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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)

*For identification purpose only

2019 Interim Report

HIGHLIGHTS

- For the six months ended 30 June 2019, the unaudited revenue of the Group was approximately RMB1,920,833,000, representing a decrease of approximately 27.61% from the corresponding period in 2018.
- For the six months ended 30 June 2019, the unaudited profit attributable to owners of the parent was approximately RMB13,994,000, representing a decrease of approximately 73.09% from the corresponding period in 2018.
- For the six months ended 30 June 2019, the unaudited basic earnings per share were RMB0.09 (corresponding period in 2018: RMB0.32).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019.

INTERIM REPORT (UNAUDITED)

The board (the “Board”) of directors (the “Directors”) of Changan Minsheng APLL Logistics Co., Ltd. (the “Company”) is pleased to announce the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019 as follows:

Interim consolidated statement of profit or loss and other comprehensive income

	Notes	For the six months ended 30 June	
		2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Revenue	4	1,920,833	2,653,588
Cost of sales		<u>(1,807,613)</u>	<u>(2,434,619)</u>
Gross profit		113,220	218,969
Other income and gains	5	28,675	19,640
Selling and distribution expenses		(25,642)	(43,180)
Administrative expenses		(82,266)	(95,238)
Other expenses		(2,712)	(10,145)
Finance costs	7	(3,454)	(828)
Share of profits and losses of an associate and a joint venture		<u>(912)</u>	<u>1,584</u>
Profit before tax	6	26,909	90,802
Income tax expense	8	<u>(8,081)</u>	<u>(24,911)</u>
Profit for the period		18,828	65,891
Attributable to:			
Owners of the parent		13,994	51,997
Non-controlling interests		<u>4,834</u>	<u>13,894</u>
		18,828	65,891
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive income for the period		18,828	65,891
Attributable to:			
Owners of the parent		13,994	51,997
Non-controlling interests		<u>4,834</u>	<u>13,894</u>
		18,828	65,891
Earnings per share attributable to ordinary equity holders of the parent			
--Basic and diluted	9	<u>RMB0.09</u>	<u>RMB0.32</u>

Interim consolidated statement of financial position

		As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
	Notes		
Non-current assets			
Property, plant and equipment	10	588,629	599,479
Investment properties		24,360	17,500
Right-of-use assets		306,443	-
Prepaid land lease payments		-	228,416
Goodwill	12	5,016	5,016
Other intangible assets		33,552	34,868
Investment in a joint venture		12,328	12,723
Investments in an associate		84,046	84,535
An equity investment designated at fair value through other comprehensive income	11	45,024	28,900
Deferred tax assets		58,708	59,851
Other non-current assets	10	51,382	50,394
Total non-current assets		1,209,488	1,121,682
Current assets			
Inventories		10,534	17,539
Trade and bills receivables	13	588,642	664,211
Prepayments, other receivables and other assets	14	147,556	102,449
Due from related parties	15	1,443,285	1,525,678
Pledged deposits	16	297	1,809
Cash and cash equivalents	16	821,956	1,189,749
Total current assets		3,012,270	3,501,435
Current liabilities			
Trade and bills payables	17	1,320,478	1,638,607
Other payables and accruals	18	368,837	520,307
Lease liabilities	21	14,069	-
Due to related parties	19	280,819	229,145
Interest-bearing bank and other loans	20	19,341	19,344
Bank advances for discounted bills		-	114,266
Tax payable		(14,415)	(12,123)
Total current liabilities		1,989,129	2,509,546
Net current assets		1,023,141	991,889
Total assets less current liabilities		2,232,629	2,113,571

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Interim consolidated statement of financial position (continued)

		As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
	Notes		
Total assets less current liabilities		2,232,629	2,113,571
Non-current liabilities			
Interest-bearing bank and other loans	20	4,839	9,344
Lease liabilities	21	101,136	-
Deferred tax liabilities		2,967	3,042
Deferred income		12,727	9,604
Total non-current liabilities		121,669	21,990
Net assets		2,110,960	2,091,581
Equity			
Equity attributable to owners of the parent			
Share capital	22	162,064	162,064
Reserves		1,822,295	1,807,750
		1,984,359	1,969,814
Non-controlling interests		126,601	121,767
Total equity		2,110,960	2,091,581

Interim consolidated statement of changes in equity

For the six months ended 30 June 2019

	Unaudited							Total equity
	Attributable to owners of the parent				Non-controlling interests	Total equity		
	Share capital	Share premium account	Statutory reserve funds	Safety fund surplus reserve			Retained profits	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2019	162,064	66,907*	85,867*	6,073*	1,648,903*	1,969,814	121,767	2,091,581
Total comprehensive income for the period	-	-	-	-	13,994	13,994	4,834	18,828
Provision for safety fund surplus reserve	-	-	-	2,503	-	2,503	-	2,503
Utilisation of safety fund surplus reserve	-	-	-	(1,980)	-	(1,980)	-	(1,980)
Changes in safety fund surplus reserve of an associate	-	-	-	28	-	28	-	28
At 30 June 2019 (unaudited)	162,064	66,907*	85,867*	6,624*	1,662,897*	1,984,359	126,601	2,110,960

* These Reserve accounts comprised the consolidated reserves of RMB1,822,295,000 (31 December 2018: RMB1,807,750,000) in the interim consolidated statement of financial position.

Interim consolidated statement of changes in equity (continued)

For the six months ended 30 June 2018

	Unaudited							Total equity
	Attributable to owners of the parent							
	Share capital	Share premium account	Statutory reserve funds	Safety fund surplus reserve	Retained profits	Total	Non-controlling interests	
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2018	162,064	66,907	85,867	9,261	1,627,104	1,951,203	127,862	2,079,065
Total comprehensive income for the period	-	-	-	-	51,997	51,997	13,894	65,891
Provision for safety fund surplus reserve	-	-	-	1,742	-	1,742	-	1,742
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(26,400)	(26,400)
At 30 June 2018 (unaudited)	162,064	66,907	85,867	11,003	1,679,101	2,004,942	115,356	2,120,298

Interim consolidated statement of cash flows

	Notes	For the six months ended 30 June	
		2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Cash flows from operating activities			
Profit before tax		26,909	90,802
Adjustments for:			
Finance costs	7	3,454	828
Share of profits and losses of an associate and a joint venture		912	(1,584)
Interest income	5	(5,208)	(6,524)
Gain on disposal of items of property, plant and equipment and other intangible assets	6	(1,719)	(33)
Depreciation of property, plant and equipment	6	41,334	46,491
Depreciation of right-of-use assets	6	16,758	-
Depreciation of investment properties	6	640	143
Amortisation of prepaid land lease payments	6	-	3,682
Amortisation of other intangible assets	6	8,635	5,184
Loss allowances/(reversal of loss allowances) on impairment of trade and other receivables	6	(1,650)	6,506
Reversal of loss allowances on impairment of amounts due from related parties	6	(1,236)	(1,270)
Deferred income released to profit or loss		(2,477)	(311)
Unrealised foreign exchange losses/(gains), net		11	(90)
		<u>86,363</u>	<u>143,824</u>
Decrease/(increase) in inventories		7,005	(13,361)
Increase in trade and bills receivables		(44,203)	(20,517)
Increase in prepayments		(19,297)	(3,449)
Decrease in pledged deposits		1,512	23,100
Increase in deposits and other receivables		(1,356)	(51,430)
Decrease in amounts due from related parties		83,629	237,636
Decrease in trade and bills payables		(318,129)	(477,183)
Decrease in other payables and accruals		(115,883)	(119,167)
Increase in amounts due to related parties		50,785	53,639
Increase in safety fund surplus reserve		523	1,742
		<u>(269,051)</u>	<u>(225,166)</u>
Income taxes paid		<u>(9,305)</u>	<u>(37,703)</u>
Net cash flows used in operating activities		<u>(278,356)</u>	<u>(262,869)</u>

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Interim consolidated statement of cash flows (continued)

	For the six months ended 30 June	
	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Net cash flows used in operating activities	<u>(278,356)</u>	<u>(262,869)</u>
Cash flows from investing activities		
Purchase of items of property, plant and equipment and other intangible assets	(76,644)	(122,358)
Proceeds from disposal of items of property, plant and equipment and other intangible assets	4,874	1,155
Additions to prepaid land lease payments	-	(4,606)
Addition of equity investment designated at fair value through other comprehensive income	(16,124)	-
Receipt of government grants for property, plant and equipment	5,600	-
Interest received	5,208	6,524
Decrease in time deposits with original maturity of more than three months	-	27,710
Net cash flows used in investing activities	<u>(77,086)</u>	<u>(91,575)</u>
Cash flows from financing activities		
Proceeds from bank and other loans	4,000	4,000
Repayment of bank and other loans	(8,508)	(9,120)
Interest paid	(556)	(664)
Payment for finance lease deposits	-	(2,739)
Lease payment	(7,276)	-
Dividend paid to the non-controlling shareholder by a subsidiary	-	(26,400)
Net cash flows used in financing activities	<u>(12,340)</u>	<u>(34,923)</u>
Net decrease in cash and cash equivalents	(367,782)	(389,367)
Cash and cash equivalents at beginning of the period	1,189,749	1,217,282
Effect of foreign exchange rate changes, net	(11)	90
Cash and cash equivalents at end of the period	<u>821,956</u>	<u>828,005</u>

Notes to interim condensed financial information

1. General information

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 (the "Stock Exchange") on 23 February 2006, and have been transferred and traded on the Main Board since 18 July 2013. The registered office of the Company is located at No. 1881, Jinkai Road, Yubei District, Chongqing, the PRC.

During the six months ended 30 June 2019 (the "Period"), the principal activities of the Group are the rendering of transportation services of finished vehicles, supply chain management services for automobile raw materials, components and parts, transportation services for non-automobile commodities, the sales of packaging materials and the processing of tyres. There were no significant changes in the nature of the Group's principal activities during the Period.

The consolidated interim condensed financial information has not been audited.

2. Basis of preparation and summary of significant accounting policies

Basis of preparation

The unaudited interim condensed financial information for the Period has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

Summary of significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the following new standards, interpretations and amendments to a number of Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Accountants ("HKICPA") for the first time for financial year beginning 1 January 2019:

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of these amendments to HKFRSs has had no significant financial effect on the financial position or performance of the Group.

2. Basis of preparation and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

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

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

New definition of a lease

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land use right, property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the elective exemption for leases of short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2. Basis of preparation and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	316,311
Decrease in prepaid land lease payments	(228,416)
Increase in prepayments, other receivables and other assets	<u>25,580</u>
Increase in total assets	<u><u>113,475</u></u>
Liabilities	
Increase in lease liabilities	<u><u>113,475</u></u>

2. Basis of preparation and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

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

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	178,009
Weighted average incremental borrowing rate as at 1 January 2019	<u>4.84%</u>
Discounted operating lease commitments as at 1 January 2019	145,234
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	<u>(31,759)</u>
Lease liabilities as at 1 January 2019	<u><u>113,475</u></u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at historical cost less accumulated depreciation and provision for any impairment in value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if 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 future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. Basis of preparation and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the Period are as follow:

	Right-of-use assets				Sub-total RMB'000	Lease liabilities RMB'000
	Plant and machinery RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Prepaid land lease payments RMB'000		
As at 1 January 2019	106,531	4,741	3,374	234,726	349,372	113,475
Additions	6,339	315	-	-	6,654	6,654
Depreciation charge (note 6)	(12,231)	(718)	(654)	(3,155)	(16,758)	-
Interest expense	-	-	-	-	-	2,898
Payments	-	-	-	-	-	(7,276)
Increase/(decrease) in fair value	165	(502)	(209)	-	(546)	(546)
As at 30 June 2019	100,804	3,836	2,511	231,571	338,722	115,205
Current portion	<u>(23,508)</u>	<u>(1,200)</u>	<u>(1,261)</u>	<u>(6,310)</u>	<u>(32,279)</u>	<u>(14,069)</u>
Non-current portion	<u>77,296</u>	<u>2,636</u>	<u>1,250</u>	<u>225,261</u>	<u>306,443</u>	<u>101,136</u>

The Group recognised rental expenses from short-term leases of RMB5,985,000 (note 6) for the six months ended 30 June 2019.

3. Operating segment information

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

Geographical information

Since the Group solely operates in Mainland China and all of the assets of the Group are located in Mainland China, geographical segment information is not presented.

3. Operating segment information (continued)

Information about major customers

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

	For the six months ended 30 June	
	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Customer A	493,239	1,250,403
Customer B	<u>603,382</u>	<u>489,399</u>

4. Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Revenue from contracts with customers	<u>1,920,833</u>	<u>2,653,588</u>

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Sale of goods	168,518	710,502
Rendering of logistics services		
Transportation of finished vehicles	1,022,328	1,071,492
Supply chain management for vehicle raw materials, components and parts	<u>729,987</u>	<u>871,594</u>
Total revenue from contracts with customers	<u>1,920,833</u>	<u>2,653,588</u>

5. Other income and gains

	For the six months ended 30 June	
	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Bank interest income	5,208	6,524
Government grants	9,981	2,912
Reversal of loss allowances	2,886	-
Penalty on transportation companies	2,714	3,241
Sales of recycled packages of vehicle spare parts	1,435	2,215
Rental income for investment properties	774	625
Others	5,677	4,123
	<u>28,675</u>	<u>19,640</u>

6. Profit before tax

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

	For the six months ended 30 June	
	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Cost of inventories sold	163,613	686,357
Cost of logistics services rendered	1,399,908	1,461,520
Depreciation of property, plant and equipment	41,334	46,491
Depreciation of right-of-use assets	16,758	-
Depreciation of investment properties	640	143
Amortisation of other intangible assets	8,635	5,184
Minimum lease payments under operating leases	5,985	22,780
Amortisation of prepaid land lease payments	-	3,682
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries and relevant benefits	241,368	284,970
Pension scheme contributions	20,215	31,538
Termination benefits	1,225	1,623
	<u>262,808</u>	<u>318,131</u>
Foreign exchange differences, net	230	185
Loss allowances/(reversal of loss allowances) on trade and other receivables	(1,650)	6,506
Reversal of loss allowances on impairment of amounts due from related parties	(1,236)	(1,270)
Bank interest income	(5,208)	(6,524)
Gain on disposal of items of property, plant and equipment and other intangible assets, net	<u>(1,719)</u>	<u>(33)</u>

7. Finance costs

	For the six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest on bank and other loans	<u>3,454</u>	<u>828</u>

8. Income tax

	For the six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current - Mainland China		
Charge for the Period	7,013	28,804
Deferred	<u>1,068</u>	<u>(3,893)</u>
Total tax charged for the period	<u>8,081</u>	<u>24,911</u>

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

The applicable CIT rate for the Company and subsidiaries is 25% except for the entities that would be entitled to preferential tax rates as described below:

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

9. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amounts is based on the profit for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 162,064,000 (six month ended 30 June 2018: 162,064,000) in issue during the Period.

	For the six months ended 30 June	
	2019 (unaudited) RMB*000	2018 (unaudited) RMB*000
Profit attributable to ordinary equity holders of the parent	13,994	51,997
Weighted average number of ordinary shares in issue (in thousands)	<u>162,064</u>	<u>162,064</u>
Basic earnings per share (RMB per share)#	<u>0.09</u>	<u>0.32</u>

Diluted earnings per share is the same as basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the Period and the prior period.

10. Property, plant and equipment and other non-current assets

During the Period, the Group acquired assets with a cost of RMB141,190,000 (six months ended 30 June 2018: RMB36,008,000), excluding property, plant and equipment under construction.

As at 30 June 2019, the Group's other non-current assets with total carrying amount of RMB9,614,000 (31 December 2018: RMB11,365,000) were paid for development of software. In addition, approximately RMB39,029,000 were prepaid for acquiring a land use right as at 30 June 2019 (31 December 2018: RMB39,029,000) and RMB2,739,000 (31 December 2018: RMB2,739,000) were paid for finance lease deposit.

11. An equity investment at fair value through other comprehensive income

On 24 May 2019, the Group injected capital of RMB16,124,000, in proportion to its existing shareholdings, to China South Industries Group Finance Co., Ltd. by way of cash.

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

12. Goodwill

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Cost	7,457	7,457
Less: accumulated impairment	<u>(2,441)</u>	<u>(2,441)</u>
Net carrying amount	<u><u>5,016</u></u>	<u><u>5,016</u></u>

Impairment testing of goodwill

The Group performs its annual impairment test of goodwill in December and when circumstances indicate the carrying value may be impaired. The recoverable amount of each cash-generating unit is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2018.

Transportation services for finished vehicle cash-generating unit

As there had been no circumstances indicating that the goodwill of RMB5,016,000 allocated to finished vehicle cash-generating unit may be impaired, the Group did not perform the impairment test of goodwill allocated to finished vehicle cash-generating unit as at 30 June 2019.

Storage management services cash-generating unit

The goodwill of RMB2,441,000 allocated to storage management services cash-generating unit was fully impaired in 2015 due to significant decrease in the production volume and sales volume of the cash-generating unit's major customer.

13. Trade and bills receivables

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Bills receivable (note (a))	244,554	377,270
Trade receivables (note (b))	387,993	332,840
Less: impairment (note (c))	<u>(43,905)</u>	<u>(45,899)</u>
	<u><u>588,642</u></u>	<u><u>664,211</u></u>

Note (a):

The ageing of bills receivable as at 30 June 2019 and 31 December 2018 were all within 6 months.

13. Trade and bills receivables (continued)

Note (b):

The Group's trading terms with its customers are mainly on credit. The credit period for major customers ranges from cash on delivery to three months. 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.

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

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Within 3 months	296,043	175,156
3 to 6 months	24,265	77,150
6 months to 12 months	17,754	28,929
1 to 2 years	6,026	5,706
	<u>344,088</u>	<u>286,941</u>

Note (c):

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

	As at 30 June 2019 (unaudited) RMB'000
At 1 January 2019	45,899
Impairment losses, net	<u>(1,994)</u>
	<u>43,905</u>

13. Trade and bills receivables (continued)

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

As at 30 June 2019

	Current	Past due			Total
		Less than 3 months	4 to 9 months	Over 9 months	
Expected credit loss rate	1.12%	5.74%	8.23%	80.04%	11.32%
Gross carrying amount (RMB'000)	299,406	22,711	18,786	47,090	387,993
Expected credit losses (RMB'000)	3,363	1,304	1,546	37,692	43,905

As at 31 December 2018

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

14. Prepayments, deposits and other receivables

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Prepayments	57,353	38,056
Deposits and other receivables	92,610	66,456
Impairment	<u>(2,407)</u>	<u>(2,063)</u>
	<u>147,556</u>	<u>102,449</u>

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

	As at 30 June 2019 (unaudited) RMB'000
At 1 January 2019	2,063
Impairment losses	<u>344</u>
	<u>2,407</u>

15. Due from related parties

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Balances from rendering of services and sales of goods (note (a))	1,451,709	1,540,053
Less: impairment (note (b))	<u>(29,442)</u>	<u>(30,678)</u>
Balances from rendering of services and sales of goods, net	<u>1,422,267</u>	<u>1,509,375</u>
Deposits and other receivables	21,624	17,893
Less: impairment	<u>(2,108)</u>	<u>(2,108)</u>
Deposits and other receivables, net	<u>19,516</u>	<u>15,785</u>
Prepayments	<u>1,502</u>	<u>518</u>
	<u><u>1,443,285</u></u>	<u><u>1,525,678</u></u>

Note (a):

The Group offers credit terms to its related parties ranging from cash on delivery to three months. An ageing analysis of the amounts from the rendering of services and the sales of goods due from related parties as at the end of the reporting period, net of provisions, is as follows:

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Within 3 months	1,377,669	1,439,560
3 to 6 months	6,695	34,641
6 months to 1 year	35,852	34,628
1 year to 2 years	<u>2,051</u>	<u>546</u>
	<u><u>1,422,267</u></u>	<u><u>1,509,375</u></u>

15. Due from related parties (continued)

Note (b):

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

	As at 30 June 2019 (unaudited) RMB'000
At 1 January 2019	30,678
Reversal of impairment losses	<u>(1,236)</u>
	<u><u>29,442</u></u>

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

As at 30 June 2019:

	Current	Past due			Total
		Less than 3 months	4 to 9 months	Over 9 months	
Expected credit loss rate	0.06%	0.24%	0.55%	90.33%	2.03%
Gross carrying amount (RMB'000)	1,378,504	6,711	35,055	31,439	1,451,709
Expected credit losses (RMB'000)	835	16	192	28,399	29,442

As at 31 December 2018

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

16. Cash and cash equivalents and pledged deposits

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Cash and bank balances	<u>822,253</u>	<u>1,191,558</u>
Less:		
Bank balances pledged for bank acceptance bills, letter of credit and bank letter of guarantee	<u>(297)</u>	<u>(1,809)</u>
Cash and cash equivalents	<u><u>821,956</u></u>	<u><u>1,189,749</u></u>

17. Trade and bills payables

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Trade payables	964,018	1,348,997
Bills payable	<u>356,460</u>	<u>289,610</u>
	<u><u>1,320,478</u></u>	<u><u>1,638,607</u></u>

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

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Within 3 months	1,101,552	1,306,626
3 to 6 months	201,661	312,490
6 months to 1 year	14,299	8,868
1 to 2 years	1,565	5,937
2 to 3 years	142	3,126
Over 3 years	<u>1,259</u>	<u>1,560</u>
	<u><u>1,320,478</u></u>	<u><u>1,638,607</u></u>

As at 30 June 2019, bills payables with an aggregate amount of approximately RMB2,973,000 (31 December 2018: RMB16,588,000) were secured by the pledge deposits of RMB297,000 (note 16) (31 December 2018: RMB1,809,000).

18. Other payables and accruals

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Accruals for payroll and welfare	143,006	238,919
Other payables	216,186	272,712
Contract liabilities	4,508	4,793
Other taxes	5,137	3,883
	<u>368,837</u>	<u>520,307</u>

19. Due to related parties

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Balance from transportation services provided by related parties	241,926	218,947
Other payables	38,690	9,973
Contract liabilities	203	225
	<u>280,819</u>	<u>229,145</u>

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

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Within 3 months	219,534	217,574
3 to 6 months	5,736	735
6 months to 1 year	16,517	85
1 to 2 years	-	530
Over 2 years	139	23
	<u>241,926</u>	<u>218,947</u>

20. Interest-bearing bank and other loans

	As at 30 June 2019			As at 31 December 2018		
	(unaudited)			(audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Unsecured loans*	5.30	2019-2020	10,000*	5.30-5.50	2019	10,000
Other secured loans**	4.75	2020	<u>9,341**</u>	4.75	2019	<u>9,344</u>
			<u>19,341</u>			<u>19,344</u>
Non-current						
Other secured loans**	4.75	2020	<u>4,839**</u>	4.75	2020	<u>9,344</u>
			<u>24,180</u>			<u>28,688</u>

* As at 30 June 2019, the Group's interest-bearing loans from a financial institution bore interest at 5.3% per annum and were repayable within twelve months.

** It represented the other loan borrowed from a related party by the Company and its subsidiary Hangzhou Changan Minsheng Logistics Co., Ltd., by way of production lines sale-leaseback arrangement, with the principal of RMB27,390,000 in 2017, which bears interest at an effective rate of 4.75% per annum with quarterly instalment payments up to the maturity date on 31 December 2020. The production lines were set as security to the other loan in substance.

21. Lease liabilities

	As at 30 June 2019 (unaudited) RMB'000
Minimum lease payments due	
-Within 1 year	16,967
-Between 1 to 5 years	63,499
-Over 5 years	<u>64,204</u>
	144,670
Less: future finance charge	<u>(29,465)</u>
Present value of lease liabilities	<u>115,205</u>

21. Lease liabilities (continued)

	As at 30 June 2019 (unaudited) RMB'000
-Within 1 year	14,069
-Between 1 to 5 years	47,914
-Over 5 years	53,222
	<hr/>
	115,205
	<hr/> <hr/>

The Group leases various items of land-use-right, property, machinery, vehicles and other equipment. These lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

During the Period, the total cash outflows for leases including payments of lease liabilities and payments of interest expenses are RMB7,276,000.

22. Share capital

Shares

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Authorised:		
162,064,000 (31 December 2018: 162,064,000) ordinary shares of RMB1.00 each	<hr/> <hr/> 162,064	<hr/> <hr/> 162,064
Issued and fully paid:		
162,064,000 (31 December 2018: 162,064,000) ordinary shares of RMB1.00 each	<hr/> <hr/> 162,064	<hr/> <hr/> 162,064

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

	Number of shares in issue	Issued capital RMB'000
At 1 January 2019 and 30 June 2019	<hr/> <hr/> 162,064,000	<hr/> <hr/> 162,064

23. Related party transactions

	For the six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Revenue from rendering of transportation services for finished vehicles	899,293	964,621
Revenue from rendering of supply chain management services for vehicle raw materials, components and parts	533,737	623,232
Revenue from sale of goods	146,067	573,745
	<u>1,579,097</u>	<u>2,161,598</u>
Purchase of transportation services	158,489	122,755
Others	7,556	6,030
	<u>166,045</u>	<u>128,785</u>
Borrowings from a related party	<u>4,000</u>	<u>4,000</u>

24. Transfers of financial assets

Financial assets that are derecognised in their entirety

As at 30 June 2019, the Group endorsed certain bills (notes) receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB13,813,000 (31 December 2018: RMB19,487,000) ("the Endorsement"). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in Mainland China, holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the reporting period, 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 Period or cumulatively. The Endorsement has been made evenly throughout the Period.

25. Fair value and fair value hierarchy of financial instruments

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

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

25. Fair value and fair value hierarchy of financial instruments (continued)

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

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the 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 unlisted equity investment designated at fair value through other comprehensive income has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates a price to book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. 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.

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

26. Commitments of the Group

Capital expenditure commitments

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

	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) RMB'000
Contracted but not provided for Property, plant and equipment	<u>59,172</u>	<u>66,959</u>

27. Events after the reporting period

As at the date of approval of the financial statements, the Group had no significant events after the reporting period that need to be disclosed.



INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (corresponding period in 2018: nil).

The 2018 final dividend of RMB0.1 (including tax) per share, in the aggregate amount of RMB16,206,400 (including tax), has been approved by the shareholders of the Company at the annual general meeting of the Company held on 28 June 2019, and is expected to be paid on or before 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2019, internationally speaking, with rising trade protectionism and fraying Sino-US trade relationship, the global trade expansion was subdued, the world economy was kept on the downward pressure, and economic recovery was weakened and subject to a higher uncertainty. From a domestic perspective, the longstanding problems caused by economic imbalance was accumulating and the economic upswing has weakened. Against such complex and grim environment both internationally and domestically, the Chinese government held on to the general principle of steady progress, applied new development ideas and pursued quality in economic growth. The economy continues to improve in structure and grow steadily in an appropriate rate. Despite all the efforts, the gross domestic product (“GDP”) of the PRC in the first half of 2019 slowed to 6.3% in growth rate compared with the same period last year, in line with the projections of 6% to 6.5% in GDP growth. Break down to each quarter, the growth rate was down to 6.4% and 6.2% respectively in the first and second quarter.

According to the China Association of Automobile Manufacturers’ statistics, in the first half of 2019, automobile production volume and sales volume in the PRC were approximately 12,132,000 vehicles and 12,323,000 vehicles respectively, down approximately 13.7% and 12.4% respectively as compared with the corresponding period of last year. The year-on-year production volume and sales volume has been declining for 12 consecutive months and the performance for the first half of 2019 was weaker than anticipated. Although judging from the statistics regarding automobile production and sales in this June as quoted on the official website of the China Association of Automobile Manufacturers, such drop was slightly narrowing, the overall industry is still on the decline and under great downturn pressure.

Due to the slowdown of the overall automobile industry, increasingly competitive market and fewer new products, for the six months ended 30 June 2019, the production volume and sales volume of the Group’s major customer, Chongqing Changan Automobile Co., Ltd. (“Changan Automobile”) were 1,167,077 vehicles and 1,207,381 vehicles respectively, representing a decrease of approximately 29.05% and 31.65% respectively as compared with the corresponding period of last year, weaker than the industry average.

For the six months ended 30 June 2019, affected by deterioration in production and sales to customers, the Group recorded a total revenue of approximately RMB1,920,833,000, representing a decrease of approximately 27.61% as compared with the corresponding period of last year. The income from transportation of finished vehicles, sale of goods and supply chain management of car raw materials, components and parts for the six months ended 30 June 2019 represented approximately 53.23%, 8.77% and 38.00%, respectively, of the Group’s total revenue (for the six months ended 30 June 2018: approximately 40.38%, 26.78% and 32.84%, respectively). Detailed breakdown of revenue is set out in note 4 to the interim condensed consolidated financial information of this report.

For the six months ended 30 June 2019, affected by a confluence of unfavorable factors such as the sluggish overall automobile industry, intensifying competition in the domestic automobile logistics market, the sliding logistics service prices as well as the ever-rising operational costs and increasing transportation cost, the Group’s gross profit margin and net profit margin decreased to 5.89% (for six months ended 30 June 2018: 8.25%) and 0.98% (for six months ended 30 June 2018: 2.48%), respectively. The profit attributable to the equity holders of the Company for the six months ended 30 June 2019 went down to approximately RMB13,994,000 from approximately RMB51,997,000 in the corresponding period of last year.

FINANCIAL REVIEW

Working Capital and Financial Resources

During the reporting period, the Group's sources of funds generally represented income arising from our daily operations.

As at 30 June 2019, the cash and bank balance and pledged deposits of the Group were approximately RMB822,253,000 (31 December 2018: RMB1,191,558,000). As at 30 June 2019, the total assets of the Group amounted to approximately RMB4,221,758,000 (31 December 2018: RMB4,623,117,000). The Group had current liabilities of approximately RMB1,989,129,000 (31 December 2018: RMB2,509,546,000), non-current liabilities of approximately RMB121,669,000 (31 December 2018: RMB21,990,000), shareholders' equity excluding non-controlling interest of approximately RMB1,984,359,000 (31 December 2018: RMB1,969,814,000) and non-controlling interest of approximately RMB126,601,000 (31 December 2018: RMB121,767,000).

Capital Structure

For the six months ended 30 June 2019, there has been no change to the Company's issued shares.

Loans and Borrowings

As at 30 June 2019, the outstanding balance of borrowings of the Group was RMB24,180,000 (31 December 2018: RMB28,688,000), please refer to the note 20 to the interim condensed consolidated financial information for further details.

During the reporting period, the Group had no short-term loans that were due but not repaid and no financial instrument that were used for hedging purposes.

Gearing and Liquidity Ratio

As at 30 June 2019, the gearing ratio (net debt divided by the adjusted capital plus net debt) of the Group was approximately 39.35% (31 December 2018: approximately 40.48%). The gearing ratio between the total liabilities and the total equity of the Group was approximately 100.96% (31 December 2018: 121.03%).

Pledge of Assets

As at 30 June 2019, bills payables with an aggregate amount of approximately RMB2,973,000 (31 December 2018: RMB16,588,000) were secured by the pledge deposits of RMB297,000 (31 December 2018: secured by the pledge deposits of RMB1,809,000).

At the end of 2017, Harbin Branch of Changan Minsheng APLL Logistics Co., Ltd., a branch company of the Company, and Hangzhou Changan Minsheng APLL Logistics Co., Ltd., a subsidiary of the Company respectively entered into finance leasing and leaseback arrangements with United Prosperity Investment (Shenzhen) Co., Ltd. ("leasing and leaseback arrangements"). The leasing and leaseback arrangements is in nature a loan with the tire assembly lines as security and the aggregate principal of the leasing and lease-back arrangements is approximately RMB27,390,000, which bears interest at an effective interest rate 4.75% per annum with quarterly instalment payments up to the maturity date on 31 December 2020. Please refer to the announcement of the Company dated 1 January 2018 and the note 20 to the interim condensed consolidated financial information for further details.



Foreign Currency Risk

As the transactions of the Group denominated in foreign currency were limited, the foreign currency risk did not have any material impact on the Group.

Employee, Remuneration Policy and Training Programme

As at 30 June 2019, the Group employed 6,238 employees (as at 31 December 2018: 7,925 employees). The salaries of the employees are determined based on the remuneration policy approved by the Board and the remuneration committee of the Company and in accordance with the relevant PRC policies. The salary level is in line with the economic efficiency of the Company. The benefits of the employees comprise endowment insurance, medical insurance, unemployment insurance, personal injury insurance and housing funds. During the reporting period, the Company has provided the staff with training regarding technology, security and management, etc.

Major Investment

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

Save as disclosed above, for the six-month period ended 30 June 2019, there had been no material investment by the Group.

Major Acquisition and Assets Sale

For the six months ended 30 June 2019, there had been no material acquisition and assets sale of the Group.

Contingent Liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities.



PROSPECTS

From a global perspective, in 2019, the world will see a profound change in the political and economic landscape accompanying with ups and downs in inter-state relationships and perplexing dynamics. The trade tension between the United States and China is shoring up the costs of commodities and services, eroding consumer confidence and holding consumers back from long-range expenditure, which caused significant decrease in expenditures on consumer durables like automobiles. Although China and the United States now resumed trade talks, the progress was rather slow with no end of the trade tension in sight.

The automobile productions and sales for the first half of 2019 point to a sustained weak performance, weaker than expected in early 2019. There are some favorable factors conducive to the potential picking up in the market demand in the latter half of 2019 such as the new automobile purchase tax policy effective from 1 July 2019 and the policies of “stepwise relaxation of foreign shareholding in a joint venture”, “promotion of used automobile export”, “withdrawal of the previous restriction on circulation of used automobiles” and “recycle of scrapped vehicles” announced by the government in most recent two years aiming to stimulate the overall automobile and related consumptions and refine the automotive consumption chain. However, the switching into “China VI” vehicle emission standards in parts of China in such grim and complex general environment are likely to put downward pressure on the overall industry in the second half of 2019. The sluggish automobile market and intensifying competition will likely have a negative impact on the automobile logistics business.

For the second half of 2019, all staff of the Company will stand united behind the efforts to ride over the sluggish market with determination. The Company will always keep our mission in mind and see through each operational plan with urgency and passion. The Company will press ahead and seize opportunities despite all the difficulties. The Company will adhere to the strategy of cost efficiency through excellent operation and innovation to transform and upgrade itself in such a period of arduous struggles and recuperation. Furthermore, the Company will continue to streamline management, improve employee professional capabilities to assist itself to weather the current winter for automobile industry and achieve decent business performance under such circumstances.



CORPORATE GOVERNANCE

During the reporting period, the Company has complied with the code provisions of Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange (“Listing Rules”), except for code provision A.4.2. During the reporting period, the Company has implemented and complied with the revised Corporate Governance Code in relation to risk management and internal control.

Code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company’s articles of association also stipulate that the directors and supervisors elected at general meeting shall be for a term of three years. As approved by the Company’s shareholders at the 2014 first extraordinary general meeting held on 14 November 2014, the term of the fourth session of Board and the fourth session of the Supervisory Committee of the Company expired on 14 November 2017. As the nomination of candidates for Directors and supervisors for the new session of the Board and the Supervisory Committee of the Company has not been finalised, the election of the new session of the Board and Supervisory Committee of the Company has been postponed. The term of office of the Directors and supervisors of the current session has been extended accordingly until the successful election of the Directors and supervisors of the new session of the Board and Supervisory Committee. The Company will follow up on Board member nomination progress and complete the relevant election procedures for re-election of members of the Board as soon as possible.

SECURITIES TRANSACTIONS BY DIRECTORS

Since the transfer of listing to the Main Board on 18 July 2013, the Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting the required standard (the “Code of Conduct”) set out in Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”)) to the Listing Rules. After making specific enquiries to all Directors, the Company confirms that the Directors had complied with the Code of Conduct for the six months ended 30 June 2019.

BOARD OF DIRECTORS

The Board considers that the composition of the Board represents a reasonable balance and is able to provide protection to the Company and the shareholders as a whole. The non-executive Directors and independent non-executive Directors provide constructive advice in relation to the formulation of the Company’s policies. The Company is not aware of any family or material relationship among the members of the Board. The Company has four independent non-executive Directors, of whom at least one has appropriate professional qualification and financial management expertise. The Company considers that, during the reporting period, each of the independent non-executive Directors has complied with the guidelines on independence set out in the Listing Rules. As at the date of this report, except for the fact that the independent non-executive director Mr. Chong Teck Sin has served for consecutive 9 years, the term of office of each of the other 3 independent non-executive directors does not exceed nine years. Notwithstanding the fact that Mr. Chong Teck Sin has served the Company for more than nine years, there are no circumstances which are likely to affect his independence as an independent non-executive director. Mr. Chong Teck Sin is not involved in the daily management of the Company nor in any relationships which would interfere with the exercise of the independent judgment. The Board considers Mr. Chong Teck Sin remains independent notwithstanding the length of his service. As regard the re-election of independent non-executive Directors, the Company will ensure compliance with code A.4.3 of the Corporate Governance Code under the Listing Rules.



BOARD CHAIRMAN AND GENERAL MANAGER

The chairman of the Board of the Company is Mr. Xie Shikang and our general manager is Mr. Shi Jingtang. The chairman is in charge of formulating the development and business strategies and deal with the Company's affairs in accordance with the Articles of Association and with the Board's resolutions. The general manager is in charge of the daily operations of the Company. The chairman is responsible for ensuring that the Board operates efficiently and encourages all Directors, including independent non-executive Directors, to contribute to the Board and the four board committees under the Board.

AUDIT COMMITTEE

The disclosure of financial information in this report complies with Appendix 16 to the Listing Rules. The audit committee of the Company has reviewed the Group's business performance and the unaudited financial statements of the Group for the six months ended 30 June 2019. The audit committee has also discussed the relevant internal audit matters and approved the contents of this report.

CHANGES OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

At the 2018 annual general meeting of the Company held on 28 June 2019, Mr. Yang Gang was elected as a shareholder representative Supervisor of the fourth session of the Supervisory Committee of the Company for a term commencing from the conclusion of the annual general meeting until the expiry of the fourth session of the Supervisory Committee of the Company. Please refer to the announcement of the Company dated 28 June 2019 for further details.

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

OTHER INFORMATION

INTERESTS OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30 June 2019, none of the Directors, chief executive and the Supervisors of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of Laws of Hong Kong) which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

As at 30 June 2019, the Directors, chief executive and the Supervisors of the Company were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did he/she have any interest, either direct or indirect, in any assets which have been, since 31 December 2018, made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

SUBSTANTIAL SHAREHOLDERS AND PARTIES HOLDING INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, so far as is known to the Directors and chief executive of the Company, the following persons, other than a Director, chief executive, or Supervisor 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 provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances, at general meetings of the Company; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

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

SUBSTANTIAL SHAREHOLDERS AND PARTIES HOLDING INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Name of Shareholders	Capacity	Number of Shares	Percentage of Domestic Shares (non- H Foreign Shares Included)	Percentage of H Shares	Percentage of Total Registered Share Capital
McIntyre Steven (note 2)	Interest of a controlled corporation	3,423,000(L)	-	6.22%	2.11%
Braeside Investments, LLC (note 2)	Investment manager	3,423,000(L)	-	6.22%	2.11%
Braeside Management, LP (note 2)	Investment manager	3,423,000(L)	-	6.22%	2.11%

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

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

Note 3: (L) – long position, (S) – short position, (P) - Lending Pool.

Save as disclosed in this report, as at 30 June 2019, so far as is known to the Directors and chief executive of the Company, there is no person (other than the Directors, chief executive, or Supervisors of the Company) who 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 provisions of Divisions 2 and 3 of Part XV of the SFO; or had a direct or indirect interest amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and/or any subsidiaries of the Company; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE APPRECIATION RIGHT INCENTIVE SCHEME

The share appreciation right incentive scheme of the Company became ineffective since 23 February 2016.

COMPETING INTERESTS

The Company has entered into a non-competition undertaking with each of its shareholders, namely APL Logistics, Minsheng Industrial, Ming Sung (HK) and China Changan, respectively. For details of the non-competition undertakings, please refer to the Prospectus issued on 16 February 2006 of the Company.

As 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 undertaking signed between the Company and Minsheng Industrial and Ming Sung (HK) became ineffective. Please refer to the 2018 Annual Report of the Company.

CONTINUING CONNECTED TRANSACTIONS

For the six months ended 30 June 2019, the turnover generated from the continuing connected transactions between the Group and the connected persons (as defined in the Listing Rules) was approximately RMB1,530,357,095 (unaudited) (of which RMB1,489,208,403 was attributable to Changan Automobile and its associates, RMB30,194,146 to China Changan and its associates, RMB8,849,762 to Minsheng Industrial and its associates, and RMB2,104,783 to Nanjing Baogang Zhushang Metal Manufacturing Company Limited), which accounted for approximately 79.67% of the total revenue during the reporting period.

For the six months ended 30 June 2019, the cost of purchasing transportation services from connected persons (as defined in the Listing Rules) was approximately RMB138,550,000 (unaudited) (of which RMB138,550,000 was attributable to Minsheng Industrial and its associates), which accounted for approximately 7.66% of the cost of sales during the reporting period.

For the six months ended 30 June 2019, the maximum daily balance of deposit (including interests) on a daily basis with Binqi Zhuangbei Group Financial Limited Liability Company was approximately RMB348,530,048.28 (unaudited).

For the six months ended 30 June 2019, the cost of purchasing security and cleaning services from China Changan and its associates was RMB3,257,189 (unaudited).

For the six months ended 30 June 2019, the cost of purchasing property leasing services from China Changan and its associates was RMB447,565 (unaudited).

For the six months ended 30 June 2019, the cost of purchasing maintenance services from Chongqing Changanxin Construction Co., Ltd. and its associates was RMB643,767 (unaudited).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

For the six months ended 30 June 2019, the Company and its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the public information currently available to the Company, the Company met with the public float requirement as stipulated by Listing Rules and as approved by the Stock Exchange throughout the reporting period.

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

Chongqing, the PRC
30 August 2019



As at the date of this report, the board of directors of the Company comprises:

Executive Directors:

Mr. Xie Shikang
Mr. Chen Wenbo
Mr. William K Villalon
Mr. Shi Jinggang

Non-executive Directors:

Mr. Chen Xiaodong
Mr. Man Hin Wai Paul (also known as Paul Man)
Mr. Li Xin

Independent Non-executive Directors:

Mr. Chong Teck Sin,
Mr. Poon Chiu Kwok,
Mr. Jie Jing
Ms. Zhang Yun