategy, we will increase operational efficiency, implement more stringent cost control measures, and strengthen our operational capability to promptly respond to any shocks in the business environment that we operate in.

Going forward, we will spare no effort in fulfilling logistics' important function in our daily lives, and meet our customers' needs with our mission of "innovating logistics services, creating a better life". With unwavering confidence, boulder-rolling-up perseverance and dauntless spirit, we will strive in unity to advance the transformation and high-quality development of the Company and strive to become a world-class green and intelligent supply chain logistics technology company.

I would like to express my heartfelt thanks to my Board colleagues and all employees of the Company for their fruitful work and tireless efforts. At the same time, I would like to express my sincere gratitude to our shareholders and stakeholders for their long-time support and trust.

**Xie Shikang**

Chairman

Chongqing, the PRC

30 March 2023



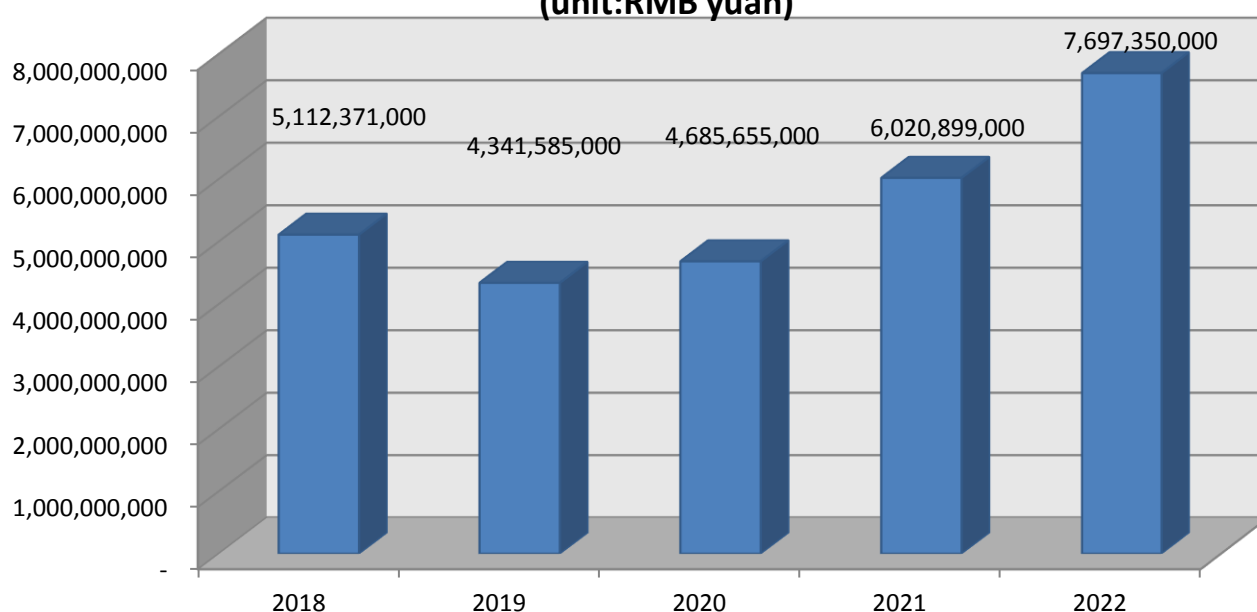
## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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

The revenue of the Group amounted to RMB7,697,350,000 for the year ended 31 December 2022, approximately 27.84% increase from RMB6,020,899,000 of last year.

**Picture 1: Growth in revenue for the five years ended 31 December 2022  
(unit:RMB yuan)**



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

#### 1. Transportation of Finished Vehicles

During the reporting period, the Group's major customer recorded an increase in the sales volume, resulting in the corresponding growth in the demand of finished vehicles transportation from the Group. Therefore, for the year ended 31 December 2022, the revenue of the Group from finished vehicle transportation services was RMB3,713,250,000, up by approximately 19.20% from RMB3,115,123,000 of last year.

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

During the reporting period, the increase in the sales volume of the Group's major customer led to the increase in the demand for supply chain management services of automobile raw materials and components and parts. As such, the revenue from supply chain management services of automobile raw materials & components and parts for the year ended 31 December 2022 was RMB2,165,550,000, up by approximately 14.47% from RMB1,891,836,000 of last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Transportation of Non-automobile Commodities and Other Logistics Services

During the reporting period, due to the higher demand of automobile market, the steel sales volume of the Group's certain customers increased significantly, which led to a significant increase of steel transportation services from the Group. As such, the revenue of the Group from such logistics services was RMB721,350,000 for the year ended 31 December 2022, representing an increase of approximately 94.94% from RMB370,043,000 of last year.

## Automobile Components & Parts Packaging Sales and Tyres Sub-packaging

During the reporting period, the core customers of the Group increased in their demands for automotive parts packaging and tyre assembly services. For the year ended 31 December 2022, the revenue of the Group from automobile parts packages sales and tires assembly was RMB1,097,200,000, up by approximately 70.40% from RMB643, 897,000 of last year.

## Logistics Services Network

As at 31 December 2022, the Company had a total of 29 branches, subsidiaries, associated companies and representative offices, which are mainly located in East China, Central China, North China, South China and Southwest China (Picture 2). The continuous enhancement of service network enables the Group to provide logistics services to different parts of the country.



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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### Cash Flow and Financial Resources

As at 31 December 2022, the Group's cash and cash equivalents was RMB755,717,000 (31 December 2021: RMB992,314,000), among which, RMB410,472,000 was attributed to the Company and RMB345,245,000 was attributed to the subsidiaries of the Group. As at 31 December 2022, the Group's total assets were RMB4,916,259,000 (31 December 2021: RMB4,176,276,000), the source of funds was current liabilities of RMB2,556,157,000 (31 December 2021: RMB1,968,854,000), the non-current liabilities were RMB198,228,000 (31 December 2021: RMB111,349,000), the equity attributable to owners of the Company was RMB1,985,803,000 (31 December 2021: RMB1,951,691,000) and the non-controlling interests were RMB176,071,000 (31 December 2021: RMB144,382,000).

### Cost of Sales and Gross Profit Margin

For the year ended 31 December 2022, the Group's cost of sales was RMB7,319,937,000 (2021: RMB5,695,977,000), up by approximately 28.51% from the previous financial year. Though the Group's emphasis on management and continuous strengthening of logistics and internal management cost control, it faced various adverse factors such as the rising transportation cost and labor cost, and tumbling logistics service price, resulting in the gross profit margin of the Group decreased to 4.90% (2021: 5.40%).

### Distribution Expenses

For the year ended 31 December 2022, the Group's selling and distribution expense was RMB50,991,000, representing approximately 0.66% of the Group's revenue during the period (2021: 0.90%).

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 5.91% from the previous year.

### Administrative Expenses

During the reporting year, the Group's administrative expenses increased from RMB259,875,000 in 2021 to RMB290,632,000 in 2022, up by approximately 11.84% as compared with the corresponding period of previous year.

### Other Expenses

During the reporting year, the Group's other expenses increased from RMB3,167,000 in 2021 to RMB24,084,000 in 2022, up approximately 660.47% as compared with the corresponding period of previous year, which is mainly consisted of bad debt losses of accounts receivable of RMB14,944,000, fines of RMB1,888,000 and refund of government subsidies of RMB2,498,000.

### Finance Costs

The Group's finance costs for the year amounted to RMB5,800,000 (2021: RMB8,140,000).

### Taxation

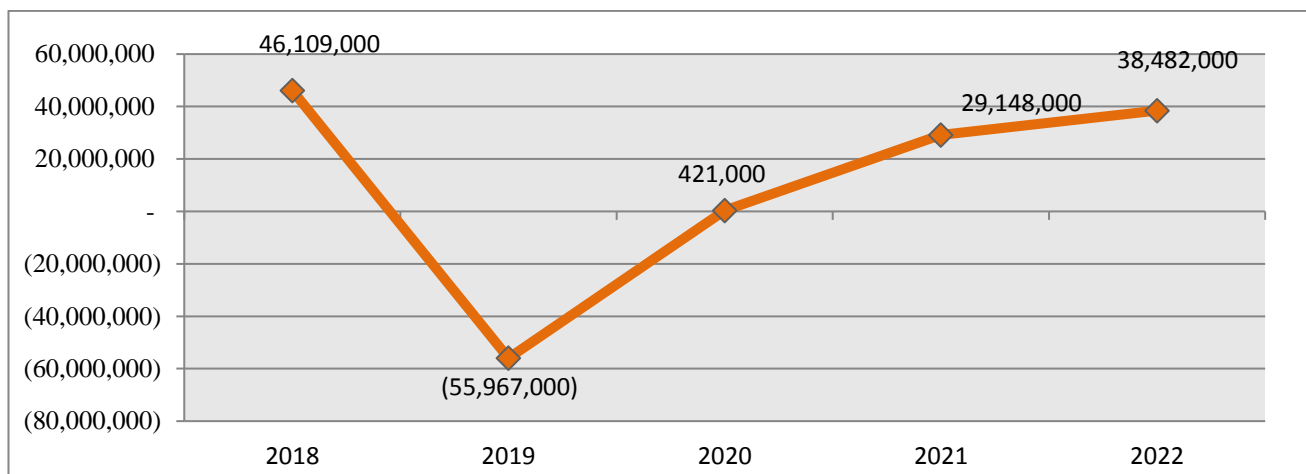
For the year ended 31 December 2022, the weighted average applicable tax rate of the Group was 31.14 % (2021: 28.44%); and the income tax expense was RMB21,777,000 (2021: RMB16,734,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Profit Attributable to Equity Holders of the Company

During the year, the profit attributable to owners of the Company was RMB38,482,000, up by approximately RMB9,334,000 compared to RMB29,148,000 of the previous financial year.

Picture 3: Profit attributable to owners of the Company for the five years ended 31 December 2022  
(Unit: RMB yuan)



### Capital Structure

For the year ended 31 December 2022, there was no change in the Company's share capital.

### Loans and Borrowings

As at 31 December 2022, the balance of current interest-bearing bank and other loans of the Group was RMB39,984,000 (31 December 2021: RMB2,800,000). Please refer to note 28 to the financial statements of this announcement for further details.

### Gearing Ratio

As at 31 December 2022, the gearing ratio (net debt divided by the adjusted capital plus net debt) of the Group was approximately 46.91% (31 December 2021: 34.92%).

### Pledge of Assets

As at 31 December 2022, the Group had pledged bank deposits of approximately RMB189,730,000 to secure bank acceptance bills.

## MANAGEMENT DISCUSSION AND ANALYSIS

On 20 October 2020, the Company's subsidiary Shenyang Changyou Supply Chain Co., Ltd. ("Shenyang Changyou") entered into the Finance Lease Arrangement (the "Arrangement") with China South Industries Financial Leasing Co., Ltd. ("Industries Leasing"). Pursuant to the Arrangement, (1) Industries Leasing acquired the tyre assembly production line from Shanghai Hofmann Machinery Equipment Co., Ltd. at the consideration of RMB83,888,000, which became the leased asset of Shenyang Changyou; Industries Leasing acquired the AS/RS from Wuxi Lead Intelligent Equipment Co., Ltd. at the consideration of RMB20,880,000, which became the leased asset of Shenyang Changyou. (2) Shenyang Changyou rented the tyre subpackage production line and the AS/RS from Industries Leasing at a total rent of no more than RMB130,280,000 (with the annual interest rate of 5.3% and paid on a quarterly basis). The lease term is not more than 60 months. Shenyang Changyou shall also pay a lump sum payment of contract security deposit in the sum of RMB4,190,720 and handling fee in the sum of RMB523,840. At the same time, Shenyang Changyou pledged the expected accounts receivable not exceeding 1.2 times of the total rent to Industries Leasing. Upon the expiration of the lease term, Shenyang Changyou has an option to purchase the tyre assembly production line and the AS/RS from Industries Leasing at the nominal consideration of RMB1 each. The Lease Asset is ready for use during the year ended 31 December 2022, the corresponding amounts of RMB95,136,000 and RMB87,908,000 were recongnised as right-of-use assets and lease liabilities, respectively. For details, please refer to the Company's announcement dated 20 October 2020, circular dated 14 December 2020 and note 37 to the financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Contingent Liabilities

Other than disclosed in note 43 of this announcement, as at 31 December 2022, the Group did not have any significant contingent liabilities. For details of legal proceedings, please refer to the "Report of the Board".

## 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 following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material at the moment but could turn out to be material in the future.

### *Market Risks*

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

### *Liquidity Risk*

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

### *Operational Risk*

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

### *Reliance Risk*

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

## Novel Coronavirus Related Risks

In 2022, the COVID-19 pandemic continued to affect China's economy with vehicle production and supply impacted by chip shortages, the increase in prices of raw material for power batteries and other factors. COVID-19 has seriously disrupted the automobile industrial supply chain with its rapid spread in many parts of Jilin, Shanghai and other regions in mid-to-late March 2022. Particularly, as the lockdown measures implemented in Chongqing in November 2022 largely affected the Company's main customers, the Company's production and operation was adversely affected to certain extent.

As the epidemic control comes to an end, the epidemic exerts less and less impacts on domestic economy with economic activities recovering.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2022, the Group's capital expenditure at the balance sheet date but not yet incurred was as follows:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Plant and machinery	89,886	13,708
Capital contributions payable to equity investment	<u>-</u>	<u>22,700</u>
	<u>89,886</u>	<u>36,408</u>

### Significant Purchase or Sale of Subsidiaries and Associated Companies

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

### Substantial Investment

On 29 July 2022, Shenyang Changyou, a non-wholly owned subsidiary of the Company, as Purchaser, entered into the Real Estate Purchase and Sale Agreement with Changyou Parts, as vendor, for the acquisition of certain land and property located in Dadong District, Shengyang, the PRC at a consideration of RMB 68,522,400 after trading hours. The acquisition is completed. On 2 December 2022, Shenyang Changyou, as purchaser, entered into the Real Estate Purchase and Sale Agreement (Phase II) with Changyou Parts, as vendor, for the acquisition of certain land and property located in Dadong District, Shengyang, the PRC at an approximate consideration of RMB23,825,400 after trading hours. The acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14.22 of the Listing Rules. The acquisition shall be conditional upon the Company having obtained all necessary approval by its shareholders at general meeting. Please refer to announcements of the Company dated 29 July 2022 and 2 December 2022 for further details.

## REPORT OF THE BOARD

The Board are pleased to present the report of the Board for the year ended 31 December 2022.

### Principal Activities and Business Review

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

Further discussion and analysis of these activities as required by Schedule 5 of the Companies Ordinance, Chapter 622 of the laws of Hong Kong, including a discussion of the principal risks and uncertainties the Group is facing and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 105 to 111 of this announcement. This discussion forms part of this Report of the Board.

### Major Customers and Suppliers

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

	For the year ended 31 December
	2022
A Chongqing Changan Automobile Co., Ltd.	27%
B Changan Ford Automobile Company Limited	23%
C BMW Brilliance Automotive Ltd.	4%
D Hebei Changan Automobile Co.,Ltd	4%
E Chongqing Changan New Energy Technology Co., Ltd.	3%
	<hr/>
Total of 5 largest customers	61%
	2021
A Chongqing Changan Automobile Co., Ltd.	29%
B Changan Ford Automobile Company Limited	23%
C Changan Mazda Automobile Co., Ltd.	6%
D Hebei Changan Automobile Co.,Ltd	4%
E Hefei Changan Automobile Co.,Ltd	2%
	<hr/>
Total of 5 largest customers	64%

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



## REPORT OF THE BOARD

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
	2022
A China Railway Special Cargo Logistics Co., Ltd. Chengdu Branch	8%
B Qingdao Ririshun Supply Chain Co., Ltd	6%
C Yingkou Yongxiang Logistics Co., Ltd	3%
D Minsheng Logistics Company Limited	2%
E San Yang Ma(Chongqing)Logistics Co., Ltd.	2%
	<hr/>
Total of 5 largest suppliers	21%
	<hr/>
	2021
A China Railway Special Cargo Logistics Co., Ltd. Chengdu Branch	6%
B Qingdao Ririshun Supply Chain Co., Ltd	6%
C San Yang Ma(Chongqing)Logistics Co., Ltd.	3%
D Chongqing Yuyu Logistics Co., Ltd.	2%
E Minsheng Logistics Company Limited	2%
	<hr/>
Total of 5 largest suppliers	19%
	<hr/>

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 2022 are set out in the consolidated statement of comprehensive income in this announcement.

### Dividend Distribution Policy

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

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

- (1) all the applicable requirements under the constitutional documents of the Company ;
- (2) all the applicable laws, regulations and restrictions ;
- (3) investment and operating requirements of the Group ;
- (4) any factors that have material impact on the Group.

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

# REPORT OF THE BOARD

## Dividends

Based on the total number of shares in issue on the record date for implementation of the profit appropriation, the Board recommended the payment of a final dividend of RMB0.15 (including tax) (2021: RMB0.05 (including tax) per share for the year ended 31 December 2022. The above proposal of profit appropriation is subject to consideration and approval at the 2022 annual general meeting (the “AGM”) of the Company. Subject to approval to the Board’s proposal being obtained at the AGM, the final dividend is expected to be payable on or before 30 September 2023.

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

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

The record date of the AGM, the last day for trading in the securities with entitlement, the ex-entitlement date and the last registration date of transfer of shares for the purpose of the 2022 final dividend and the period for the closure of register of members will be set out in the notice convening the AGM of the Company to be sent to the shareholders. The Company shall comply with the relevant rules and regulations to withhold and pay the enterprise income tax on behalf of the relevant Shareholders whose names are listed in the register of members of the share of the Company as of the record date for the purpose of the 2022 final dividend.

## Share Capital

For the year ended 31 December 2022, there had been no change in the share capital of the Company. Details of the share capital of the Company are set out in note 31 to the financial statements.

## Public Float

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

## Reserves

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

## Property, Plant and Equipment

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

## Financial Position

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

# REPORT OF THE BOARD

## Subsidiaries

As at 31 December 2023, the Company had the following subsidiaries:

CMAL Bo Yu transportation Co., Ltd. (“CMAL Bo Yu”) incorporated on 3 November 2005 in the PRC with an address at No.111-5-1, Shengtai Road, Fusheng Prefecture, Jiangbei District, Chongqing City, the PRC and possesses the registered capital of RMB60,000,000 and the Company holds 100% of its equity interests. CMAL Bo Yu’s main business includes general freight, storage (storage of dangerous goods not included), logistics planning and consultation and telecommunication services in the PRC. Please refer to note 1 to the financial statements of this announcement for further details.

Chongqing Future Supply Chain Management Co., Ltd. (“Chongqing Future”) incorporated on 18 March 2009 in the PRC with an address at Logistics Distribution Plant, No.10, Huiliu Road, Beibu New District, Chongqing City, the PRC and has a registered capital of RMB30,000,000 and the Company holds 100% of its equity interests. Chongqing Future is mainly engaged in general freight, storage (storage of dangerous goods not included), loading and unloading, handling, distribution, package processing (excluding printing), packaging, automobile components and parts sub-packaging, processing (excluding engine processing) and sales, international freight forwarding services (excluding international shipping forwarding) and logistics information consultation and solution design, etc. Please refer to note 1 to the financial statement of this announcement for further details.

Chongqing Changan Minsheng Fuyong Logistics Co., Ltd. (“Chongqing Fuyong”) incorporated on 28 April 2011 in the PRC with an address at No.26-11, Zongbao Road, Shapingba District, Chongqing City, the PRC and has a registered capital of RMB5,000,000, and 100% of its equity interests is held by the Company. The Company will explore the electronic information products logistics business and the bonded logistics business in Xiyong Bonded Area in Chongqing through Chongqing Fuyong. Please refer to note 1 to the financial statement of this announcement for further details.

Hangzhou Changan Minsheng was incorporated on 17 May 2013 in the PRC with an address at No.599, Luyin Road, Qianjin Industrial Park (Jiangdong Benji Qukuai), Hangzhou City, Zhejiang Province, the PRC. After the capital increase of RMB360,000,000 on 12 December 2016, its registered capital reaches to RMB610,000,000 and the Company holds 100% of its equity interests. Hangzhou Changan Minsheng is mainly engaged in dangerous goods road transportation, large objects transportation; freight stowage, forwarding and tally; domestic waterway freight forwarding; processing, producing, assembling, selling finished vehicles, automobile raw materials, parts and parts package materials; developing logistics software and providing logistics technology consultation. Please refer to note 1 to the financial statement of this announcement for further details.

Nanjing CMSC Logistics Co., Ltd. (“Nanjing CMSC”) was incorporated on 26 July 2007 in the PRC with an address at No.222, Qinshuiting West Road, Economic and Technological Development Zone, Jiangning District, Nanjing City, Jiangsu Province, the PRC with a registered capital of RMB100,000,000. The Company holds 67% of its equity interests and Sumitomo Corporation (“Sumitomo”) holds 33% of its equity interests. Nanjing CMSC is mainly engaged in general freight, domestic freight forwarding, provision of international freight forwarding for cargos transported via sea, air and land; import and export and related services, assembly and processing of automobile parts, leasing of machineries and vehicles, etc. Please refer to note 1 to the financial statement of this announcement for further details.

Chongqing Fulu Bonded Logistics Co., Ltd. was established on 9 April 2014 in the PRC and was subsequently renamed as Fulu International Logistics Co., Ltd. (“Fulu International”), with an address at No.88-7-108, Maya Road, Luohuang Prefecture, Jiangjin District, Chongqing City, the PRC and a registered capital of RMB3,000,000 which was subsequently increased to RMB60,000,000. Fulu International mainly engages in storage services (excluding dangerous goods); loading and unloading, handling; freight forwarding; packaging, distribution; processing and selling automobile parts; import and export of cargos and technology; designing of logistics solution and provision of related information consultation, Non-Vessel Operating Common Carrier business, etc. Please refer to note 1 to the financial statement of this announcement for further details.

Chongqing Changzu Feiyue Technology Co., Ltd. (“Feiyue Technology”), previously named Chongqing Changliang Logistics Technology Co; Ltd., was incorporated on 16 May 2014 in the PRC with an address at Industrial Park Zone, Economic Development Zone, Shuangqiao District, Chongqing City (No.39-2, Checheng Road), the PRC and a registered capital of RMB50,000,000. The Company holds 55% of equity interests of Feiyue Technology, Chongqing Shuangqiao Economic & Technological Development Zone Investment Group, Co. Ltd.\* holds 37.8% of its equity interests and Suzhou Liangcai Technology Logistics Co., Ltd. holds the remaining 7.2% of its equity interests. Feiyue Technology is mainly engaged in developing logistics technology, technical services and provision of technology consultation; producing, selling, renting and maintenance of containers; processing and selling of automobile parts; imports and exports; general freight; storage (excluding dangerous goods); international freight forwarding (excluding forwarding cargos transported by waterway and

## REPORT OF THE BOARD

international freight forwarding by vessels); provision of packaging information consultation services, etc. Please refer to note 1 to the financial statement of this announcement for further details.

Changan Minsheng (Shanghai) Supply Chain Co., Ltd (“Shanghai Supply Chain”) was incorporated on 5 August 2014 the PRC with an address at Room 208A, Building B, No.5, Shuntong Road, Lin-gang Special Area, Pilot Free Trade Zone, Shanghai City, the PRC. After capital increase of RMB 28,000,000 on 6 May 2015, its registered capital reaches to RMB30,000,000. The Company holds 100% of its equity interests. The main business of Shanghai Supply Chain is supply chain management, road transportation, import and export of goods and technology, exhibition and display services, development and design of computer software and hardware, storage (excluding dangerous goods), packaging, development of logistics software and information services. Please refer to note 1 to the financial statement of this announcement for further details.

Wuhan Changsheng Gangtong Supply Chain Management Co., Ltd. (“Changsheng Gangtong”), previously named Wuhan Changsheng Gangtong Automobile Logistics Co., Ltd., was incorporated on 18 August 2010 in the PRC with an address at Jincheng Village, Dengnan Street, Hannan District, Wuhan City, Hubei Province, the PRC and a registered capital of RMB23,070,000. On 22 May 2015, the Company acquired 60% of equity shares in Changsheng Gangtong. Changsheng Gangtong’s principal activities are port management, storage services, loading, unloading and handling, general freight transport, multimodal transport, cold chain transport, freight forwarding, freight forwarding by waterway and railway, international freight forwarding, etc. Please refer to note 1 to the financial statement of this announcement for further details.

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

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

In order to support the implementation of the Company’s strategy and enhance the Company’s capacity to provide finished vehicle logistic services across central China and maket competitiveness, the Company on 70 July 2021 acquired part of equities of Wuhan Changjiang Zhilian Port Development Co., Ltd.\* (“Changjiang Zhilian”) by way of capital increase. After the acquisition, the Company, Huibei Port Group Co., Ltd. and Wuhan Changxin Hengyuan Group Co., Ltd.\* hold 47%, 34% and 19% of the equity of Changjiang Zhilian respectively. The business registration procedures of Changjiang Zhilian were completed on 30 July 2021 with a registered capital of RMB30 million. The Company entered into an Acting-in-Concert Agreement with Wuhan Changxin Hengyuan Group Co., Ltd. and in respect of which the Company shall have large influence on Changjiang Zhilian. Changjiang Zhilian is primarily engaged in licensed business items, including port operartion, port cargo handling services, road transport of goods (excluding dangerous goods), water transport of general cargo, road transport of goods (including dangerous goods), road transport of goods (Internet freight) and general business items, including general goods storage service (excluding dangerous goods and items that need to be licensed or approved), domestic container freight forwarding, domestic freight forwarding, international freight forwarding, non-vessel carrier business, road freight transport station operation, used automobiles brokerage, used automobiles dealing, house leasing, property management, machinery equipment leasing, non-residential property leasing, auto spare parts retail, new car sales and other services.

## REPORT OF THE BOARD

### Capitalized Interests

For the year ended 31 December 2022, no interest had been capitalized by the Company.

### Permitted Indemnity Provision

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

### Relationship with Stakeholders

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

### Retirement Plan

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

### Employees

As at 31 December 2022, the Group had 4,397 employees (31 December 2021: 4,692 employees), and the gender ratio in the workforce (including senior management) was male: female=2.2:1.

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

	As at 31 December	
	2022	2021
Administration	219	214
Specialists	1,384	1,389
Operators	2,794	3,089
Total	<u>4,397</u>	<u>4,692</u>

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

### Remuneration Policy

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

# REPORT OF THE BOARD

## 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 (2021: nil). Full time employees are entitled to participate in the government-sponsored housing fund. The Company contributes on a monthly basis to the fund at certain rates of the employees' basic salary.

## Directors and Supervisors

The Directors of the fifth session of the Board and supervisors of the fifth session of the supervisory committee (the "Supervisory Committee") of the Company up to the date of this announcement were as follows:

### Executive Directors

Xie Shikang (Chairman)	( re-appointed on 30 June 2020 )
Chen Wenbo	( re-appointed on 30 June 2020 )
Wan Nianyong	( appointed on 26 November 2021 )

### Non-executive Directors

Che Dexi	( appointed on 26 November 2021 )
Man Hin Wai Paul	( re-appointed on 30 June 2020 )
Xia Lijun	( appointed on 30 June 2020 )
Dong Shaojie	( appointed on 19 January 2023 )

### Independent non-executive Directors

Chong Teck Sin	( re-appointed on 30 June 2020 )
Poon Chiu Kwok	( re-appointed on 30 June 2020 )
Jie Jing	( re-appointed on 30 June 2020 )
Zhang Yun	( re-appointed on 30 June 2020 )

### Supervisors

Wang Huaicheng	( re-appointed on 30 June 2020 )
Jin Jie	( re-appointed on 30 June 2020 )
Yang Gang	( re-appointed on 30 June 2020 )
Deng Li	( re-appointed on 30 June 2020 )
Yang Xunping	( appointed on 30 June 2020 )
Liu Shasha	( appointed on 17 June 2022 )

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

## Confirmation of Independence

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

## REPORT OF THE BOARD

### Service Contracts of Directors and Supervisors

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

### Directors' and Supervisors' Interests in Contracts

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

### Management Contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

### Directors, Supervisors and Senior Management

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

### Remuneration of Directors and Supervisors

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

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

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

As at 31 December 2022, 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, Chapter 571 of Laws of Hong Kong (the "SFO")) 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 2022, the Directors, chief executive and the supervisors of the Company were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirect, in any assets which have been, since 31 December 2021, 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 2022, 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:

## REPORT OF THE BOARD

Name of Shareholders	Capacity	Number of Shares	Percentage of Domestic Shares (non-H Foreign Shares Included)	Percentage of H Shares	Percentage of Total Registered Share Capital
China South Industries Group Co., Ltd. ("CSGC")	Interest of a controlled corporation	41,225,600(L) (H Shares)	-	31.75%	25.44%
China Changan Automobile Group Company Limited ("China Changan")	Beneficial owner	41,225,600(L) (H Shares)	-	31.75%	25.44%
Kintetsu World Express, Inc.	Interest of a controlled corporation	33,619,200(L) (H Shares)	-	25.89%	20.74%
APL Logistics Ltd. ("APL Logistics")	Beneficial owner	33,619,200(L) (H Shares)	-	25.89%	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)	100.00%	-	19.88%
Minsheng Industrial (Group) Co., Ltd. ("Minsheng Industrial") (note 1)	Beneficial owner	25,774,720(L) (Domestic Shares)	80.00%	-	15.90%
Minsheng Industrial	Interest of a controlled corporation	6,444,480(L) (Non-H Foreign Shares)	20.00%	-	3.98%
Ming Sung Industrial Co., (HK) Limited ("Ming Sung (HK)") (note 1)	Beneficial owner	6,444,480(L) (Non-H Foreign Shares)	20.00%	-	3.98%
Pemberton Asian Opportunities Fund	Beneficial owner	5,450,000 (L)	-	4.20%	3.36%

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

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

Save as disclosed in this announcement, as at 31 December 2022, 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.



# REPORT OF THE BOARD

## Share Appreciation Right Incentive Scheme

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

On 28 August 2020, the Board has considered and approved a Share Appreciation Rights Scheme (the "Scheme"). The Scheme has been approved by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and the shareholders of the Company at the 2021 First Extraordinary General Meeting held on 27 April 2021. The Scheme does not constitute the grant of options on the new shares or other new securities of the Company (or any of its subsidiaries); it does not fall within the ambit of, and is not subject to, the requirements under Chapter 17 of the Listing Rules. Please refer to the announcements of the Company dated 28 August 2020, 1 March 2021 and 27 April 2021, and the circular of the Company dated 12 April 2021 for further details.

The Scheme shall remain valid for a period of five years from 27 April 2021. The Board set the date of 28 August 2020 as the date of grant (the "Date of Grant") and HKD2.98 as the exercise price of the share appreciation right ("Share Appreciation Right(s)"). Incentive recipients ("Incentive Recipient") are the individual(s) eligible to receive the Share Appreciation Rights to be granted by the Company under the Scheme, including Directors (External Directors and Supervisors are excluded), senior management, and key employees having immediate impact on the business performance and sustainable development of the Company, but shall not be a substantial shareholder or de facto controller holding over 5% of the Shares, or parents, spouses or children thereof. The Scheme will include no more than 29 Incentive Recipients. Vesting Period is a period of two years (24 months) commencing from the Date of Grant until the first Vesting Date, (i.e., no Share Appreciation Rights shall be exercised for a period of two years since the Date of Grant). The Share Appreciation Rights to be granted to the Incentive Recipients shall take effect by one third each year in the next three years upon the expiry of the Vesting Period. Each of the Vesting Dates shall be the second, third and fourth anniversary of the Date of Grant. The Vesting Date may be extended to the next trading day should the anniversaries fall to be on a non-trading day.

On the Date of Grant, the Company granted Incentive Recipients Share Appreciation Rights with 4,861,400 underlying Shares to 29 Incentive Recipients, accounting for 3.00% of the total issued share capital of the Company.

As at 31 December 2022, none of the Share Appreciation Rights granted under the Scheme have been vested.

## Completion of the H Share Full Circulation

On 25 November 2022, the conversion of up to 74,844,800 unlisted domestic shares, comprising 41,225,600 domestic shares and 33,619,200 non-H foreign shares held by 2 participating holders, into H Shares of the Company was completed. Immediately following completion of the conversion, the share capital of the Company comprised of 129,844,800 H shares, 25,774,720 unlisted domestic shares and 6,444,480 unlisted non-H foreign shares. Please refer to announcements dated 23 June 2022, 27 September 2022, and 25 November 2022 for further details.

## Competing Interests

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

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

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

In March 2023, the Company received the confirmation regarding the above-mentioned non-competition undertakings from each of APL Logistics and China Changan.

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

## **Mergers & Acquisitions**

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

## **Continuing Connected Transactions**

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

### **Background of the Continuing Connected Transactions**

China Changan holds approximately 25.44% of the issued share capital of the Company and 17.97% of the equity interests of Changan Automobile. In addition, CSGC holds 100% equity interests in China Changan and 14.22% equity interests in Changan Automobile. SIAMC, a wholly-owned subsidiary of CSGC, holds 5.10% equity interest in Changan Automobile. Zhuangbei Finance is a member company of CSGC in that CSGC holds 22.9% equity interests in Zhuangbei Finance and China Changan holds 12.46% equity interests in Zhuangbei Finance. As at the date of this announcement, the Company holds approximately 0.81% equity interests in Zhuangbei Finance. In addition, Changan Industry Company is a wholly-owned subsidiary of CSGC. Changan Industry Company holds 98.49% equity interests of Changan Real Estate Development Company (“Changan Real Estate”) and Chongqing Changan Construction Co., Ltd. (“Changan Construction”) is a wholly owned subsidiary of Changan Real Estate. Both of APLL and Minsheng Industrial are the substantial shareholder of the Company, respectively holding approximately 20.74% and approximately 15.90% of the total issued share capital of the Company. Therefore, according to the Listing Rules, the transactions between the Group and each of China Changan, Changan Automobile, APLL, Minsheng Industrial, Zhuangbei Finance and their respective associates become connected transactions of the Company.

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

## REPORT OF THE BOARD

On 4 November 2020, the Company entered into the following framework agreements, each for a term of three years commencing on 1 January 2021 and expiring on 31 December 2023 (both days inclusive):

- (1) the framework agreement with Changan Automobile, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for automobile raw materials, components and parts) to Changan Automobile and its associates;
- (2) the framework agreement with China Changan, pursuant to which the Group shall provide logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for automobile raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product) to China Changan and its associates;
- (3) the procurement framework agreement with Minsheng Industrial, pursuant to which the Group shall purchase logistics services from Minsheng Industrial and its associates;
- (4) the framework agreement with Zhuangbei Finance, pursuant to which Zhuangbei Finance shall provide the Group with settlements, deposit and loans, note discounting services;
- (5) the framework agreement with Minsheng Industrial, pursuant to which the Group shall provide logistics services to Minsheng Industrial and its associates;
- (6) the procurement framework agreement with China Changan, pursuant to which the Group shall purchase security and cleaning services, property leasing services and logistics services from China Changan and its associates;
- (7) the framework agreement with APLL, pursuant to which the Group shall (i) provide logistics services to APLL and its associates and (ii) purchase logistics services from APLL and its associates;
- (8) the framework agreement with Zhuangbei Finance, pursuant to which the Group shall provide financial logistics services to Zhuangbei Finance and its associates; and
- (9) the framework agreement signed between Nanjing CMSC and Baogang Zhushang, pursuant to which Nanjing CMSC shall provide logistics services to Baogang Zhushang and its associates.

Please refer to the announcement of the Company dated 4 November 2020, the circular dated 12 December 2020 and the announcement dated 30 December 2020 for further details.

## REPORT OF THE BOARD

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

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

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

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

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

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

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

## REPORT OF THE BOARD

### *With respect to the transaction between the Group and Zhuangbei Finance*

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

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

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

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

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

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

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

## REPORT OF THE BOARD

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

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

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

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

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

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

## REPORT OF THE BOARD

### Pricing of Continuing Connected Transactions

According to the framework agreements signed on 4 October 2020 between the Company and each of Changan Automobile, China Changan, APLL, Minsheng Industrial, Zhuangbei Finance and the framework agreement signed between Nanjing CMSC, the Company's holding subsidiary, and Baogang Zhushang, the prices of the transactions for the services provided by the Group to our customers under such framework agreements are determined in accordance with the principles and order of bidding price, internal compared price and cost-plus price. Please refer to the announcement of the Company dated 4 November 2020, the circular dated 14 December 2020, the announcement dated 30 December 2020, the announcement dated 29 September 2021, the circular dated 9 November 2021 and the announcement dated 26 November 2021 for further details.

According to the framework agreements signed on 4 November 2020 between the Company and each of Minsheng Industrial, China Changan, and APLL, the prices of the transactions for the services purchased by the Group under such framework agreements are determined in accordance with the principle and order of bidding price and internal compared price. Please refer to the announcement of the Company dated 4 November 2020, the circular dated 14 December 2020, the announcement dated 30 December 2020 for further details.

According to the framework agreement signed on 4 November 2020 between the Company and Zhuangbei Finance in regard to settlements, deposits and loans, and note discounting services, the prices of the transaction under such framework agreement are set on normal commercial terms.

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

## REPORT OF THE BOARD

### Total Consideration of the Continuing Connected Transactions

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

For the year ended 31 December 2022, 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 2022	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:		
- Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, supply chain management for automobile raw materials, components and parts; and logistics services for non-automobile products, such as transformer, steel, optical product and specialty product)	170,920	210,000
Changan Automobile and its associates:		
- Logistics services (including but not limited to the following logistics services: finished vehicle transportation, tire assembly, and supply chain management for automobile raw materials, components and parts)	5,029,170	6,000,000
Minsheng Industrial and its associates:		
- logistics services	6,210	11,000
APL Logistics and its associates:		
- logistics services	40	5,000
Baogang Zhushang:		
- logistics services	4,230	7,000

For the year ended 31 December 2022, 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 2022	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	3,490	12,000
Minsheng Industrial and its associates:	248,340	250,000
APL Logistics and its associates:	-	5,000



## REPORT OF THE BOARD

For the year ended 31 December 2022, 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 2022	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	660	2,600

For the year ended 31 December 2021, the total consideration paid by the Group to each of the connected persons for the purchase of security and cleaning services is as follows:

	For the year ended 31 December 2022	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
China Changan and its associates:	12,570	14,000

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

	For the year ended 31 December 2022	
	Actual Transaction Amount	Annual Caps or Revised Annual Caps
	RMB'000	RMB'000
The balance of the maximum amount of outstanding of deposit (including interest) on a daily basis	199,582	200,000

In March 2023, the Company received confirmation letters as required under Rule 14A.55 of the Listing Rules from Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun, the independent non-executive Directors of the Company, confirming that the continuing connected transactions of the Company for 2022 were:

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

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

# REPORT OF THE BOARD

## Related Party Transactions

Details of the significant related party transactions entered into by the Group during the twelve months ended 31 December 2022 are set out in Note 37 to the consolidated financial statements. None of these related party transactions constitutes a disclosable connected transaction as defined under the Listing Rules, except for the transactions described in this paragraph headed “Continuing Connected Transactions”, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

## Legal Proceedings

### Litigation 1:

On 27 August 2021, CMAL Bo Yu Transportation Co., Ltd. Tongnan Branch (Bo Yu Transportation Tongnan Branch), a wholly-owned subsidiary of the Company, filed civil lawsuits as claimant with Shenzhen Longhua District People’s Court (“Longhua District Court”) for an order that Shenzhen LingDao Car Life Service Co., Ltd. Zhongshan Branch, Shenzhen LingDao Car Life Service Co., Ltd. Zhuhai Branch, Shenzhen LingDao Car Life Service Co., Ltd. Foshan Branch, Huhhot LingDao Car Service Co., Ltd., Lanzhou LingMai Car Service Co., Ltd. and Yinchuan LingDao Car Service Co., Ltd. (the aforesaid six companies are collectively referred to as the “Defendants”) to settle the balance, service charge, storage fee and attorney fee, which were paid by Bo Yu Transportation Tongnan Branch, liquidated damages and other costs owing to Bo Yu Transportation Tongnan Branch in a total amount of RMB96,107,000, and for an order that Shenzhen LingDao Car Life Service Co., Ltd. and Shenzhen Baoneng Investment Group Co., Ltd. to assume joint and several guarantee liabilities for paying the outstanding amount owing to Bo Yu Transportation Tongnan Branch. On 23 September 2021, Bo Yu Transportation Tongnan Branch received the Mediation Document from Longhua District Court, and has entered into the Settlement Agreement with the Defendants. Pursuant to the Settlement Agreement, Bo Yu Transportation Tongnan Branch received RMB92,017,763.21 as a result of enforcement by Longhua District Court on 21 January 2022. Please refer to announcements of the Company dated 10 September 2021, 4 January 2022 and 21 January 2022 for further details.

### Litigation 2:

The Company and Chongqing Supply and Marketing Automobile Trading Co., Ltd.\* (“SMAT”) entered into a storage supervision agreement, which stipulates, among others, that the Company shall provide vehicle storage supervision services to SMAT, for a term of one year. The Company entrusted above business to Chongqing Yaohang Logistics Co., Ltd\* (“Yaohang Logistics”) which is responsible for storage supervision. In April 2022, a total of 105 vehicles was stolen. SMAT filed lawsuits with Chongqing Yubei District People’s Court (“Yubei District Court”). On 21 December 2022, Yubei District Court accepted the case of contract disputes and froze a total of RMB3.03 million in the Company’s bank account. (Please refer to the announcement of the Company dated 30 December 2022).

The Company has engaged a law firm to represent the case.

Yaohang Logistics has made a written commitment to the Company that it is willing to undertake to bear all direct responsibilities and related direct expenses in the case, including but not limited to litigation fees and attorney fees.

After seeking legal advice from the Company’s lawyer, the management believes that the Company will be less likely to eventually bear the liability for compensation, and the possibility of impairment of the assets/contingent liabilities is relatively small. The Company will keep the shareholders and potential investors of the Company informed of any further material development by way of announcement as and when appropriate. Please refer to announcements of the Company dated 30 December 2022 for further details.

### Litigation 3:

The Company, as the logistics supplier of WM New Energy Automobile Sales (Shanghai) Co., Ltd.\* (as “WM Auto”), provided vehicle transportation services to WM Auto. As WM Auto failed to pay the Company’s logistics service fees on time, in order to recover the money, the Company filed civil lawsuits as claimant with the Qingpu District People’s Congress of Shanghai twice for an order that WM Motor to pay a total of RMB58.4591 million in logistics service fees owed to the Company and the expected payment of capital occupation fees. (Case number: Qingpu District People’s Congress of Shanghai(2022) Hu 0118 Minchu No.21525, Qingpu District People’s Congress of Shanghai(2022) Shanghai 0118 Min Chu No. 274 case). The

## REPORT OF THE BOARD

Company has applied to the court for litigation property preservation, and has frozen the above-mentioned arrears in full.

On 23 January 2023, the Company received the first-instance judgment of the Qingpu District People's Congress of Shanghai on the (2022) Hu 0118 Min Chu No.21525, which ordered WM Auto to pay RMB35.1974 million and overdue payment of capital occupation fees. WM Auto is currently appealing to the Shanghai No. 2 Intermediate People's Court.

On 6 February 2023, the Qingpu District People's Congress of Shanghai opened a court hearing (2022) Hu 0118 Minchu No.274 regarding to the Company claimed WM Auto for RMB 23.2617 million. As of March 2023, the Qingpu District People's Congress of Shanghai has not yet issued a judgment.

According to Chinese judicial procedures, the Company can only apply to the court for enforcement after the judgment of the second instance is issued.

Save as disclosed above, as at 31 December 2022, none of the members of the Group was involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against any member of the Group.

### Designated Deposits

As at 31 December 2022, the Group had no designated deposits in any financial institutions in and out of the PRC or any overdue fixed deposit which could not be recovered.

### Compliance with the relevant Laws and Regulations

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

### Environmental Policies and Performance

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

The Company is preparing the environmental, social and governance report (the "ESG report") for the year ended 31 December 2022 in accordance with the *Environmental, Social and Governance Reporting Guide* of the Stock Exchange. The Company will publish the ESG report on the Stock Exchange's website and the Company's website at the same time as the publication of the Company's annual report of 2022.

## REPORT OF THE BOARD

### Donation

During the year, the total amount of donation made by the Company was RMB600,000 (2021: RMB600,000).

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

There was no purchase, redemption, sale or cancellation by the Group of the Company's listed securities during the year ended 31 December 2022.

### 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 set out in this announcement had been audited by PKF Hong Kong Limited, the Group's auditors.

By the Order of the Board  
**Xie Shikang**  
Chairman

Chongqing, the PRC  
30 March 2023

## REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

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

The Supervisory Committee considers that in 2022, the members of the Board, the general manager and other senior management staff of the Company were able to strictly fulfil their fiduciary duties, to act diligently and to exercise their authority faithfully in the best interests of the Company, to carry out work pursuant to the Articles of Association of the Company in standard operation and gradually improve the internal control system. The transactions between the Company and related parties were carried out on fair and reasonable terms and in the interests of the shareholders as a whole. As of the date of this announcement, none of the Directors, general manager and other senior management staff had been found to have abused their authority, prejudiced the interests of the Company and of its shareholders. None of them was found to be in breach of any laws and regulations or the Articles of Association of the Company.

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

The Supervisory Committee has conscientiously reviewed and agreed with the report of the Board, the audited consolidated financial statements, which will be submitted by the Board to the 2022 AGM.

By order of the Supervisory Committee  
**Wang Huaicheng**  
Chairman

Chongqing, the PRC  
30 March 2023

## CORPORATE GOVERNANCE REPORT

The Board believes that the Company can enhance its corporate governance and transparency by adhering to strict corporate governance practices in the interest of the shareholders of the Company. Since 18 July 2013, the provisions of the Corporate Governance Code ("Code") set out in Appendix 14 of the Listing Rules have been adopted as the Company's corporate governance standards, which coupled with the experience and circumstances of the Company, help to establish a favorable corporate governance structure of the Group. For the period from 1 January 2022 to 31 December 2022, the Company has complied with the code provisions set out in the Code throughout and adopted the recommended best practice as set out in the Code, except for code provision B.2.2. The fifth session of Board and the fifth session of the Supervisory Committee was elected on 30 June 2020. Code provision B.2.2 provides that every director, including those appointed for a specific time, should be subject to retirement by rotation at least once every three years. The Company also stipulates that directors and supervisors elected at general meeting shall be for a term of three years. According to the code provisions and the articles of association of the Company, the term of office of all the members of each of the fifth session of the Board and the fifth session of the Supervisory Committee shall expire on 30 June 2023.

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

### Corporate Strategy

Under Code provision A.1.1 of the Code, the Board is required to establish the Company's purpose, values and strategy, and ensure that these and the Company's culture are aligned.

With "becoming world-class" as the goal, green, intelligent and digital technologies as the key, the "service leading strategy" as the cornerstone, and building "five high" (high technology, high vitality, high efficiency, high brand and high quality) as the direction, the Company is committed to transforming and upgrading from traditional logistics to a world-class green intelligent supply chain logistics technology company in 10 to 15 years by strengthening automobile logistics, expanding non-automobile logistics, and the logistics ecosystem, so that customers can trust us and entrust us with their business.

### Securities Transactions by the Directors

Since the Transfer of Listing of the Shares to the main board of the Stock Exchange on 18 July 2013, the Company has adopted a code of conduct regarding Directors' securities transactions on terms of the required standard of dealings (the "Code of Conduct") prepared according to the Model Code. After making specific enquiries to all Directors, the Company confirms that the Directors have complied with the Code of Conduct during the period from 1 January 2022 to 31 December 2022.

### Board

The Board comprises 10 Directors, including 3 executive Directors, 3 non-executive Directors and 4 independent non-executive Directors. The Board believes that 6 Directors and 4 independent non-executive Directors maintained a reasonable balance with the number of executive Directors and have participated actively in the formulation of the Company's policies through providing constructive suggestions in the interests of shareholders as a whole. The names of members of the fifth 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 2023. 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.

## CORPORATE GOVERNANCE REPORT

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

Mr. Dong Shaojie was appointed as non-executive director of the Company for a term commencing from the conclusion of the EGM until the expiry of the term of the fifth session of the board of directors of the Company. Please refer to the announcement of the Company dated 25 November 2022 and the circular of the Company dated 4 January 2023 respectively.

Mr. Xia Lijun resigned as non-executive director of the fifth session of the Board of the Company with effect from 19 January 2023. Please refer to the announcements of the Company dated 25 November 2022 and 19 January 2023 respectively.

Ms. Liu Shasha was appointed as employee representative supervisor of the Company for a term commencing from 17 June 2022 to the date when the term of the fifth session of the Board of Supervisors of the Company expires. Please refer to the announcement of the Company dated 17 June 2022.

Mr. Yang Xunping resigned as employee representative supervisor with effect from 17 June 2022. Please refer to the announcement of the Company dated 17 June 2022.

# CORPORATE GOVERNANCE REPORT

## Directors' Attendance of Regular Meetings

The Board has held four regular meetings in 2022 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 2022 are set out in the following table:

Director's name	Due attendance	Records for personal attendance	Records for attendance by alternate	Individual attendance rate
<b>Executive Director</b>				
Xie Shikang	4	4	0	100%
Chen Wenbo	4	4	0	100%
Wan Nianrong	4	2	2	50%
<b>Non-executive Director</b>				
Che Dexi	4	3	1	75%
Man Hin Wai Paul	4	4	0	100%
Xia Lijun (Note 1)	4	1	3	25%
Dong Shaojie (Note 1)	0	0	0	0%
<b>Independent non-executive Director</b>				
Chong Teck Sin	4	3	1	75%
Poon Chiu Kwok	4	3	1	75%
Jie Jing	4	4	0	100%
Zhang Yun	4	4	0	100%

Note 1: Mr. Xia Lijun resigned as non-executive director of the Company and Mr. Dong Shaojie was appointed as non-executive director of the Company with effect from 19 January 2023.



# CORPORATE GOVERNANCE REPORT

## Composition of the Board

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

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

On diversity, the Board consists of directors with different backgrounds that are able to provide the Company with professional advice on various aspects. Currently the Board has one female director. The independent non-executive directors are independent of management of the Company and have adequate business and financial experience. They provide advice to the Board and the management on the strategic development of the Company and ensure the interests of shareholders and the Company as a whole by implementing measures. As of the date of this announcement, Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun, the independent non-executive directors, have continuously been in office for over nine years. Notwithstanding the fact that Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun have served the Company for more than nine years, they are not involved in the daily management of the Company.

Therefore, there are no circumstances which are likely to affect their independence as an independent non-executive director. As regard the re-election of independent non-executive directors, the Company has complied with code B.2.3 of the Corporate Governance Code under the Listing Rules that the re-election of each of Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing and Ms. Zhang Yun as independent non-executive director. As regard all independent non-executive directors have been in office for over nine years, the Company will comply with the code B.2.4 of the Corporate Governance Code under the Listing Rules that appoint or change at least one new independent non-executive director.

According to the Listing Rules, the Company received the relevant written independence confirmation letter from each of the independent non-executive Directors for the year 2023. The Company confirmed that all the independent non-executive Directors are independent of the Company.

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

## Duties of Directors and Management

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

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

## **CORPORATE GOVERNANCE REPORT**

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.

### **Board Diversity Policy**

The Board has adopted the board diversity policy (the “Board Diversity Policy”) in compliance with the mandatory disclosure requirements under Rule 13.92 of the Listing Rules and paragraph J of the Code.

The Board Diversity Policy aims to set out the approach to achieve diversity on the Board and does not apply to diversity in relation to the employees of the Company, nor the board and the employees of any subsidiary of the Company. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, differences in the talents, skills, regional and industry experience, background, gender, age and other qualities of the members of the Board, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company’s business growth.

### **Chairman and General Manager**

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

# CORPORATE GOVERNANCE REPORT

## 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 2022 and 31 December 2022 based on the records provided by the Directors and supervisors:

<b>Name</b>	<b>Category of Continuing Professional Development</b>
<b>Directors</b>	
Xie Shikang	A/B
Chen Wenbo	A/B
Wan Nianyong	A/B
Che Dexi	A/B
Man Hin Wai Paul	A/B
Xia Lijun	A/B
Dong Shaojie	N/A
Chong Teck Sin	A/B
Poon Chiu Kwok	A/B
Jie Jing	A/B
Zhang Yun	A/B
<b>Supervisors</b>	
Wang Huaicheng	A/B
Jin Jie	A/B
Yang Gang	A/B
Deng Li	A/B
Yang Xunping	A/B
Liu Shasha	A/B

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

*B: attending briefing and/or seminars.*

# CORPORATE GOVERNANCE REPORT

## Four Committees of the Board

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

### (1) Audit Committee

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

- (a) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) develop and implement policy on engaging an external auditor to supply non-audit services, if any, to ensure that provisions of such services would not impair the independency and objectivity of the external auditors. For this purpose, 'external auditor' includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and (if prepared for publication) quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (e) regarding (d) above:
  - (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (f) review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (g) discuss the risk management and internal control system with the management to ensure that management has performed its duty to have effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

## CORPORATE GOVERNANCE REPORT

- (h) consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) where an internal audit function exists, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;
- (j) review the group's financial and accounting policies and practices;
- (k) review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) ensure that the Board provides a timely response to the issues raised in the external auditor's management letter;
- (m) report to the Board on the matters in the code provision of Appendix 14 Corporate Governance Code and Corporate Governance Report of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (n) review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up action;
- (o) act as the key representative body for overseeing the Company's relations with the external auditor; and
- (p) consider other topics, as defined by the Board.

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

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

The Audit Committee met on 23 March 2022 to review and discuss the Group's annual results, financial statements; principal accounting policies and internal audit matters for the year ended 31 December 2021, listened to the auditor's suggestions for the Company, and approved such reports.

The Audit Committee met on 24 May 2022 to review the income statement, cash flow statement and balance sheet of the Group for the three months ended 31 March 2022.

The Audit Committee met on 18 August 2022 to review the unaudited interim report of the Group for the six months ended 30 June 2022 and approved such report.

The Audit Committee met on 19 October 2022 to review the income statement, cash flow statement and balance sheet of the Group for the nine months ended 30 September 2022.

## CORPORATE GOVERNANCE REPORT

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

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

The Audit Committee met on 23 March 2023 to review and discuss the Group's annual results, financial statements, principal accounting policies and internal audit matters for the year ended 31 December 2022, listened to the auditor's suggestions for the Company and approved such reports.

In 2022, the Audit Committee has worked actively mainly on the following aspects:

1. reviewed the policies and systems on internal financial supervision & operation, compliance monitoring and risks management, for the purpose of ensuring the effectiveness of the policies and systems on internal financial supervision and operation, compliance monitoring and risks management;
2. monitored the accounts of the relevant reporting period and reviewed the financial statements and all the financial reporting materials which are set out in the report and took the view that all of these were in accordance with the requirements of Chinese Accountant Standard and Hong Kong Accountant Standard and complied with the relevant laws and regulations of PRC and the Listing Rules;
3. made in-depth communication and discussions with the Group's external auditors with regard to the 2022 conducted annual financial auditing nature and scope;
4. proposed to the Board to appoint PKF Hong Kong Limited and WUYIGE Certified Public Accountants LLP as the Company's 2022 annual external auditors.

# CORPORATE GOVERNANCE REPORT

## (2) Remuneration Committee

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

The major duties of the Remuneration Committee are:

- (a) make recommendations to the Board on the Company’s policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) review and approve the management’s remuneration proposals with reference to the Board’s corporate goals and objectives;
- (c) determine, with delegated responsibility the remuneration packages of individual executive Directors and senior management. These should include stock appreciation stimulating plan, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (d) make recommendations to the Board on the remuneration of non-executive Directors;
- (e) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- (f) review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (h) ensure that no Director or any of his associates is involved in deciding his own remuneration; and
- (i) consider other topics, as authorized by the Board.

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

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

<b>Members of the Remuneration Committee</b>	<b>Due attendance</b>	<b>Records for personal attendance</b>	<b>Records for attendance by alternate</b>	<b>Individual attendance rate</b>
Poon Chiu Kwok	1	1	0	100%
Jie Jing	1	1	0	100%
Zhang Yun	1	1	0	100%
Chong Teck Sin	1	1	0	100%

In 2022, 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 2022, 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. Reviewed remuneration management measures, performance management measures and annual performance contract for management members of the Company.

# CORPORATE GOVERNANCE REPORT

## (3) Nomination Committee

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

The major duties of the Nomination Committee are:

- (a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy;
- (b) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) assess the independence of independent non-executive Directors;
- (d) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the general manager; and
- (e) consider other topics, as authorized by the Board.

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

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

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

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

In 2022, the Nomination Committee has worked actively mainly on the following aspects:

1. Examined and assessed the qualifications of the candidate(s) for Director(s) and supervisor(s)
2. Analyzed the framework, population and composition of the current Board of the Company;
3. Assessed and reviewed the independent non-executive Directors of the Company, ensuring their independency. The Company shall abide by relevant rules of the Articles of Association of the Company and Listing Rules in selection of the candidate(s) for non-executive Director(s), with reference to his/her character, experience and integrity and competence;
4. Analyzed and continuously refined the procedures of meetings of the Nomination Committee.

The Board has adopted the director nomination policy in compliance with the mandatory disclosure requirement under paragraph E.(d)(iii) of the Code pursuant to which the Company should disclose its policy for nomination of directors in the summary of work performed by the Nomination Committee in its corporate governance report.



# CORPORATE GOVERNANCE REPORT

## (4) Strategy and Investment Committee

The Board established the Strategy and Investment Committee on 29 June 2018. The Strategy and Investment Committee currently comprises Mr. Xie Shikang, Mr. Chong Teck Sin, Mr. Jie Jing and Ms. Zhang Yun. The chairman of the Strategy and Investment Committee, Mr. Xie Shikang, is the chairman of the Board.

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

- (a) study and advise on the Company's development strategy and interim and long-term development plan;
- (b) study and advise on the annual business plan, total budget plan, yearly investment program and major investment program subject to the approval of the Board;
- (c) study and advise on major financing activities, the disposal of assets, and mergers and acquisitions subject to the approval of the Board;
- (d) study and advise on mortgages, pledges of major assets and the provision of security to external party subject to the approval of the Board;
- (e) assess and examine the implementation of the above stated activities;
- (f) exercise other functions and powers conferred upon by the Board and relevant laws and regulations.

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

# CORPORATE GOVERNANCE REPORT

## Corporate Governance Responsibility

The Board is responsible for performing the functions set out in the code provision C.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 2022, the Board reviewed the Company's status on compliance with the Code and other rules applicable according to the requirements of the Code, and approved the annual corporate governance report of the Company and its disclosure on the websites of the Stock Exchange and the Company.

## Auditors and their Remuneration

PKF Hong Kong Limited was appointed as the Company's international auditor (WUYIGE Certified Public Accountants LLP was the Company's PRC auditor for 2022) for the year ended 31 December 2022 on the 2021 AGM held on 30 June 2022. Save as disclosed above, for three years ended 31 December 2022, the Company did not change its auditor.

The responsibilities of the external auditors in respect of their financial reporting are set out in the independent auditor's report attached to the Company's financial statements for the year ended 31 December 2022.

The remuneration of the auditors for the year ended 31 December 2022 are set out below:

Services provided	Fees(RMB)
Audit Services	1,580,000.00
Non-audit services	200,000.00
Total	1,780,000.00

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

## Company Secretary

During the year ended 31 December 2022, Mr. Huang Xuesong, the company secretary of the Company, has received no less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules.

# CORPORATE GOVERNANCE REPORT

## Rights of Shareholders

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

- (1) the right to receive dividends and other distributions proportional to the number of shares held;
- (2) the right to attend shareholders' meeting of the Company, either in person or by proxy, and exercise their voting right;
- (3) the right to supervise, advise or inquire about the operating activities of the Company;
- (4) the right to transfer, bestow, or pledge the shares held according to the laws and regulations and the Articles of Association of the Company;
- (5) the right to be provided with relevant information in accordance with provisions of the Articles of Association of the Company, including:
  - (A) to obtain a copy of the Articles of Association of the Company, subject to payment of a reasonable charge;
  - (B) to inspect and to make duplicate copies, subject to payment of a reasonable charge, of the following:
    - (i) all parts of the register of shareholders;
    - (ii) personal profiles of the Company's Directors, supervisors, general manager and other senior managements including:
      - (a) their present and former names and aliases;
      - (b) their principal addresses (residence);
      - (c) their nationalities;
      - (d) their full-time and all other part-time occupations and duties;
      - (e) their identification documents and the numbers thereof.
    - (iii) report(s) on the Company's share capital;
    - (iv) report(s) showing the aggregate par value, number, maximum and minimum price paid with respect to each class of shares repurchased by the Company since the end of the last financial year, and the aggregate amount incurred by the Company for this purpose;
    - (v) minutes of shareholders' meetings; and
    - (vi) audited financial reports.
- (6) the right to receive distribution of the remaining assets proportionate to the number of shares held at the point of the Company's dissolution or liquidation;
- (7) other rights conferred by the laws and regulations and the Articles of Association of the Company.

# CORPORATE GOVERNANCE REPORT

## Communications with Shareholders

The Company attaches great importance to the communication with shareholders and investors. The Company uses a number of channels to account for the performance and operations of the Company to shareholders, particularly periodic reports such as annual and interim reports. In addition to delivering circulars, notices and financial reports to our shareholders, the Company also publishes its corporate information on its website (<http://www.camsl.com>) by electronic means. The annual general meeting provides a good opportunity for the communication between the Board and the shareholders of the Company. The Company regards the AGM as an important event in the year and all Directors, supervisors, senior management and the Chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee should make an effort to attend and answer questions raised by the shareholders. For the year ended 31 December 2022, in responding to investors' enquiries, the Company held conferences and/or conference calls.

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

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

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

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

## Dividend Policy

The Board has adopted the dividend policy (the "Dividend Policy") in compliance with the Code Provision F.1.1 in the Code as contained in Appendix 14 of the Listing Rules.

The Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value and does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Articles of Association of the Company and all applicable laws and regulations and the following factors concerning the Group when considering the declaration and payment of dividends:

- (a) financial results;
- (b) cash flow situation;
- (c) business conditions and strategies;
- (d) future operations and earnings;
- (e) capital requirements and expenditure plans;
- (f) interests of shareholders;
- (g) any restrictions on payment of dividends; and
- (h) any other factors that the Board may consider relevant.

# CORPORATE GOVERNANCE REPORT

## Shareholders' Communication Policy

Under new Paragraph L of the Mandatory Disclosure Requirements which was upgraded from the code provision under the Code on 1 January 2022, the Board is required to conduct annual review of the shareholders' communication policy to ensure its effectiveness and make disclosure in Corporate Governance Report which is to be incorporated in annual report of the Company.

## Anti-Corruption Policy

Under Code provision D.2.7 of the Code, the Board is required to establish an anti-corruption policy and system that promote and support anti-corruption laws and regulations.

The Board has adopted the anti-corruption policy (the "Anti-Corruption Policy") which sets out the principles and guidelines for the Company to promote and support anti-corruption laws and regulations. The Anti-Corruption Policy sets out the basic standard of conduct which applies to all directors, officers and employees of the Company and its wholly owned subsidiaries. It also provides guidance to all employees on acceptance of advantage and handling of conflict of interest when dealing with the Company's business. The Company also encourages and expects our business partners including suppliers, contractors and clients to abide by the principles of the Anti-Corruption Policy.

## Whistleblowing Policy

Under Code provision D.2.6 of the Code, the Board is required to establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee or any designated committee of the Company about possible improprieties in any matter related to the Company.

The Board has adopted the whistleblowing policy (the "Whistleblowing Policy") and has set the Discipline Inspection Commission which plays an important role in clean corporate governance and compliance management. The terms of reference for the Discipline Inspection Commission set out, among other matters, the reporting and investigation procedures for the employees of the Group and those who deal with the Company to raise concerns about possible improprieties in matters related to the Group.

The Whistleblowing Policy aims to enable the Company's employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Discipline Inspection Commission, about possible improprieties in matters related to the Company, in order to help detect and deter misconduct or malpractice or unethical acts in the Company.

The Whistleblowing Policy and the terms of reference for the Discipline Inspection Commission set out, among other matters, the reporting and investigation procedures for the employees of the Group and those who deal with the Company to raise concerns about possible improprieties in matters related to the Group.

# CORPORATE GOVERNANCE REPORT

## Remuneration policy

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

## Board Independence Evaluation Mechanism

Under Code provision B.1.4 of the Code, the Board is required to establish mechanism(s) to ensure independent views and input are available to the Board.

The Board has adopted the board independence evaluation mechanism (the "Mechanism") which sets out the principles and guidelines for the Company to ensure independent view and input to be available to the Board.

Continuing improvement and development of the Board of the Company and its committee processes and procedures through Board independence evaluation provides a powerful and valuable feedback mechanism for improving Board effectiveness, maximising strengths, and identifying the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

The Mechanism is designed to ensure a strong independent element on the Board of the Company, which allows the Board to effectively exercise independent judgment to better safeguard shareholders' interests.

## Risk Management and Internal Control

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

### (1) Constantly improve on the internal control system

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

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

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

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

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

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

One of the duties of the Audit Committee of the Board is to review the adequacy and effectiveness of the Group's financial control, internal audit functions and risk management systems. The Audit Committee examined and reviewed the work of the audit and legal affairs department, the Group's external auditor and the regular reports on internal financial control, operation and compliance control, and risk management policies and systems for the financial year ended 31 December 2022.

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

### General Meetings

On 30 June 2022, the executive Director Mr. Xie Shikang (the chairman of the Board, the chairman of the Nomination Committee and the chairman of the Strategy and Investment Committee of the Company), and Mr. Chen Wenbo, the non-executive Director Mr. Man Hin Wai Paul and Mr. Xia Lijun, the independent non-executive Director Mr. Chong Teck Sin, Mr. Poon Chiu Kwok, Mr. Jie Jing (the chairman of the Remuneration Committee) and Ms. Zhang Yun (the chairman of the Audit Committee of the Company) attended the 2021 annual general meeting held by the Company.

On 19 January 2023, the executive Directors, Mr. Xie Shikang, Mr. Chen Wenbo, the non-executive Directors, Mr. Che Dexi, Mr. Man Hin Wai Paul and the independent non-executive Directors Mr. Chong Teck Sin, Mr. Jie Jing and Ms. Zhang Yun attended the EGM.

### Amendments of Articles of Association

In accordance with the relevant requirements of the Company Law of the PRC and the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) 《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》(國函[2019] 97號) published by the State Council of the PRC, the Board proposed to amend, amongst others, the provisions in relation to notice period of general meetings as provided in articles of association of the Company. The proposed amendments are conditional on the approval of the shareholders at the general meeting and class meetings the approval of competent governmental authorities. The amendments of the Articles of the Association of the Company were approved at the extraordinary general meeting held on 19 January 2023 and the business registration procedures regarding to the amendments were completed on 20 March 2023. Please refer to the circular dated 4 January 2023 and the constitutional document dated 23 March 2023 of the Company for further details.

The board meeting of the Company held on 19 January 2023 proposed to amend the Articles of Association of the Company. The amendments of the Articles of Association are subject to approval by the Shareholders at general meeting by way of special resolution and, if required, the approval from the relevant PRC government authorities. For details of the amendments, please refer to the Company's announcement dated 19 January 2023.

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

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

**Executive directors:**

Mr. Xie Shikang  
Mr. Chen Wenbo  
Mr. Wan Nianyong

**Non-executive directors:**

Mr. Che Dexi  
Mr. Man Hin Wai Paul  
Mr. Dong Shaojie

**Independent non-executive directors:**

Mr. Chong Teck Sin  
Mr. Poon Chiu Kwok  
Mr. Jie Jing  
Ms. Zhang Yun

*\* For identification purpose only*