TBTL

天津濱海泰達物流集團股份有限公司

Tianjin Binhai Teda Logistics (Group) Corporation Limited*

2016 Annual Report

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

Stock Code: 8348

TEDA LOGISTICS

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TEDA LOGISTICS

* For identification purposes only

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This report, for which the directors (the "Directors") of Tianjin Binhai Teda Logistics (Group) Corporation Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no any other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Zhang Jian *(Chairman)*

NON-EXECUTIVE DIRECTORS

Cui Xuesong, Zhang Wang, Tse Ping, Yang Xiaoping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheng Xinsheng, Japhet Sebastian Law, Zhou Zisheng

SUPERVISORS

Xu Jianxin, Hai Tianmin, Wang Rui, Wang Rui, Yuan Baolei

GENERAL MANAGER AND DEPUTY GENERAL MANAGER OF THE COMPANY

Zhang Jian *(General Manager)*, Li Yangqian, Tang Zhizhong

COMPANY SECRETARIES

Lo Tai On, Jia Wenxuan

BOARD COMMITTEES

Audit Committee

Zhou Zisheng *(Chairman)*, Cheng Xinsheng, Japhet Sebastian Law

Remuneration Committee

Japhet Sebastian Law *(Chairman)*, Cheng Xinsheng, Zhou Zisheng

Nomination Committee

Zhang Jian *(Chairman)*, Japhet Sebastian Law, Zhou Zisheng

COMPLIANCE OFFICER

Zhang Jian

AUTHORISED REPRESENTATIVES

Zhang Jian, Lo Tai On

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower,
The Landmark,
11 Pedder Street,
Central, Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17/F, Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

REGISTERED ADDRESS

No. 39, Bohai Road,
Tianjin Economic and Technological Development Area

OFFICE AND CORRESPONDENCE ADDRESS

No. 39, Bohai Road,
Tianjin Economic and Technological Development Area
300457

PRINCIPAL OFFICE IN HONG KONG

Unit B, 1st Floor, Neich Tower,
128 Gloucester Road,
Wanchai,
Hong Kong

STOCK CODE

08348

COMPANY WEBSITE

http://www.tbtl.cn

PRINCIPAL BANKERS

Tianjin Cui Heng Plaza Branch of the Industrial and Commercial Bank of China
Huang Hai Road Branch of the Agricultural Bank of China
Tianjin Economic and Technological Development Area Sub-branch of the Industrial Bank
Tianjin Free Trade Zone branch of CITIC Bank
Tianjin Binhai branch of China Minsheng Bank
Tianjin Binhai Sub-branch of the China Guangfa Bank Co., Ltd.
Tianjin Binhai Branch of Bank of Hebei Co., Ltd.

GROUP STRUCTURE

* *For identification purposes only*

FINANCIAL SUMMARY

RESULTS

A summary of the consolidated results of the Company and its subsidiaries (the "Group") for the five accounting years ended 31 December 2016 prepared under the International Financial Reporting Standards is as follows:

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Turnover	**2,772,369**	3,186,352	3,069,499	2,683,423	1,736,450
Profit before income tax	**67,703**	71,785	78,571	69,180	76,649
Income tax expense	**(10,067)**	(12,306)	(16,295)	(13,096)	(5,500)
Profit for the year	**57,636**	59,479	62,276	56,084	71,149
Profit attributable to					
Non-controlling interests	**14,253**	5,795	11,062	9,081	6,485
Owners of the Company	**43,383**	53,684	51,214	47,003	64,664
Basic earnings per share (RMB)	**0.12**	0.15	0.14	0.13	0.18

ASSETS AND LIABILITIES

A summary of the assets and liabilities of the Group for the five years ended 31 December 2016 prepared under the International Financial Reporting Standards is as follows:

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Non-current assets	**618,136**	631,791	636,012	659,808	701,211
Current assets	**1,902,111**	1,947,570	1,815,364	1,543,395	1,192,127
Total assets	**2,520,247**	2,579,361	2,451,376	2,203,203	1,893,338
Non-current liabilities	**62,762**	6,243	6,597	6,951	7,308
Current liabilities	**1,523,960**	1,681,942	1,564,814	1,353,572	1,073,561
Non-controlling interests	**94,493**	84,857	88,061	87,818	83,358
Liabilities and non-controlling interests	**1,681,215**	1,773,042	1,659,472	1,448,341	1,164,227
Total equity	**933,525**	891,176	879,965	842,680	812,469

CHAIRMAN'S STATEMENT

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

RESULTS OF THE YEAR

For the year ended 31 December 2016 (the "Year"), turnover of the Group amounted to approximately RMB2,772,369,000 (2015: RMB3,186,352,000), representing a decrease of approximately 13% as compared with the corresponding period of last year. Profit attributable to the shareholders was approximately RMB43,383,000 (2015: RMB53,684,000) and the earnings per share was approximately RMB0.12 (2015: RMB0.15).

As at 31 December 2016, the total assets and current assets of the Group were approximately RMB2,520,247,000 (2015: RMB2,579,361,000) and approximately RMB1,902,111,000 (2015: RMB1,947,570,000), respectively, representing decreases of RMB59,114,000 and RMB45,459,000 from 31 December 2015, respectively. Our net assets attributable to the parent company and net assets per share at the end of the year were approximately RMB839,032,000 (2015: RMB806,319,000) and approximately RMB2.37 (2015: RMB2.28), respectively, both representing an increase of 4% from 31 December 2015.

REVIEW FOR THE YEAR

In 2016, the global market demand remained sluggish with no substantial improvement. The complexity of political environment significantly and adversely affected the global economic development. Although GDP growth of the PRC economy was generally stable, the real economy was still under great downward pressure. In response to the increasingly complex domestic and international political and economic situation, at the beginning of the year the Group put forward the strategy of "adapting to the new normal state, constructing new platform, innovating new culture and seeking new breakthroughs" to take proactive initiatives against the severe economic situation in the new normal state. Adopting the business development strategy of "tactic operation with flexible approaches", the Group made great effort to develop more sophisticated platforms for business development, management, talent development and capital operation through resources integration. The Group also actively adjusted the business structure, strictly controlled business risks and enhanced own-brand business operation, delivering mixed performances across all business segments, with the overall operating results of 2016 achieving expectation.

Keeping abreast with the policy and economic development to adjust macro development strategy

Adhering to the business development strategy of "tactic operation with flexible approaches", the Group scaled down its bulk commodity trade business and adjusted product category, consolidated the electronic components logistics business and vigorously promoted the automobile and cold chain business.

Enhancing joint-venture cooperation

During the reporting period, the Company officially renewed the joint venture contract with the Japanese shareholder of Fengtian Logistics and completed the relevant procedures, extending the term of the joint venture for another twenty years to 2036. In addition, Fengtian Logistics and Tianjin Alps respectively held a grand celebration of the 20th anniversary during the year. The renewal of the joint venture contract and the celebration activities showed their firm confidence about the future of the PRC economy.

Improving the national automobile logistics network and the "river, sea, railway and road" intermodal transportation system

During the reporting period, the Group made great efforts to establish a comprehensive vehicle transportation network combining the "sea, river, railway and road" transportation with Eastern China, Northern China and Southwestern China as the major hubs. The branch company in Changshu City, which was taken as our base in Eastern China, launched the ceremony of maiden voyage in river in April, which marked the commencement of our automobile river transportation business. Combined with the railway transportation business, the Group has preliminarily established the intermodal transportation system combining the "river, sea, railway and road" transportation, which is in compliance with the new traffic regulations promulgated by the PRC on 21 September 2016 and is consistent with the new trend of vehicle transportation in the PRC.

Continuously improving internal management

The Group attached great emphasis on talent training. The Company initially identified the establishment of two position systems consisting of administrative management positions and technical positions. In order to further improve the performance appraisal system, the Company promulgated the annual assessment management approaches for senior management of the Group, middle-level management and general manager assistants of the management department at the headquarters of the Group as well as the daily assessment management approach for junior staff, covering all employees at different levels.

The Group made strenuous efforts in expanding financing channels. In addition to continuous cooperation with banks, the Group introduced medium and long-term funds from non-banking financial institutions through various means including financial leasing and factoring, so as to form a financing model with complementary edges of long, medium and short term financing, with an aim to optimize the overall capital structure of the Group and diversify capital pressure and financing risks.

The Group made smooth progress in systematic and institutionalized construction. The Group further improved the construction of the office automation system. On the basis of ISO9001:2008 quality management certification system, the Group made persisting efforts to improve the logical relation of internal authorization system, and implemented the requirements of the institution in the OA system. The whole model was also implemented within the Group to regulate, guide and promote the construction of information system and institutional system.

An internal auditing function was established. The Company set up an internal auditing function and further improved the internal control system and risk management and assessment system, so as to ensure the effectiveness of the internal control system and cultivate a corporate culture of respecting rules.

Efforts were stepped up to push ahead safety production standardization and implementation of safety culture. During the reporting period, the Company completed the evaluation of Grade II accreditation of the safety standardization, since then three member companies of the Group namely the Company, Tedahang and Fengtian Logistics have obtained the Grade II certification of safety production standardization. The Group held a number of joint security emergency drills to strengthen our staff's safety awareness and skills in safety production. The Group also launched a series of safety month activities with a keynote of "strengthening the safety awareness and creating a safety production environment", which consolidated the results of safety education by various way including promotion, training, written examination and drills.

The Group attached great importance to social responsibility. The Company put great emphasis on environmental protection and participation in community activities. We focused on process optimization and reduction of resource consumption in our daily management and business activities. As a director of Hefu Cultural Development Foundation, the Company actively supported their activities on society and public welfare. During the reporting period, the Company conducted a comprehensive review of our affairs on environment, society and governance to better undertake our social responsibility.

PROSPECT AND OUTLOOK

In 2017, with continuous slowdown in the growth of the global economy, sluggish growth in international trade and investment, a more vulnerable financial market and widening gap in income and wealth, there exist great uncertainties around the economic growth, and the Group will still face great challenges. With the PRC economy entering into a new normal state, the Group will adhere to the development philosophy of "advancing steadily by promoting innovation and coordinated development". Focusing on the general work guideline of "advancing forward through consolidation and innovation", we put forward a work strategy of "enhancing business presence, deepening joint-venture cooperation, promoting capital operation and accelerating system construction". To this end, the Group intends to take the following measures:

In 2017, our most outstanding logistics and supply chain services for finished automobiles and components business will seize the policy opportunity to further improve the nationwide automobile logistics network and river-sea intermodal transportation system and consolidate the integrated vehicle transportation network combining the "sea, river, railway and road" transportation with Eastern China, Northern China and Southwestern China as the major hubs. By expanding and leveraging on our existing advantages in technology, network and facilities, the Group will expand its services to cover the whole supply chain of automobile industry, and explore domestic and overseas customer base beyond Japanese car brand. In addition, the Group will proactively participate in the "One Belt and One Road" strategy of the PRC, and play an important role in promoting the implementation of such strategy. As a pioneer in optimizing automobile transportation solution and national network system, the Group will continue to seize opportunities to create new business growth drivers.

In terms of materials procurement and logistics business, the Group will continue to adjust product categories of bulk commodity trade business, increase the variety of items, improve risk resistance capacity and strengthen relationship with logistics entities, so as to continuously expand the variety and scale of the business and make full use of our advantages in facilities and premises, driving the sustainable development of the Group.

In terms of traditional logistics business, the Company will vigorously push ahead the transformation and upgrading of the traditional business, introduce new business resources and projects through joint venture and business innovation and further enrich the portfolio of logistics products.

Despite our efforts to overcome the adverse impact and achieve satisfactory results in 2016, the logistics and supply chain services for electronic components business still faces operation pressure due to the general situation of customers and markets. In the future, the Group will continue to explore new markets and customers, expand business areas, make technological innovation, strengthen the professional training of the staff and seize new market opportunities, with an aim to improve profitability.

The Company will step up efforts to further explore the cold chain logistics business and introduce shareholders' resources. Based on its existing business of "centralized inspection and management warehousing of imported meat at Tianjin Port" and leveraging on its terminal advantage, unique location and function edge, Tedahang will take proactive measures to develop new clients and explore new markets, with an aim to broaden operating revenue and further reduce losses.

Efforts will be made to strengthen internal management of the Company. The Company will continue to improve the human resource management system, and step up efforts in talent cultivation, especially focusing on training of outstanding junior staff and young cadres. Through training of existing staff and introduction of new talents, the Company will expand the talent reserve to build an echelon of talents at all levels and formulate our management succession plan, and efforts will be made to further fine-tune the incentive mechanism and appraisal system. In the construction of information system, the Company will further improve the office automation system implemented within the Group, regulate and strengthen the internal management and integration of the Group, so as to regulate, guide and promote the construction of information system within the Group. The Company will pay more attention to environmental protection and participation in community activities, with an aim to develop itself into an environment-friendly and community-contributing enterprise. Furthermore, the Company will continue to strengthen safety management efforts and the implementation of safety culture by highlighting the responsibility of security principal, pushing forward safety standardization and strengthening daily management and inspection, with an aim to ensure safety production. Meanwhile, adhering to the human-oriented concept, the Company will provide safety protection to all staff and the people involved, and will attach emphasis on personal safety and social security.

In 2017, the Group will take proactive initiatives to adapt to the new economic normal state and establish a systematic and diverse logistic service platform. Leveraging on the opportunities from policy adjustment and upholding the development philosophy of "advancing steadily", the Group will overcome operational risks, alleviate staff pressure, remain cautious, promote operation in the capital market, fully utilise resources and advantages from all partners and innovate business model, adjust its business structure, so as to create new spotlight for development and maintain sustainable development of business. It is expected that the operating results of the Company appears to remain stable in 2017, and the Company is confident in its development in the future.

Finally, I would like to express my sincere gratitude on behalf of the Board to all our staff for their excellent performance and dedicated efforts.

Zhang Jian

Tianjin, the PRC, 24 March 2017

BUSINESS HIGHLIGHTS

The principal businesses of the Group are logistics and supply chain services for finished automobiles and components, logistics and supply chain services for electronic components, materials procurement and related logistics services, cold chain logistics services and other services such as bonded warehouse, container yard, supervision, agency and transportation services. The major customers of the Group include Tong Fang Global (Tianjin) Logistics Co., Ltd. (同方環球(天津)物流有限公司), Wuxi Leyejia Commercial Co., Ltd. (無錫樂業家商業有限公司), Tangshan Donghua Steel Group Co., Ltd. (唐山東華鋼鐵企業集團有限公司), Tianjin Tongguang Group Digital Communication Co., Ltd. (天津通廣集團數字通訊有限公司), Toyota Tsusho (Tianjin) Co., Ltd. (豐田通商(天津)有限公司), etc.

During the reporting period, the operating results of our logistics and supply chain services for finished automobiles and components recorded significant increase, and the logistics services for the imported automobiles which was hit by the 8.12 Explosions in 2015 was on the course of recovery growth with dramatic improvement in the operating results of the imported automobiles business, driving substantial growth in the operating results of that segment. Under the backdrop of industrial structural adjustment and de-capacity policy in China, the Group continued to adjust the business structure of bulk commodity procurement business and compressed the scale of the business, which resulted in periodic slump in the operating income and operating profits from the materials procurement and related logistics services business in the reporting period. The operating results of the bonded warehouse, transportation and supervision business decreased as compared with the corresponding period last year. The branch company in Changshu City recorded losses in the reporting period as it had just started its operation not long ago. The electronic components logistics business of Tianjin Alps Teda Logistics Co., Ltd. and Dalian Alps Teda Logistics Co., Ltd. (both associated companies of the Group) continued to maintain good development momentum, with notable increase in their respective operating results as compared with the corresponding period last year, hence leading to significant increase in the investment income as compared with the corresponding period last year. The cold chain logistics business continued to step up efforts in market exploration and accelerate industrial chain extension. During the reporting period, this business segment achieved substantial increase in turnover and significant decrease in net profit as compared with the corresponding period last year.

While consolidating the traditional logistics service businesses, the Group has actively expanded new areas of the logistics businesses, made use of synergy of its internal resources and acquired quality infrastructure logistics resources to achieve steady but yet rapid growth.

Logistics and Supply Chain Services for Transportation of Finished Automobiles and Components

During the reporting period, the principal businesses income amounted to RMB883,152,000, basically the same as compared to last year. The logistics services for the imported automobiles recovered at a rapid pace, driving substantial growth in the operating results of that segment, with a year-on-year increase of 125%.

Materials Procurement and Related Logistics Services

During the reporting period, the principal business income from the materials procurement and related logistics services amounted to RMB1,818,068,000, representing a decrease of RMB364,089,000 or 17% as compared with last year.

Warehouse, Supervision, Agency and Other Incomes

During the reporting period, other services such as bonded warehouse, container yard, supervision, agency and transportation services recorded an operating income of RMB71,149,000, representing a decrease of RMB24,393,000 or 26% as compared with last year.

Logistics and Supply Chain Services for Electronic Components (Conducted Through Investments in Joint Ventures)

During the reporting period, the logistics and supply chain services for electronic components business of the Group's associates continued to maintain a growth momentum, and its operating income and net profit recorded substantial increase as compared with that of last year, in particular, the results of Tianjin Alps Teda Logistics Co., Ltd. contributed a relatively large portion. During the reporting period, its operating income amounted to RMB790,597,000, representing an increase of 19%, and the net profit amounted to RMB64,756,000, representing an increase of 32%.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2016, turnover of the Group was RMB2,772 million, representing a decrease of RMB414 million or 13% as compared to RMB3,186 million last year. The decrease in turnover is mainly attributable to the decrease in materials procurement and related logistics services compared to last year.

Cost of sales and gross profit

For the year ended 31 December 2016, the cost of sales of the Group was RMB2,683 million, representing a decrease of RMB403 million or 13% as compared to RMB3,086 million of the corresponding period of last year, which was broadly in line with the decrease of turnover for the year.

For the year ended 31 December 2016, gross profit margin of the Group was 3.23%, substantially the same as compared to last year.

Administrative expenses

The administrative expenses of the Group amounted to RMB58,536,000 in 2016, representing an increase of RMB4,295,000 or 8% as compared to RMB54,241,000 last year. The Group will continue to strengthen its control over part of its administrative expenses.

Finance costs

The Group's finance costs during 2016 amounted to RMB10,427,000, representing an increase of RMB4,585,000 or 78% as compared to RMB5,842,000 last year. The increase in finance costs was mainly because the Group increased the scale of its loans during the reporting period. The Group will continue to improve the efficiency of capital utilisation and strive for the most favorable conditions for bank credits so as to reduce the overall finance costs.

Taxation expenses

The taxation expenses of the Group for 2016 were RMB10,067,000, representing a decrease of RMB2,239,000 or 18% as compared to RMB12,306,000 last year. The decrease in taxation expenses was mainly attributable to the substantial decrease in the income tax expenses of the Group and TEDA General Bonded Warehouse Co., Ltd. (a subsidiary of the Group) as compared to last year.

Share of results of joint ventures and associates

The share of results of joint ventures and associates of the Group for 2016 was RMB31,789,000, representing an increase of RMB18,340,000 or 136% as compared to RMB13,449,000 last year, which was mainly due to the substantial increase in the operating results of Tianjin Alps Teda Logistics Co., Ltd. and Dalian Alps Teda Logistics Co., Ltd. (both of which are associated companies of the Group) as compared to the corresponding period of last year.

Profit for the year and earnings attributable to the equity holders of the Company

For the year ended 31 December 2016, total profits for the period amounted to RMB57,636,000, representing a decrease of RMB1,843,000 or 3% as compared to last year. Earnings attributable to the equity holders of the Company were RMB43,383,000, decreased by RMB10,301,000 or 19% as compared to RMB53,684,000 last year. The decrease in earnings attributable to the equity holders of the Company was mainly because the Company's total gross profit for its main operating business decreased as compared to the corresponding period of last year. The main reason of the decrease in gross profit was because the operating results of the materials procurement and related logistics services decreased as compared to the corresponding period of last year.

Dividend

The Board proposes the payment of a final dividend of RMB0.03 per share for the year ended 31 December 2016 (corresponding period of 2015: RMB0.03). The proposal shall be subject to the approval by the shareholders at the Company's annual general meeting of 2016. Information about the date of the annual general meeting and arrangement on closure of register of member will be announced in due course.

Liquidity and financial resources

For the year ended 31 December 2016, the Group maintained a sound financial position. As at 31 December 2016, the cash and bank balances of the Group were RMB327,598,000 (31 December 2015: RMB215,350,000). As at 31 December 2016, the total assets of the Group were RMB2,520,247,000 (31 December 2015: RMB2,579,361,000). Capital was sourced from current liabilities of RMB1,523,960,000 (31 December 2015: RMB1,681,942,000), non-current liabilities of RMB62,762,000 (31 December 2015: RMB6,243,000), shareholder's equity attributable to the shareholders of the Group of RMB839,032,000 (31 December 2015: RMB806,319,000) and minority interests of RMB94,493,000 (31 December 2015: RMB84,857,000).

Capital structure

For the year ended 31 December 2016, there was no change in the capital structure of the Group. The share capital of the Company comprised only ordinary shares.

Loans and borrowings

As at 31 December 2016, the balance of bank loans of the Group was RMB193,834,000 (31 December 2015: RMB70,521,000).

Gearing ratio

As at 31 December 2016, the ratio of total liabilities to total assets of the Group was 63% (31 December 2015: 65%). The gearing ratio (ratio of loans (including borrowings and obligations under finance lease) to total equity) of the Group was 30% (31 December 2015: 8%).

Charge on assets

As at 31 December 2016, the charge on assets of the Group was as follows:

On 8 November 2016, Bonded Warehouse, a wholly-owned subsidiary of the Group, entered into a financial lease agreement with Huayun Finance Leasing Company Limited* (華運金融租賃股份有限公司) ("Huayun Leasing") at the consideration of RMB91,000,000, and entered into a mortgage in favour of Huayun Leasing to guarantee the principal payment under the finance lease agreement. The mortgaged assets are certain properties and facilities of Bonded Warehouse with a net asset value of approximately RMB109,436,000.

Exchange loss or gain

All operating revenues and expenses of the Group are denominated in Renminbi.

The Group has no significant investments outside Mainland China. The Group, however, may be exposed to certain extent of foreign currency exchange loss or gain mainly because the Group and its subsidiaries, Tianjin Fengtian Logistics Co., Ltd and Tianjin TEDA International Freight Forwarding Co., Ltd., have transactions denominated in United States Dollar, Japanese Yen and Hong Kong Dollar. For the 12 months ended 31 December 2016, the Group had an exchange gain of RMB818,000 after offsetting the exchange loss.

Contingent liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

Operating lease commitments

As at 31 December 2016, the Group had the following operating lease commitments:

The Group as lessee

The Group	2016 RMB'000
Within one year	**3,852**
In the second to fifth year	**165**
Over five years	**–**
	4,017

The Group as lessor

The Group	2016 RMB'000
Within one year	**10,114**
In the second to fifth year	**27,585**
Over five years	**–**
	37,699

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year, the Group had no significant investments and did not make future plans for material investments or capital assets.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

EMPLOYEES

As at 31 December 2016, the Company employed 2,329 employees (31 December 2015: 2,380).

	As at 31 December 2016	As at 31 December 2015
Administration	**304**	327
Finance	**69**	62
Consulting Technology	**13**	15
Sale and Operation	**1,943**	1,976
Total	**2,329**	2,380

REMUNERATION POLICY

The remunerations of the employees of the Company shall be determined by reference to the market rate, and the performance, qualification and experience of the relevant employees. Also, a discretionary bonus based on individual performance during the year will be distributed as a reward for the contributions made by the employees to the Company. Other employee benefits include pension insurance, unemployment insurance, labour injury insurance, medical insurance, maternity insurance and housing fund.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Tianjin Binhai Teda Logistics (Group) Corporation Limited ("Binhai Teda Logistics" or the "Company", together with its subsidiaries, the "Group"), whose headquarter is located in Tianjin City, the People's Republic of China (the "PRC" or "China"), is principally engaged in the provision of integrated logistics services and supply chain solutions in China. Binhai Teda Logistics is committed to developing into an "expert of integrated logistics services in China". The Company strived to provide its customers with comprehensive logistics solution by integrating resources and developing innovative logistics products to create a brand-new "integrated logistics operation platform".

This report, as the first environmental, social and governance ("ESG") report of the Group, aims to disclose the Group's overall policies, commitments and strategies on sustainable development during the reporting period which covers the period from 1 January 2016 to 31 December 2016. Unless otherwise stated, this report mainly covers all the subsidiaries and major joint ventures of the Group, including (i) Tianjin Alps Teda Logistics Co., Ltd. which is engaged in the logistics and supply chain services for electronic components; (ii) Tianjin Fengtian Logistics Co., Ltd. and (iii) Tianjin Yuan Da Xian Dai Logistics Co., Ltd., both engaged in logistics and supply chain services for finished automobiles and components business; (iv) TEDA General Bonded Warehouse Co., Ltd. which is engaged in bonded warehouse services; (v) Tedahang Cold Chain Logistics Co., Ltd. which is engaged in cold chain logistics services business; (vi) the Company and He Guang Trade and Business Co., Ltd., both engaged in materials procurement and related logistics services business; and (vii) Tianjin Teda International Freight Forwarding Co., Ltd. which is engaged in other services such as container yard, supervision, agency and transportation services. When preparing this report, we report on our policies and performance in environmental, social and governance in accordance with the disclosure requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the GEM Listing Rules published by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

We welcome any advices and suggestions with regards to this report and our sustainable development performance. Please contact us by email to investor@tbtl.cn.

OUR CORPORATE CULTURE

Upholding the core value of "integrity, honor, responsibility, resource, efficiency, value, cooperation, innovation and progress", Binhai Teda Logistics places emphasis on the career development and remuneration and benefits of the junior and frontline staff, and requires its employees to prevent wrong-doings and maintain integrity, and be a responsible, reliable and caring person.

CORPORATE CULTURE PRACTICE

We adhere to the principle of "corporate integrity, leader ethics, career development and staff support". The Group and its member companies stick to the basic requirement of "integrity", abide by the laws and respect the rules. Acting as a role model, the leaders of the Group guide and practice our corporate culture through their own speech and behavior. The Group establishes sound promotion system to provide a complete and smooth promotion path, offering a promotion platform for the outstanding management cadres. We provide a competitive remuneration package in line with the prevailing market rate to provide basic living guarantee for our staff, and take into account the needs of the junior staff in determining the remuneration policy.

OUR APPROACH TO SUSTAINABLE DEVELOPMENT

Sustainable development is vital to the development and growth of Binhai Teda Logistics. As an integrated logistics company and a responsible corporate citizen, we emphasize integrity and incorporate environmental, social and governance principles into our daily operation and management, striving to create long-term value for and win trust from the stakeholders.

STAKEHOLDER ENGAGEMENT

Stakeholders' support and trust are of the utmost importance to the Group's continuous steady business growth over the years. Our major stakeholders are those groups which are significantly influenced by, or have the ability to influence, the Group's business, including customers, suppliers, employees, shareholders and investors, and local governments and communities. We firmly believe that communication with stakeholders not only helps us better formulate our business strategy in response to their needs, but also enables us to forecast risks and consolidate the stable development of our business and the community. By virtue of the active communication with stakeholders, through formal and informal channels and on a regular basis, in the course of our day-to-day operation, we are able to identify certain significant environmental, social and governance related issues which will be discussed in this report.

SUSTAINABLE DEVELOPMENT BUSINESS

We are committed to developing into an expert of integrated logistics and supply chain solution in China. By keeping abreast with the development needs of the market, the Group proactively optimized business layout and innovated management and service mode to improve business quality. The Group provided comprehensive logistics solution for the customers by integrating resources and developing innovative logistics products, to create a brand-new integrated logistics operation platform and provide better products and services for the customers. These solutions include helping the clients to transport the materials and components provided by the suppliers to the manufacturers, and delivering the finished products from the manufacturers to the end users. The business segments of the Group involve prior-production and post-production logistics services for automobiles, port related logistics services for automobiles, railway transportation of commercial vehicles, materials procurement and related logistics services, bonded warehouse logistics services, logistics services for electronic components and cold chain logistics. The Group has business presence across the country and in over 20 countries or areas around the world. Especially, the Group has over 20 years' operation history in automobile related logistics services and logistics services for electronic components, and has established long-term and stable cooperation relationship with many multi-national enterprises such as Toyota Motor and Alps Electric. Binhai Teda Logistics has its own logistics facilities with an area of 0.6 million square meters at the premium location of Binhai New District, and has operation facilities with an area of over 1.4 million square meters.

Warehouse and Cargo Management

As an integrated logistics service provider, safety in the warehouse area is one of the top priorities of our business. Within the warehouse area, we have established a twenty-four hours security inspection system, our security guards patrol by strictly following the prescribed patrol routes and schedule, and we have installed video surveillance systems (CCTV) to ensure the security and safety of the warehouse area and the goods. We have carried out special inspections according to the seasonal characteristics. In light of the Company's actual circumstances and climate characteristics, we have focused on inspections about heatstroke prevention, flood control, thundering protection, fireproof, freeze-proofing and other security issues. In order to ensure the quality of warehousing service, we have invested to carry out fundamental renovation of the warehouses, which included waterproof and sunproof enhancement for the roof to prevent rainfall and snow leakage or protect the goods from sunlight exposure. By use of the cargo tracking system, we are able to obtain information of cargo transport status (e.g. variety and quantity of goods, transit status, delivery time, place of departure and destination, owner of cargo, delivery vehicle and personnel etc.) promptly, with an aim to improve our logistics transportation services.

Automobile Warehousing

With many years' experiences in logistics services for finished automobiles and components, we are able to provide automobile manufacturers with whole-process and embedded ancillary logistics services, and provide one-stop comprehensive services for automobile sales enterprises. Through a comprehensive application of Toyota Production System (TPS), we implemented delicacy management and pushed ahead continuous improvement, so as to provide a full range of ancillary services for finished automobile production. The logistics services provided by us can be embedded in the production process of automobile enterprises and become an integral part in finished automobile production and sales. We have security separation facilities, video surveillance systems, double lock management or bayonet management, computer network management and other facilities which are in compliance with the customs supervision requirements. We make packing according to the prescribed cargo stowage plan and schedule, install video surveillance systems to manage the whole packing process, and set up internal alert system to make the goods in good order and ensure the security and service quality of automobile warehouses. We set up a dedicated security training ground for staff security education and operating procedures training. Security personnel arranged by our security department exercise supervision management in the important areas of the factory, and conduct irregular inspections and supervision during the course of operation to ensure safety of goods and personnel. We conduct annual review on the incidents, so as to make conclusions and continuously improve security management. In 2016, the commercial vehicle damage rate was 17PPM (parts per million). We have used labels, tags, marks, colors, zone divisions and records for product and status identification, noting vehicle identification number, varieties, specifications, material, weight and other information, and also set up protection or warning signs for materials needing protection. We have developed the Work Instruction (作業指導書) to manage the acceptance, storage and delivery of goods, so as to ensure the safety of materials and accuracy in quantity. When conducting the loading and unloading work and handling operations, we have chosen different lifting and handling equipment according to the characteristics of different items to avoid damage to the goods and protect the workers.

Electronic Components Warehousing

Catering to the needs of electronic product warehousing and pre-production preparation management, we have independently developed a series of management systems such as the ACCS (Alps Cargo Center System) to satisfy our customers' demands for recycling and collective cargo collection, multiple scheduled distribution, fast customs clearance and other high precision services. We have continued to improve warehouse layout, increased the number of goods allocation, and strengthened the on-site visual management. We also have installed more operation flow boards for our staff's easy information. Clean paths are kept at both ends of the goods racks to maintain smooth passage between the working area and the storage area, and working trolleys have been used to improve operation efficiency and ensure work safety.

General Bonded Warehousing

The Group has a wholly-owned general bonded warehouse in Tianjin Economic and Technological Development Area, which provides integrated logistics solutions for enterprises at Tianjin Economic and Technological Development Area, including bonded warehouse and related services such as processing and marketing of materials, machinery and equipment, electronic machinery and components and electronic products; equipment maintenance; post-sale services; commodity exhibit; technological consultation; export and import trading; operation and agent for the import and export of various goods and technologies; equipment leasing; material storage and related services; venue rental services, etc. Our general bonded warehouse abides by the requirements of the Regulations of the Customs of the PRC for the Administration of Bonded Warehouses and Cargoes Stored (中華人民共和國海關對保稅倉庫及所存貨物管理規定) and the Operation Rules of the Customs of the PRC for the Administration of Bonded Warehouses and Cargoes Stored (中華人民共和國海關對保稅倉庫及所存貨物管理操作規程), and is a Grade 2A enterprise that guarantees cargo storage administration and mortgage supervision.

Cold Chain Warehousing

Tedahang Cold Chain Logistics Co., Ltd. ("Tedahang") is the largest centralized inspection warehouse for meat and frozen goods port inspection and quarantine in China. The Tianjin port import cold chain logistics center project run by Tedahang, which has a gross refrigeration capacity of nearly 30,000 tons and annual turnover volume of over 650,000 tons, is a cold chain warehouse which primarily provides cold warehouse function for large-scale customs clearance inspection involving fruits, vegetables, meat, aquatic products and other commodities. We have complied with the nation's requirements for cold warehouses, and kept the temperature of the cold warehouse of about -18°C to ensure that the frozen goods stored in the warehouse are in good condition. At present, this project has been designated by Tianjin Entry-Exit Inspection and Quarantine Bureau as inspection warehouse for imported meat and frozen goods at Tianjin port. The project has also been named as the national demonstration project in the inspection campaign of "Inspection of Three Concentration" and "Dual Random Inspection and Public Disclosure" by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (AQSIQ), and has been listed as one of the key projects for implementation of the national Agricultural Products Cold Chain Logistics Development Plan by Tianjin Development and Reform Commission, playing an important exemplary role in regulating the imported meat and frozen products operation in China.

Logistics Transportation Management

As an integrated logistics service provider in China, in addition to the warehousing service, we provide one-stop integrated logistics services for the customers, including customs declaration and quarantine declaration for import and export goods, and provide agency services for reserving air and sea transportation and arranging delivery. Efforts are made to shorten delivery time and ensure the flow of production materials, components and finished goods according to production and sales requirements to improve efficiency, enabling the customers to know the delivery status of their production materials and components and reduce management resources of daily logistics operation, such as handling and delivering the production materials. We have strengthened the security of trains, railways and vehicles to ensure safety of the drivers and goods and timely delivery. In addition, with the implementation of the mandatory national standard "the external dimensions, axle load and quality limit on vehicles, trailers and trains" (《汽車、掛車及汽車列車外廓尺寸、軸荷及品質限值》) (GB1589 – 2016) in September 2016, long distance transportation will mainly rely on waterway and railway, while vehicles will be used to short distance transportation.

Railway Transportation

We abide by the laws and regulations on railway transportation such as the Railway Law of the People's Republic of China (《中華人民共和國鐵路法》), Regulation on Railway Freight Transportation (《鐵路貨物運輸管理規則》), Agreement on International Railroad through Transport of Goods (《國際鐵路貨物聯運協議》) and Convention Concerning International Carriage of Goods by Rail (《鐵路貨物運輸國際公約》). During the reporting period, we adopted a series of measures for improvement of rail safety. In terms of pre-loading checkup, we use video monitoring system to replace the traditional visual inspection by transporter of the train's roof, so as to ensure the safety of the train more rapidly and effectively. In addition, electric chain block was installed at platform of the commercial vehicle, effectively preventing accidents that are liable to occur due to manual operation of chain block, so as to prevent impact on loader operation. We use code scanning gun to replace manual labor to verify the information on the frame of the commercial vehicle and record the information on commercial vehicle, so as to improve the accuracy of vehicle inspection. We use screw-thread steel to replace plastic mattress as antiskid, effectively preventing the safety hazards caused by skidding of the vehicle during snowy days in winter. In terms of post-loading checkup, the daily safety checkup list has been upgraded from only consisting of several major categories to detailed list of every check point, so as to control the relevant risks.

Vehicle transportation

The Group owns approximately over 500 units of different transportation vehicles, and manages thousands of vehicles provided by third party companies. The Group holds road transportation licenses and has implemented the relevant laws and regulations on land transportation. We check the water tanks, storage batteries, engine oil, fuel oil and tires of the vehicles on a daily basis, carry out sanitary inspection on a weekly basis, and do unscheduled maintenance every month and regular maintenance every quarter, so as to ensure that all vehicles are absolutely safe. We observe and analyze the physical and psychological conditions of the drivers through the morning assemblies each day, and adjust work arrangement as necessary. In addition, we have also installed GPS systems on the vehicles, enabling us to locate the vehicles and goods in real time.

Understanding Customer Needs

The Group has always been customer-oriented and committed to providing comprehensive services to the satisfaction of the customers. We place great importance on customer opinions, and have therefore formulated and implemented a series of customer service management systems like Customer Satisfaction Measurement Control Procedure (《顧客滿意度測量控制程式》), Service Request Appraisal Control Procedure (《服務要求評審控制程式》), and Control Procedure on Procedures Involving Customers (《與顧客有關程式控制程式》), and actively communicate with customers through channels including daily face-to-face interview, correspondence, telephone, fax, email, forum, visit and customer satisfaction survey, so as to grasp market dynamics and customer demand trends in a timely manner and thus improve our services, in order to win trust and support as well as recognition from our customers.

In order to optimize the key customer services, we provide customers with 7/24 hours video monitoring service which can cover the warehouse and yards in all directions, with the surveillance video data to be saved for a period of no less than 90 days. In this year, a yard management system has been installed to provide customers with real-time information on the incoming, outgoing and warehousing of their stock articles through SMS service, and to transmit relevant documents to customers in a timely manner. The system also provides online order processing service which facilitates online communication with customers, saving them the trouble to process the orders on site, which greatly saves their time and transportation cost. According to the statistics, in 2016 the Group achieved nearly 100% accuracy in receiving and delivering goods in the warehousing business, with the intact rate of goods in transportation business up to around 99.9% and the customer satisfaction rate was nearly 96%.

Protecting Customer's Privacy

We keep confidential the information on the customers and their properties in accordance with the relevant laws and regulations. All employees are required to sign the Employee Statement of Integrity (《員工誠信宣言》) and all information of customers are locked or encrypted to prevent any unrelated personnel having access to these materials and information. Should any leakage of information is found to have been committed by anybody with hostile ulterior motives or have caused any serious consequence, it would be deemed as a behavior which have seriously violated the confidentiality rules, no matter whether the leaker has gained any actual private benefits therefrom, and the employee concerned would be subject to severe punishments by the Group, including dimissal and legal actions. In 2016, the Group has not received any complaint on privacy infringement. In addition, our businesses do not involve in any advertising and labeling.

Emergency Contigency Plan

The Group views safety as a top priority. While sticking to the policy of "people-oriented, prevention-first, and on-alert", we improve our capability for prevention and response to safety incident risks for the purpose of reducing injuries, deaths and property loss to the minimum level. We have set up a 24-hour emergency hotline and clarified the tasks and responsibilities of the emergency command organization and each functional department in accordance with the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》), Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》), Emergency Response Law of the People's Republic of China (《中華人民共和國突發事件應對法》), Regulations on the Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》), Law of the People´s Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), Regulations On Safety Supervision For Special Equipment (《特種設備安全監察條例》), Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (《生產安全事故報告和調查處理條例》), Guidance on Supervision and Management of Major sources of Hazards (《關於開展重大危險源監督管理工作的指導意見》), Regulations of Tianjin Municipality on Work Safety (《天津市安全生產條例》), Guidelines for Enterprises to Develop Emergency Response Plan for Workplace Accidents (《生產經營單位安全生產事故應急預案編製導則》) AQ/T9002-2006, Identification of Major Hazard Installations for Hazardous Chemicals (《危險化學品重大危險源辨識》) GB18218-2009 and Emergency Response Plan for Major Production Safety Incidents in the Economic and Technological Development Area (《開發區重大生產安全事故應急預案》), enabling them to cohesively coordinate in all aspects and fulfill their respective functions in a bid to improve the efficiency of emergency rescue work. Our on-site managing solutions for large-scale incidents cover a wide range of incidents and calamities including fire, explosion, traffic accident and earthquake.

We carry out education and trainings and organize emergency drills on a regular basis, in an effort to improve safety awareness of the employees. In order to prevent any hazardous articles in the goods, the Company will, at the time of storing the goods, obtain written documents such as packing list and inspection report of the goods, and carry out unpacking inspection as much as possible. The Company will also investigate the basic information of the customers and identify the business category of the customers. The Company, Tianjin Fengtian Logistics Co., Ltd. and Tedahang Cold Chain Logistics Co., Ltd. have all obtained Class II certification of safety production standardization, and TEDA General Bonded Warehouse Co., Ltd. and Tianjin Yuan Da Xian Dai Logistics Co., Ltd. have also obtained Class III certification of safety standardization.

After the outbreak of the Tianjin Port "8.12" fire explosion accident in 2015, the Group promptly implemented emergency contigency plan, effectively protecting the interests of the customers and the shareholders, which reflected our strong risk awareness and capability to cope with unexpected incidents.

During the year, Tedahang Cold Chain Logistics Co., Ltd. was listed as the three-level unit of anti-terrorist precaution management. It implemented the requirements for construction of anti-terrorist responsibility system under the Circular of the General Office of the CPC Central Committee and the General Office of the State Council on Issuing the Measures for the Implementation of Anti-Terrorist Work Responsibility System (《中共中央辦公廳國務院辦公廳印發反恐怖主義工作責任制實施辦法》), and implemented the measures for civil air defense, physical defense and technique defense in accordance with the Regulation on Anti-terrorist Precaution Management of Tianjin Municipality (《天津市反恐怖防範管理規範》) in a bid to strengthen precaution and prevention.

GREEN OPERATION

The Group believes that the integration of logistics services and environmental protection is essential for the construction of ecological civilization. As a first rate logistics group, we believe, in the logistics services operation, it is of utmost importance to reduce both logistics transportation and impact on the environment. We try our best to deliver the same quantity of goods with minimum packaging materials, storage area, transportation means and the shortest distance, so as to reduce resource consumption and greenhouse gas emission. Tedahang Cold Chain Logistics Co., Ltd., Tianjin Fengtian Logistics Co., Ltd. and Tianjin Alps Teda Logistics Co., Ltd. have all obtained the ISO14001:2004 certification.

Optimization of Transportation

We encouraged our customers to use railway instead of trucks for cargo transportation as railway has minimum CO_2 emission with minimum energy consumption among various road, water and air transportations.

Control of Waste Gas and Greenhouse Gas

The exhaust gases discharged by our business include warehousing waste gas (e.g. gases of volatile materials, dust) and vehicle exhaust. Our warehouses are equipped with exhaust units that are regularly checked and maintained to ensure their normal operation and satisfaction of environmental protection requirements. In terms of vehicle exhaust, we have set up a system to monitor the consumption and discharge amount, and review the monitoring reports on a regular basis to come up with solutions for energy conservation and emission reduction. As to trucks and cargo transportation, we have successively eliminated substandard trucks in 2015 and 2016 in accordance with the national policies for vehicle emission (China Standard IV), purchase standard diesel and gasoline for the fleet, and carry out inspections every year with a view to meeting the national vehicle emission standard. In addition, we have also taken measures such as restriction of engine idling, improvement of loading efficiency and shortening of travel distance, striving to develop into an environmental-friendly logistics supplier.

Tedahang Cold Chain Logistics Co., Ltd. adopts liquid ammonia to realize refrigeration in the cold storage. As ammonia gas is a colorless gas with a strong, pungent smell that not only contaminates the environment, but does harm to human health, we store the refrigerant properly in storage tanks, compressors, evaporative condensers and other refrigeration equipment. Furthermore, the refrigerating station is purposefully separated from other zones.

Control of Sewage

We manage and control the discharge of sewage generated from operation, so as to ensure satisfaction of the requirements of the laws, regulations and local administration for environmental protection and alleviate or eliminate contamination of water environment. The sewage discharged by us primarily comes from domestic wastewater (including wastewater generated in cleaning and shower by employees, flushing water of toilets and wastewater from cleaning dishes), sewage generated in warehousing activities (including sewage from cleaning vehicles, equipment and containers), as well as rainfall. Rainfall pipeline is built and domestic garbage is not permitted to be stacked outdoors so as to prevent rainwater from being polluted. Some subsidiaries have installed dedicated containers for collection of oily sewage and transfer such sewage to professionals for treatment after a certain period.

Tedahang Cold Chain Logistics Co., Ltd. has constructed a dedicated liquid ammonia accident pool as required by its business for storage of water that possibly contains ammonia in the pipes of the refrigerating station, thus avoiding leakage of liquid ammonia. It also engages a professional agency that is recognized by Tianjin Environmental Protection Bureau to conduct sewage treatment regularly for one or two times every year, mitigating the impact of sewage discharge on the environment.

Control of Solid Waste

We enhance the environmental awareness of all employees and endeavor to reduce the output of waste, fully recycle the waste and treat the hazardous solid waste to become non-hazardous according to the laws and regulations. General solid waste is reused sufficiently as per its classification, while those non-recyclable wastes are forwarded to the solid waste treatment plant as required.

Saving of Packaging Materials

To reduce the consumption of packaging materials, we have particularly studied the utilization efficiency of containers and the packing efficiency with a view to saving packaging materials as much as possible while satisfying the basic requirements of product protection. For instance, we have discovered that the methods of applying adhesive tapes for sealing cartons which affect the shock resistance of containers and the damage rate from dropping, in which case the shock resistance of cartons can be enhanced without changing the materials of the cartons, or much fewer materials will be consumed under the same shock resistance. Moreover, we have also studied the means of group packing and come to the conclusion that the shock resistance of the entire pallet cargo is reinforced through binding cartons together with plastic film if the tensile strength remains the same, resulting in less consumption of single type of packaging materials. Besides, we have also conducted specific research on fixed transportation places, upgraded the modes of turnover boxes and strengthened the recycling of packaging materials. Taking the maritime transportation of a 40-foot long container between China and Japan, the total packaging and transportation expenses have dropped by 29% after such improvement[1].

Control of Noise

The noises generated by our business include machine running noise (e.g. compressors in the warehouse operating zone), vehicle transportation and loading/unloading noise (e.g. trucks, cranes and forklifts), as well as engineering construction noise, etc. We have designated noise control points to check the noise control results. Additionally, dedicated personnel are arranged to carry out daily inspection of running equipment for spotting irregularities and repairing them promptly, thus avoiding the generation of noises. When constructions (including repair and maintenance activities) are carried out on the premises of the factory, we will supervise them accordingly so as to guarantee the noises at the boundary of the premises in compliance with the requirements. We encourage drivers to use less of the vehicle horn while driving and require the operators of cranes and forklifts to load, unload and stack goods gently, in an effort to avoid noise production. We also invite the local environment monitoring institution to monitor the noise pollution annually according to the relevant national standards.

As the refrigerating units make enormous noises during operation and thus affect the surrounding environment and employees, we have mounted noise barriers and explosion-proof doors and windows between the refrigerating station and the control room in accordance with the Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境雜訊污染防治法) and other relevant national regulations, for the purpose of reducing the impact of noises on employees within the region.

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[1] Business Analysis Report from Onahama Office of Alps Logistics (2001)

Green Office

We aim to build an all-round green office environment through active publicity of green concepts, advocacy of low-carbon, environmental-friendly lifestyle, and promotion of green commuting and paperless office. Some subsidiaries have taken the following measures: establishing the "Energy Saving Award" to encourage employees to actively participate in energy conservation and emission reduction, setting up the Check Sheet system to require the last employee leaving the office to ensure the lights and power are all off before leaving the office and sign on the Check Sheet, promoting the office automation system to realize paperless office and using paper of lower grams, requiring employees to print on both sides so as to significantly reduce paper consumption, replacing the existing faucets with sensor faucets progressively, employing the GSHP for air-conditioning and recycling underground water, designating employees to monitor the water use for avoiding excessive use, checking water use appliances carefully to prevent leakage and repairing them promptly in case of equipment breakdown for reducing the waste of water, adjusting according to different seasons the water consumption for the refrigerating equipment of the cold chain logistics service business owing to their heavy consumption of water, mounting LED lights with low power consumption step by step, changing the existing lights with sensor lights in some toilets and corridors. During the year, some subsidiaries have also renovated the heating facilities entirely by taking the caliducts from the underground to the surface, which enhances the heating performance evidently – the instant flow per hour dropping to around 9 m^3 this year as compared with approximately 21 m^3 before.

Sustainable Design

As an integral part of our efforts to mitigate impact on the environment and to create a healthy, safe and beautiful working environment for our staff, we incorporated sustainable development function into the design, construction and renovation of our working premises (including offices, distribution centers and warehouses as well as production facilities). Bonded warehouse installed various green features such as energy-saving refrigeration units and green roofs, which not only provided beautiful landscape but also helped to reduce heat-island effect. For example, transparent FRP roof sheet was used on the roof of the warehouses for natural lighting on sunny days.

PEOPLE-ORIENTED

The Group fully acknowledges that employees are the main driving force for accomplishing corporate missions and business strategies. Therefore, the Group has strived to become a good employer by focusing on people-oriented management and attaching great importance to human resources management. We attract excellent talents through fair recruitment policy, provide employees with training opportunities, career development prospects and growth opportunities for employees. We are committed to providing employees with an ideal work environment. As an equal opportunity employer, we have developed the Guidance on Professional Conducts (《職業操守指引》) and respect principles such as diversity, equality and antidiscrimination. Employees are prohibited from discriminating or insulting the clan, gender, religion, or physical disability of other employees. The Group has also strictly complied with the provisions of the PRC Labor Law to protect employees' rights and interests, and provide competitive remuneration and benefits to employees, also fostering work-life balance among employees through diverse activities.

Integrity and Self-Discipline

"Integrity, honor and responsibility" constitutes the core value of the Group, laying a foundation for the sustainable development of the Group. We comply with ethical requirements as well as the laws and standards, and the basic elements of integrity, loyalty and fairness are deeply rooted in our corporate culture. To ensure our operation meets the requirements of the high standard corporate governance of the Group, we have established a series of internal systems and guidelines in line with the laws and regulations including the Staff Manual (《員工手冊》) and the Guidance on Professional Ethics and Business Discipline (《職業道德暨商務紀律指南》), which have been widely applied in our daily business operation, employee policies, supply chain policies, environmental protection practice and our commitment to social responsibility.

Employees are required to sign the Employee Statement of Integrity (《員工誠信宣言》). By signing such statement, the employees agree with the core value of the Company and accept the concepts and requirements regarding professional ethics and disciplines of the Company, such as avoidance of interest conflicts and confidentiality of business secrets. We strive to cultivate a culture embracing conscious observance of professional ethics, and adopt a "zero tolerance" policy towards bribery, blackmail, fraud and money laundering, and any employee involving in activities in violation of the code of ethics and professional conduct shall be subject to disciplinary punishment.

TEDA General Bonded Warehouse Co., Ltd. adopted the container yard management system to manage the custom supervision business, so as to prevent subjective influence and effectively strengthen prevention and control of bribery and other activities.

In 2016, all business activities of the Group were carried out in good faith and in compliance with the ethics code and the laws, and no incidents of bribery, blackmail, fraud or money laundering in any form were reported.

Talent Cultivation

It is one of our important tasks to provide employees with professional and personal development opportunities. The Group has developed the Talent Development Plan of Tianjin Binhai Teda Logistics Group (《天津濱海泰達物流集團人才發展工作規劃》), and outlined the future talent development goal and overall arrangement, with a long-term aim to "cultivating an internationalized professional talent team with optimized structure, outstanding competence and high efficiency". The training measures adopted by the Company included enhancement of professional ethics education, provision of overseas trainings and opportunities for exchange study with external companies, promotion of multi-post training and increased investments and efforts for training, especially increasing trainings for grass-root employees. The Group provided various training programs, and offered trainings covering corporate culture, occupational safety, laws and regulations, professional skills and other aspects for staff from different departments tailored to their business needs.

In 2016, the average training hours by gender were 18.5 hours for male and 17.1 hours for female, and that by employee type were 16.2 hours for senior management, 12.5 hours for middle management and 18.6 hours for junior staff.

Talents Acquisition and Retention

The Group has established fair and equal human resources management policy. In the recruitment process, only the candidates' integrity, ability and innovation capability are our most important assessment factors while other factors such as gender and age will not be considered in the assessment criteria. To meet our long-term talent development goals, we pay close attention to the selection and cultivation of business management talents from junior divisions and business units. Where there is a vacancy, we will adopt the policy of "promotion of existing employees first and supplemented by introduction of external talents". Therefore, we take proactive initiatives to outline career development paths for our junior employees, and are planning to implement promotion and pay raise programs for outstanding employees who have served the Company for over three years.

The Company will extend the scope of the program for internal public selection and competition for positions step by step, with an aim to further improve our talent selection and recruitment mechanism and inspire various talents to give full play to their potentials. As the mechanism follows the principles of democracy, openness, competition and excellence, we have established a series of performance assessment systems, such as the Methods on Comprehensive Assessment for Promotion of Grassroot Employees (《基層員工晉升綜合評分核定辦法》), the Annual Assessment Program for Management Personnel from Management Departments at the Headquarters of Tianjin Binhai Teda Logistics Group (《天津濱海泰達物流集團本部管理部門管理幹部年度評價方案》), and the Annual Assessment Program for Expatriate Senior and Middle-level Management of Tianjin Binhai Teda Logistics Group (《天津濱海泰達物流集團外派中高層管理幹部年度評價方案》).

Regarding external recruitment, all applicants shall undergo a series of rigorous selection process, including written examination of professional skills, comprehensive ability tests and supervisor interview before they are officially hired. The Group will strictly keep confidential of all applicants' information.

The Company strictly complies with the requirements of labour laws and regulations and has a zero-tolerance policy towards the use of child labour in our operation. In the recruitment process, applicants' identity and particulars, including age, are strictly verified to ensure that the applicants are legally qualified for the jobs. During the reporting period, the Group was not aware of any risks associated with the use of child labour.

As to dismissal of employees, we only terminate the labour contract with an employee under any of the following circumstances: 1) it is found that the employee fails to meet any of our recruitment requirements during the probation period; 2) the Company has suffered from material damages due to his/her behavior in grave violation of any of the rules and/or regulations of the Company, gross negligence of duties or jobbery; 3) his/her fulfillment of the tasks assigned by the Company has been gravely affected due to his/her employment with another company, and 4) he/she has been convicted of criminal offence by law. In general, we terminate the labour contract by giving a 30-day prior written notice to the employee or with payment of one month's salary as compensation. Further details are set out in the Staff Manual for the employees' dismissal information. As at 31 December 2016, the Group had a total of 2,329 employees, with male and female employees accounting for 74% and 26% respectively.

Health and Safety

Occupational health and safety is not only an important part of our corporate culture but also our solemn commitment to every employee. In 2016, the Emergency Drill Leading Group organized the Fire Accident Emergency Drill, which included education and training programs for fire safety management, with the primary aim to improving our employees' emergency response capability towards unexpected incidents. In 2015, we published the Emergency Response Plan (《突發事件應急預案》) in accordance with the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》), the Emergency Response Law of the People's Republic of China (《中華人民共和國突發事件應對法》), GB/T29639-2013: Guidelines for Enterprises to Develop Emergency Response Plan for Workplace Accidents (《生產經營單位生產安全事故應急預案編製導則》) and other laws and regulations, with an aim to systematically prevent the occurence of accidents.

At the level of project companies, we have established a number of committees and bodies such as the Work Safety Management Committee, the Occupational Health Management Steering Group and the Safety Promotion Division. We also have established the relevant systems including the Safety Education and Training System (《安全教育培訓制度》) and the Occupational Health Management System (《職業健康管理制度》), and completed a set of documentation regarding work safety standardization in accordance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and other laws and regulations. Meanwhile, we have implemented the occupational health and safety management system which has obtained the OHSAS 18001 certification within the Group, so as to ensure operation safety. Our goal is to fulfill our safety tasks more effectively through providing an injury and incident-free working environment for our staff, preventing and controlling occupational diseases and focusing on work-related health issues.

We have developed different safety programs for different businesses. For example, for our logistics business, we carry out the Risk Prediction (《危險預知》) activity to help our employees to learn about the risks at their workplaces, and encourage them to proactively engage in discussion and implementation of improvement. We regularly organize our staff to participate in the One Minute Safety Instructions (《一分鐘安全提示》) activity and hold the 100 Days Incident-free Operation Celebration (《百日無事故表彰》) at different workplaces such as the parking lot, warehouse, trailer and truck fleet, so as to inspire employees to maintain excellent safety records. We provide newly employed forklift drivers and truck drivers with skills training programs for about 40 hours and 80 hours respectively, so as to ensure their compliance with the safety operation requirements during the job. In addition, we carry out forklift and truck driving skills competitions to strengthen our employees' safety awareness and professional skills. We also provide safety education and safety operation training programs such as 3-level safety education and skills training programs, which consist of education at the branch company, department and team or group levels, with at least 8 hours of training for each level.

Our Staff Manual also contains a variety of ways to inspire employees to comply with the safety measures of the Company, for example, no inflammables, explosives and other dangerous objects in the workplace, keeping the workplace clean, etc. Some of our subsidiaries also provide annual physical examination for their employees. During the reporting period, we did not have any major cases involving work-related injury or death.

Remunerations and Benefits

The Group ensures that the remuneration package is comprehensive and attractive, with employees' remuneration being monthly fixed income plus position wages, allowances and subsidies, monthly performance bonus and floating wages. We comply with relevant national or local labor laws and regulations in the PRC to provide staff with welfare protection. In addition, the Staff Manual contains detailed information on benefits to which employees are entitled, mainly including social insurance (pension, unemployment, medical treatment, work-related injuries), housing provident fund, work meal, physical examination, holiday benefits, other benefits such as registered permanent residence, paid annual leave, paid sick leave, work-related injury leave, bereavement leave, marriage leave, maternity leave, nursing leave and casual leave stipulated by the state, as well as purchase of supplemental medical insurance for the employees. In principle, the Group pursues a work system of 7.5 hours per day and 37.5 hours per week with 1 hour break at noon. The Group respects employees' work-rest pattern and employees are encouraged to efficiently complete their work within their daily working time. An overtime system is also implemented to preclude any forced labour. Under the system, employees must obtain approval from their respective department heads and also the human resources department to ensure that employees shall only engage overtime work when necessary and have sufficient time to rest.

We care much about the interests and needs of female employees, and abide by the Measures on Medical Insurance for Childbirth and Children of Tianjin Economic and Technological Development Area (《天津市經濟技術開發區生育及子女醫療保險辦法》). The Group implements a work system of short working hours for lactation period. Female employees who feed babies younger than 1 year old are provided with the flexibility to choose breast-feeding time, twice a day and 30 minutes each time.

Moreover, we emphasize the physical and mental development of employees. During the year, the Company held a number of activities under different themes such as monthly birthday parties, sports activities (including basketball, badminton, football and running) as well as mid-autumn festival party and spring festival party to enable employees to relieve stress, maintain work-life balance, enhance productivity and at the same time cultivate team spirit and promote employees' sense of belonging to the Company.

WIN-WIN STRATEGY WITH SUPPLIERS

The Group adheres to the principle of "integrity", enabling us to win over support of the Fortune 500 companies and maintain long term cooperation relationship. While the Group adopts the best environmental and social practices during its operation and promotes environmental protection, occupational health and safety, business ethics and social contribution, we also hope that our suppliers can treat their employees fairly, protect the environment, maintain integrity and abide by the laws and regulations. We carry out regular inspection on the suppliers and establish a transparent system for credibility rating. The Group enters into the Integrity Agreement (《陽光協議書》) with the suppliers and carries out annual assessment and irregular inspection for exceptional occasions, prohibiting suppliers in violation of the laws and regulations of the PRC or the relevant requirements of the Company to participate in the procurement activities of the Company.

CARE FOR COMMUNITY

As a responsible corporate citizen, the Group undertakes social responsibilities actively, and grows together with the community. Hefu Cultural Development Foundation, which is sponsored and established by the Group and for which Tang Zhizhong, vice president of the Company, currently serves as a director, continued to support the cultural development of Binhai New District and the Economic and Technological Development Area and provide financial support to the cultural and education development of the underdeveloped rural areas in 2016, and also carried out research on the cultural achievements by the Communist Party of China and the revolutionaries of the old generation. Looking forward, the Group will take more proactive initiatives to contribute to the society in different ways.

CORPORATE GOVERNANCE REPORT

The Company believes that stringent corporate governance practices could enhance credibility and transparency and are in the interests of the shareholders of the Company. The Company has established a complete set of code on corporate governance practices – "Handbook of Corporate Governance Practices" pursuant to the requirements of the GEM Listing Rules. Save as disclosed below, the Company has complied with all the requirements of the Corporate Governance Code ("the Code") set out in Appendix 15 of the GEM Listing Rules throughout the reporting year, save for the deviation of Code A.2.1 and Code A.6.7.

SECURITIES TRANSACTION BY THE DIRECTORS

The Group has adopted a code of dealing in securities by the Directors of the Group, which was formulated in accordance with Rules 5.48 to 5.68 of the GEM Listing Rules for the purpose of setting out its own required standards for assessment of the conduct of the Directors in dealings in the securities of the Group. Upon enquiries made to each Director by the Company, all Directors confirmed that they have complied with the code of dealing in securities by the Directors.

THE BOARD

The Board currently comprises 8 Directors which includes 1 executive Director, 4 non-executive Directors and 3 independent non-executive Directors, among which, Zhang Jian is the Chairman and executive Director; Cui Xuesong, Zhang Wang, Tse Ping and Yang Xiaoping are non-executive Directors and Cheng Xinsheng, Japhet Sebastian Law and Zhou Zisheng are independent non-executive Directors. Details of the members of the Board are set out under the section headed "Directors, Supervisors and Senior Management".

The Board is responsible to the shareholders in general meeting, and to exercise the functions granted by the general meetings and the articles of association of the Company. The major responsibilities of the Board include formulating the business plans and investment advices of the Company, convening general meetings and signing resolutions proposed in the general meetings, formulating and reviewing the corporate governance policies and practices of the Company, reviewing and monitoring the training and continuous professional development of the Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and Handbook of Corporate Governance Practices applicable to employees and directors, and reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report of the Company. The interests of Shareholders and the Company is the primary concern for every member of the Board. Directors should always comply with the relevant laws and regulations in a dedicated manner. The management of the Company is responsible to the Board, to exercise the board resolutions and report to the Chairman and the Board in respect of the operating of the Company in a timely manner. The management timely provides the updated information to the member of the Board by delivery of monthly business report and statements, which set out the performance, financial condition and prospects of the Company, the evaluations that are fair and easy to understand, etc.

All the independent non-executive Directors appointed by the Company have extensive experience in finance or enterprise management and other professional areas. Acting in a careful and detailed manner, independent non-executive directors also need to safeguard the interests of the Company and the shareholders by providing independent advice relating to connected transactions and material issues of the Company and providing professional recommendations for the long-term and stable development of the Company's business.

The Directors are subject to a term of office of three years and shall be eligible for re-election upon expiry of the term in accordance with the Articles. The Board considers that the non-executive Directors and independent non-executive Directors could maintain a reasonable balance with the executive Directors of the Board so as to safeguard the interests of the Company and its shareholders. The non-executive Directors and independent non-executive Directors perform their responsibilities of developing the Company's policies by providing constructive opinions.

During the reporting year, the Company complied with the requirements of Rules 5.05(1) and (2) and 5.05A of the GEM Listing Rules. As of the end of the reporting year, the Board comprises 4 independent non-executive Directors, in which Cheng Xinsheng has the competent professional qualification in accordance with the requirements of Rule 5.05(2). The independent non-executive Directors appointed by the Company represent at least one-third of the Board members.

After reassessment of the independence of the independent non-executive Directors by the Company in February 2017, the Company considered that each of the independent non-executive Directors has complied with all independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

There is no family or material relationship between the Board members.

A comprehensive training was provided for each new Director of the Company after his/her appointment, to ensure he/she would understand the operation and business of the Group and to fully aware of his/her responsibility and obligation as a Director. The Group provides reading materials, site visits, seminars and other professional development activities to all Directors, so as to enhance his/her awareness of the relevant GEM Listing Rules and other applicable regulatory requirements as well as the latest developments in the business of the Group. During the reporting year, the Directors complied with Code Provision A.6.5 by the following ways:

Director	Reading Materials	Site visit	Attendances of Discussion/ Course/Speech
Executive Director			
Zhang Jian	√	√	√
Non-executive Directors			
Tse Ping	√	√	√
Yang Xiaoping	√	√	√
Cui Xuesong	√	√	√
Zhang Wang	√	√	√
Independent Non-executive Directors			
Japhet Sebastian Law	√	√	√
Cheng Xinsheng	√	√	√
Zhou Zisheng	√	√	√

For the year ended 31 December 2016, there are no other executive Directors, except for Mr. Zhang Jian, the Chairman of the Board and the executive Director of the Company. The Board has held 10 meetings in 2016 to discuss and decide on material strategies, material operating issues, financial issues and other matters as required in the Articles. The Company has kept the detailed minutes of the relevant meetings.

The attendance of the Board members during the year is set out as follows:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
	Number of meeting attended/held (Attendance)				
Executive Director					
Zhang Jian	10/10(100%)	N/A	N/A	1/1(100%)	2/2(100%)
Non-executive Directors					
Tse Ping Note 1	8/10(80%)	N/A	N/A	N/A	2/2(100%)
Yang Xiaoping Note 2	9/10(90%)	N/A	N/A	N/A	2/2(100%)
Xu Lifan Note 3	6/8(75%)	N/A	N/A	N/A	1/1(100%)
Cui Xuesong Note 4	8/10(80%)	N/A	N/A	N/A	0/2(0%)
Zhang Wang	2/2(100%)	N/A	N/A	N/A	1/1(100%)
Independent Non-executive Directors					
Japhet Sebastian Law Note 5	9/10(90%)	3/4(75%)	2/2(100%)	1/1(100%)	1/2(50%)
Cheng Xinsheng	10/10(100%)	4/4(100%)	2/2(100%)	N/A	2/2(100%)
Mei Xingbao	9/9(100%)	N/A	2/2(100%)	1/1(100%)	2/2(100%)
Zhou Zisheng	10/10(100%)	4/4(100%)	N/A	N/A	2/2(100%)

Notes:

1. Mr. Tse Ping appointed Mr. Zhang Jian to attend 2 board meetings on behalf of him; those two attendances were not included in Mr. Tse Ping's attendance. Mr. Tse Ping didn't attend these meetings in person due to his personal reasons, which is not in compliance with Code A.6.7.

2. Mr. Yang Xiaoping appointed Mr. Zhang Jian to attend 1 board meeting on behalf of him; this one attendance was not included in Mr. Yang Xiaoping's attendance. Mr. Yang Xiaoping didn't attend the meeting in person due to his personal reasons, which is not in compliance with Code A.6.7.

3. Mr. Xu Lifan appointed Mr. Cui Xuesong to attend 2 board meetings on behalf of him; those two attendances were not included in Mr. Xu Lifan's attendance. Mr. Xu Lifan didn't attend these meetings in person due to his personal reasons, which is not in compliance with Code A.6.7.

4. Mr. Cui Xuesong appointed Mr. Xu Lifan to attend 1 annual general meeting and 1 board meeting on behalf of him; and appointed Mr. Zhang Wang to attend 1 extraordinary general meeting and 1 board meeting on behalf of him; those four attendances were not included in Mr. Cui Xuesong's attendance. Mr. Cui Xuesong didn't attend these meetings in person due to his personal reasons, which is not in compliance with Code A.6.7.

5. Mr. Japhet Sebastian Law appointed Mr. Zhou Zisheng to attend 1 extraordinary general meeting, 1 board meeting and 1 audit committee meeting on behalf of him; those three attendances were not included in Mr. Japhet Sebastian Law's attendance. Mr. Japhet Sebastian Law didn't attend these meetings in person due to his personal reasons, which is not in compliance with Code A.6.7.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1, the roles of the chairman of the Board (the "Chairman") and the chief executive officer (the "CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and the CEO should be clearly established and set out in writing.

As at 31 December 2016, the roles of the Chairman and the CEO of the Company have been performed by Mr. Zhang Jian and he has been responsible for the management of the Board and the operation of the Group. The Board considered that Mr. Zhang Jian has thorough understanding and expertise regarding the business operations of the Group and thus enabling him to make appropriate decisions which are in the interests of the shareholders as a whole on a timely and effectively basis. The Company believes that the combination of the roles of the Chairman and the CEO helps effectively formulating and implementing the Group's strategies as well as quickly responding to the ever-changing markets. The Board also considers that, at this moment, it is not necessary to separate the roles of the Chairman and the CEO. However, the Board will continue to review the effectiveness of the corporate governance structure of the Group in order to decide whether the roles of the Chairman and the CEO should be separated.

TERM OF OFFICE AND RE-ELECTION

The terms of office of the Directors of the Company (including independent non-executive Directors) are three years. All current Directors of the Company will hold office until the expiry of the third session of the Board of the Company. The Directors shall retire upon expiry of their terms of office and are subject to re-election.

THE COMMITTEES OF THE BOARD

Each of the audit committee, remuneration committee and nomination committee of the Company has specific terms of reference in place, with the powers and responsibilities of each committee clearly defined which are posted on the websites of the GEM and the Company.

(1) Audit committee

The Company has set up an audit committee pursuant to the requirements under Rule 5.28 of the GEM Listing Rules and the "Guidelines for the Establishment of Audit Committees" prepared by the Hong Kong Institute of Certified Public Accountants, and its duties and responsibilities have been properly laid down in writing under the requirements of Rule 5.29 of the GEM Listing Rules. The audit committee currently comprises Mr. Zhou Zisheng (chairman), Mr. Cheng Xinsheng and Mr. Japhet Sebastian Law (all being independent non-executive Directors), among which Mr. Cheng Xinsheng, has the relevant professional qualification and financial experience. The members of the audit committee convene meetings regularly with the management and external auditors and review the internal audit report and the quarterly, interim and annual results of the Group. The audit committee reviewed the audited financial statements for the year ended 31 December 2016 and recommended approval to the Board. In 2016, the audit committee held a total of 4 meetings to review the financial information and the risk management and internal control system of the Company. For the year ended 31 December 2016, the Company complied with the requirements of Rules 5.28 of the GEM Listing Rules in respect of the audit committee.

(2) Remuneration committee

The Company has set up a remuneration committee in accordance with the requirements of Rule 5.34 of the GEM Listing Rules and its duties and responsibilities have been properly laid down in writing under the requirements of Rule 5.35 of the GEM Listing Rules. The remuneration committee currently comprises Mr. Japhet Sebastian Law (chairman), Mr. Cheng Xinsheng and Mr. Zhou Zisheng (all being independent non-executive Directors). The remuneration committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all Directors, Supervisors and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives, and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management. In 2016, the remuneration committee held two meetings. For the year ended 31 December 2016, the Company has complied with the requirements of Rules 5.34 of the GEM Listing Rules in respect of the remuneration committee.

(3) Nomination committee

The Company has also set up a nomination committee which is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment, re-appointment and succession of Directors. The nomination committee currently comprises three members, with Mr. Zhang Jian being the chairman and Mr. Japhet Sebastian Law and Mr. Zhou Zisheng being the members. A majority of the nomination committee members are independent non-executive Directors of the Company. In 2016, the nomination committee held one meeting in total and executed the related provisions of the nomination of the Directors under the Company's Articles and the policies, procedures and criterias of the Procedures for Shareholders to Propose a Person for Election as a Director.

LIABILITY INSURANCE FOR DIRECTORS AND SENIOR MANAGEMENT

The Company has arranged appropriate liability insurance coverage for the Directors and senior management since May 2016.

SUPERVISORY COMMITTEE

As of 31 December 2016, the supervisory committee comprised 5 members, of whom 3 are shareholder representative supervisors and 2 are employee representative supervisors. The responsibility of the supervisory committee is to monitor the Board and its members and senior management so as to protect the interests of the shareholders. In 2016, the supervisory committee had monitored the financial position and the legal compliance of the operations of the Company and has conducted due diligence review of the senior management by convening meetings of supervisory committee and attending Board meetings and general meetings. It has duly performed its duties in a detailed and prudent manner.

INTERNAL CONTROL

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholder investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimizes the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or loss.

The Group recognises that good risk management is essential for the long-term development on the Group's business. Management is responsible for the establishment, implementation, review and assessment of the sound and effective internal control system underpinning the risk management framework. After taking into full account of the relevant requirements under the GEM Listing Rules relating to risk management and internal control, the management continued to improve its existing risk management and control framework. All employees are committed to implementing the risk management framework into the daily operation.

The Board highly emphasized on internal control and continued to adopt various initiatives to control and monitor the business of the Company and prevent potential risks. The Company has established internal audit function to conduct regular review on all the policies and procedures of material control, and report all material issues to the Board and audit committee at least once annually. During the reporting year, the Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries based on the key findings and recommendations for improvement of audit issues provided by its internal audit function, and considered the internal control and risk management of the Group as effective. The review covered all the material aspects of internal control, including financial control, operational control and compliance control as well as risks management.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The objectives of the risk management and internal control framework of the Group are to identify and manage the risk of the Group and achieve the Group's strategic objectives within the acceptable safety levels. The Group continued to enhance system construction and adopted the OA system to establish and consolidate the logic relationship of the internal authorization system, so as to control and mitigate the risks. Meanwhile, the Group adopted a three-line risk management approach to identify, analyze, assess, mitigate and handle risks. The first line of defence is our department staff/frontline employees must understand that their roles and responsibilities to identify, assess and monitor risks associated with transactions. The second line of defence is the Group's management that provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the Group's risk capacity and that the control of the first line of defence is effective. As the final line of defence, the audit committee of the Company, with the advices and opinions from the external professional party (such as the external auditor) and annual review by the internal audit function, ensures that the first and second lines of defence are effective.

PROCEDURES AND INTERNAL CONTROL FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has adopted the GEM Listing Rules and the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) to handle and disseminate inside information. The Company ensured compliance in respect of the handling and dissemination of inside information by adopting a series of measures including enhancing identification and confidentiality awareness of inside information, prohibiting unauthorized use of inside information and giving notice of lock-up period and securities dealing restrictions to the Directors and employees. During the year ended 31 December 2016, the Company has made announcements on inside information in accordance with the GEM Listing Rules and the applicable laws and regulations.

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to Convene an Extraordinary General Meeting:

At the annual general meeting of the Company, shareholders (either independently or jointly) holding 3% (included) or more of the total number of the Company's voting shares shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda for the meeting the matters in the motions that fall within the scope of the duties of the shareholders' general meeting. But the motion shall reach the Company within 10 days after the said meeting notice is made. The extraordinary general meeting shall not resolve on matters not specified in the notice.

Shareholders requesting the convening of an extraordinary general meeting or a meeting of shareholders of different classes shall proceed in accordance with the procedures set forth below:

(1) two or more shareholders holding a total of 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary general meeting or a meeting of shareholders of different classes and stating the subject of the meeting. The Board shall convene the extraordinary general meeting or the meeting of shareholders of different classes as soon as possible after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made.

(2) if the Board fails to issue a notice of such a meeting within 30 days after having received the above-mentioned written request, the shareholders who made such request may themselves convene the meeting within four months after the Board received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which general meetings are to be convened by the Board.

INVESTOR RELATIONS AND COMMUNICATION WITH THE SHAREHOLDERS

The Board intends to encourage and maintain on-going communication with the shareholders through various channels. The Company's annual general meeting provides a good opportunity for the Directors to meet and communicate with the shareholders. All Directors shall use their best endeavors to attend the annual general meeting so as to reply enquiries of the shareholders of the Company. In respect of any discloseable and significant matters, the Company makes timely, accurate and complete disclosure in newspapers and websites specified by the relevant regulatory authorities pursuant to the disclosure requirements under the GEM Listing Rules in order to safeguard the right to information and participation of the shareholders. The Company has established a specialised department responsible for investor relations. Placing strong emphasis on communication with investors, the Company has arranged a number of meetings with shareholders and organises site visits for shareholders so as to enhance investors' understanding of and confidence in the Company.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts for each financial period by the management, and issuing appropriate announcements in accordance with the GEM Listing Rules for disclosure of all information necessary for the shareholders to assess the financial performance and other matters of the Company.

The Company has appointed HLB Hodgson Impey Cheng Limited as the international auditor of the Company for the year 2016. Fees for audit service provided to the Group by the above-mentioned auditor for the year ended 31 December 2016 amounted to RMB1,760,000 and there was no non-audit service provided.

The Directors of the Company are responsible for preparation of the financial statements which can truthfully and fairly reflect financial positions of the Company and its subsidiaries, pursuant to the disclosure requirement of the International Financial Reporting Standards and the Companies Ordinance in Hong Kong.

The statements made by the independent auditors of the Company on their responsibilities for the financial statements are set out in the independent auditors' report in this report.

JOINT COMPANY SECRETARIES

The Company engages an external service provider to provide secretarial service and has appointed Mr. Lo Tai On ("Mr. Lo") as company secretaries. Mr. Lo has confirmed that for the period under review, he has attended not less than 15 hours of relevant professional training. His internal and principle contact person in the Company is Mr. Jia Wenxuan ("Mr. Jia"), secretary of the Board.

With effect from 21 March 2014, the Company has also appointed Mr. Jia as the joint company secretary of the Company (the "Appointment") and Mr. Lo shall be re-designated as the other joint company secretary of the Company. Mr. Jia does not currently possess the specified qualifications of a company secretary as required under Rule 5.14 of the GEM Listing Rules. The Stock Exchange has granted a waiver (the "Waiver") from strict compliance with the requirements under Rule 5.14 of the GEM Listing Rules in relation to Mr. Jia's eligibility to act as the joint company secretary of the Company for a three-year period from the date of the Appointment. Further details in relation to the Appointment and the Waiver are disclosed in the Company's announcement dated 21 March 2014.

CONSTITUTIONAL DOCUMENTS

For the purpose of expanding the business scope of the Company into new business segment, the Company amended the articles of association during the year and such amendment to the articles of association was approved by the shareholders of the Company at the annual general meeting held on 11 May 2016.

The Company further amended the articles of association during the year in order to perform the Group's management functions by assigning management personnel to its subsidiaries, and to adapt to the adjustment of the national tax policy, so that the Company is eligible to issue invoices with value-added tax in respect of labour services. The new articles of association was approved by the shareholders of the Company at the extraordinary general meeting held on 11 November 2016.

The new articles of association of the Company is available on the websites of the Stock Exchange and the Company.

GENERAL MEETINGS

The general meeting of the Company has the highest authority. Totally two general meetings were held in 2016. The Company convened an annual general meeting on 11 May 2016 to consider and approve the resolutions relating to re-appointment of auditors, distribution of dividends and amendment to the Articles. The chairman proposed separate resolutions for separate issues. The chairman of the Board and the members of each committee attended the annual general meeting held in 2016, so as to respond to questions raised by shareholders. In addition, chairman of the Independent Board Committee has attended the annual general meeting held in 2016 to answer questions related to connected transactions raised by shareholders. The Company highly values the functions of the general meeting as it is considered to be a direct and effective communication channel between the Board and investors of the Company, and thus encourages all shareholders to attend the general meetings. The Articles have express provisions in respect of the rights of the shareholders including the rights to attend, to receive notices of, and to vote in general meetings.

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of comprehensive logistics services in China, mainly including supply chain solutions and materials procurement and related logistics services.

BUSINESS REVIEW

A review of the business of the Company during the year and a discussion on the Company's future business development are provided in the section headed "Chairman's Statement" of this annual report. Description of possible risks and uncertainties that the Company may be facing can be found in the section headed "Management Discussion and Analysis". Also, the financial risk factors and capital risk management of the Company can be found in Note 4 to the consolidated financial statements. An analysis of the Company's performance during the year using financial key performance indicators is provided in the Financial Review of this annual report. In addition, discussions on the Company's environmental policies and performance, key relationships with its employees, customers, suppliers are contained in the section headed "Environmental, Social and Governance Report" of this annual report. The Company's compliance with relevant laws and regulations which have a significant impact on the Company are contained in the section headed "Corporate Governance Report" of this annual report.

RESULTS

The financial highlights of the reporting period are set out on page 5 of this annual report. Discussion and analysis of the results and financial position of the Group are set out on pages 10 to 14 of this annual report. The consolidated statement of comprehensive income is set out on page 55 of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2016 prepared in accordance with the International Financial Reporting Standards ("IFRSs") are set out on pages 55 to 59 of this annual report.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

As at 31 December 2016, profit attributable to the equity holders of the Company was approximately RMB43,383,000. The Board proposes the payment of a final dividend of RMB0.03 per share for the year ended 31 December 2016 (corresponding period of 2015: RMB0.03).

RESERVES

Details of movements in the reserves of the Group and the Company during the reporting period and details of the distributable reserves of the Company as at 31 December 2016 are set out in Note 23 to the consolidated financial statements prepared in accordance with the IFRSs.

STATUTORY RESERVE FUNDS

Details of the statutory reserve funds are set out in Note 23 to the consolidated financial statements.

PROPERTIES

Particulars of movements in properties of the Group and the Company during the reporting period are set out in Note 15 to Note 17 to the consolidated financial statements.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDER

There was no material contract between the Group and the controlling shareholder or its subsidiaries during the year.

FINANCIAL SUMMARY

A financial summary including the results and balance sheets of the Group for the past five financial years is set out in the section headed "Financial Summary" of this report.

SUBSIDIARIES AND ASSOCIATES

During the year, the Company had neither made any investment for establishment of any new company nor increased or withdrawn any capital to or from its invested subsidiaries or associates.

CAPITALISED INTERESTS

For the year ended 31 December 2016, the Company had no capitalised interest (2015: nil).

SHARE CAPITAL

During the reporting period, there was no change in the Company's share capital. Details are set out in Note 22 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles which requires the Company to offer new shares in proportion to existing shareholders.

DIRECTORS AND SUPERVISORS

The directors and supervisors in office during the year and up to the date of this report are as follows:

Executive Director	**Date of appointment**
Zhang Jian *(chairman and chief executive officer)*	21 June 2014
Non-executive Directors	
Tse Ping	21 June 2014
Yang Xiaoping	21 June 2014
Xu Lifan (resigned on 11 November 2016)	21 June 2014
Cui Xuesong	21 June 2014
Zhang Wang	11 November 2016
Independent Non-executive Directors	
Japhet Sebastian Law	21 June 2014
Cheng Xinsheng	21 June 2014
Mei Xingbao (resigned on 14 November 2016)	21 June 2014
Zhou Zisheng	21 June 2014
Supervisors	
Xu Jianxin	21 June 2014
Wang Rui	21 June 2014
Hai Tianmin	21 June 2014
Yuan Baolei	21 June 2014
Wang Rui	12 January 2016

CONFIRMATION OF INDEPENDENCE

The Company has received from each of its independent non-executive Directors' annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules, and confirmed that all the independent non-executive Directors of the Company are independent persons.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the directors and supervisors of the Company has entered into a service contract with the Company.

None of the Directors and supervisors has entered into a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

The Company has not entered into any transactions, arrangements or contracts of significance in which any of its directors had a material interest, whether directly or indirectly, at any time during the year.

Save for contracts amongst group companies, no other transactions, arrangements or contracts of significance to which the Company or its subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time of the year.

MANAGEMENT CONTRACTS

The Company has not entered into any contracts concerning the management and administration of the whole or any substantial part of the business of the Company at any time during the year.

ENVIRONMENT POLICY AND PERFORMANCE

The Group abides by the local laws, regulations and guidelines issued by the government authorities and puts great emphasis on environmental protection during the course of operation. The Group made efforts to improve logistics efficiency, optimized transportation routes and transportation modes, promoted railway and waterway transportation due to less discharge of pollutants, and strictly adhered to the principle of recycle and resource conservation, especially the recycling of packaging materials.

Our main stakeholders include the customers, suppliers and employees. We enhance communication with the stakeholders through day-to-day interactions, enabling us to understand and satisfy their respective needs. We place great importance on the feedbacks of our customers, and improve the quality of our services and maintenance work based on these advices. We also recognize the importance of our relationship with the suppliers and the employees. We have established a trust relationship with our brand suppliers. We provide various trainings and benefits for our employees to develop their potentials, and move quickly to solve any potential work issues for them. Further details on the environmental policy and performance are set out in the environmental, social and governance report which forms a part of this annual report.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate liability insurance coverage for the Directors and senior management since May 2016 in respect of legal actions against its Directors and senior management arising out of corporate activities.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' and senior management's remuneration and the five highest paid individuals are set out in Note 10 to the consolidated financial statements of this report.

The remuneration offered to the Directors and senior management shall be determined based on, among other things, individual experience, responsibility and time devoted to the Company.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, none of the Directors, supervisors or chief executives of the Company had any interest and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the directors and supervisors are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

As at 31 December 2016, none of the directors, supervisors or chief executives held any beneficial interests in the equity interests of any member of the Group, or had any right (whether legally enforceable or not) to subscribe for or to nominate others to subscribe for any securities in any member of the Group, or had any interest, directly or indirectly, in any assets acquired or leased or proposed to be acquired since 1 January 2016.

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

So far as is known to the Directors, supervisors and chief executives of the Company, as at 31 December 2016, the following persons had interests or short positions in the shares and the underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or had, directly or indirectly, been interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company ; or which were required to be recorded in the register specified in Section 336 of the SFO pursuant to such Section:

Long position in shares of the Company

Name	Capacity	Number and class of shares (Note 1)	Approximate percentage of shareholding in the same class of shares	Approximate percentage of shareholding to the Company's total issued share capital
Tianjin Teda Investment Holding Co., Ltd.	Beneficial owner	150,420,051 (L) Domestic shares	58.74%	42.45%
Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd.	Beneficial owner	77,303,789 (L) Domestic shares	30.19%	21.82%
Chia Tai Land Company Limited	Beneficial owner	28,344,960 (L) Domestic shares	11.07%	8%
Tianjin Port Development Holdings Limited	Beneficial owner	20,000,000 (L) H shares	20.36%	5.64%
Hongkong Topway Trading Co., Limited	Beneficial owner	10,000,000 (L) H shares	10.18%	2.82%
The National Council for Social Security Fund of the People's Republic of China	Beneficial owner	8,931,200 (L) H shares	9.09%	2.52%

On 7 June 2013, Tianjin Teda Investment Holding Co., Ltd. and Tianjin Economic and Technological Development Area State Asset Operation Company transferred 28,344,960 and 77,303,789 domestic shares of the Company held by them to Chia Tai Land Company Limited and Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd., respectively and completed the transfer of the shares. So far as is known to the Directors, chief executives and supervisors of the Company, as at 31 December 2016, the deemed interests of Chia Tai Land Company Limited, Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. and their associates under Part XV of the SFO were as follows:

Name	Capacity	Number and class of shares (Note 1)	Approximate percentage of shareholding in the same class of shares	Approximate percentage of shareholding to the Company's total issued share capital
Chia Tai Land Company Limited 正大置地有限公司	Beneficial owner	28,344,960 (L) Domestic shares	11.07%	8%
Fortune (Shanghai) Limited 富泰(上海)有限公司	Interest of corporation controlled by a substantial shareholder	28,344,960 (L) Domestic shares	11.07%	8%
Charoen Pokphand Group (BVI) Holdings Limited 正大集團(BVI)控股有限公司	Interest of corporation controlled by a substantial shareholder	28,344,960 (L) Domestic shares	11.07%	8%
CPG Overseas Company Limited	Interest of corporation controlled by a substantial shareholder	28,344,960 (L) Domestic shares	11.07%	8%
Charoen Pokphand Group Co., Ltd.	Interest of corporation controlled by a substantial shareholder	28,344,960 (L) Domestic shares	11.07%	8%
Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. 正大製藥投資(北京)有限公司	Beneficial owner	77,303,789 (L) Domestic shares	30.19%	21.82%
Sino Biopharmaceutical Limited 中國生物製藥有限公司	Interest of corporation controlled by a substantial shareholder	77,303,789 (L) Domestic shares	30.19%	21.82%

Note:

1. The letter "L" denotes the shareholders' long position in the share capital of the Company.

Save as disclosed in this report, so far as is known to the Directors and chief executives of the Company, as at 31 December 2016, no other persons (other than the Directors or chief executives or supervisors of the Company) had interests or short positions which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or had, directly or indirectly, been interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company and/or any subsidiary of the Company; or which were required to be recorded in the register specified in Section 336 of the SFO pursuant to such Section.

SHARE APPRECIATION RIGHTS INCENTIVE SCHEME

As at the Latest Practicable Date, the Company has no arrangement for such plan.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the percentages of income of the Group from sales of goods and provision of services to major customers to the turnover of the Group are as follows:

Tong Fang Global (Tianjin) Logistics Co., Ltd. (同方環球(天津)物流有限公司)	27%
Tangshan Donghua Steel Group Co., Ltd. (唐山東華鋼鐵企業集團有限公司)	12%
Wuxi Leyejia Commercial Co., Ltd. (無錫樂業家商業有限公司)	10%
Tianjin Tongguang Group Digital Communication Company Limited (天津通廣集團數字通信有限公司)	9%
Tianjin Guoji Dongtai Co., Ltd. (天津國機東泰有限公司)	9%
Five largest customers in total	66%

None of the five largest customers above is a connected party of the Group pursuant to the GEM Listing Rules.

During the reporting period, the percentages of expenses of the Group arising from the purchase of goods and services from major suppliers to the cost of sales of the Group are as follows:

Shanghai Textile Raw Materials Corporation (上海紡織原料公司)	13%
Tangshan Fengnan Dongyu Commercial Trade Co., Ltd. (唐山市豐南區東煜商貿有限公司)	10%
BBMG Commercial and Trading Co., Ltd. (北京金隅商貿有限公司)	10%
Leimeng (Tianjin) Enterprise Company Limited (雷盟(天津)實業有限公司)	10%
Beijing Golden Tide Harbor Logistics Co., Ltd. (北京金泰港物流有限公司)	9%
Five largest suppliers in total	53%

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

COMPETING INTERESTS

None of the Directors, management shareholders or substantial shareholders of the Company or their respective associates has interest in business that competes or may compete with the business of the Group or has any other conflicts of interests with the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Group has entered into continuing connected transactions with the following entities which are regarded as connected persons of the Company under the GEM Listing Rules as at 31 December 2016.

1. Toyota Tsusho Corporation, which holds approximately 36.2% interest in Tianjin Fengtian Logistics Co., Ltd ("TFL", a non-wholly owned subsidiary of the Company), is a substantial shareholder of TFL. Under the GEM Listing Rules, Toyota Tsusho Corporation is a connected person of the Company.

Details in relation to the connected transactions and continuing connected transactions for the year ended 31 December 2016 are as follows:

Continuing connected transactions

On 26 September 2016, Fengtian Logistics entered into a logistic service agreement (the "Logistics Service Agreement") with Toyota Tsusho Corporation, pursuant to which Fengtian Logistics agreed to provide logistics services and supply chain solutions for automobiles and car components to Toyota Motor Corporation and its associated companies (including Toyota Tsusho Corporation) for a period from 1 January 2017 up to 31 December 2019. The Logistics Service Agreement and the transactions contemplated thereunder were in compliance with the requirements under Rule 20.99 of the GEM Listing Rules, and were exempted from the circular, independent financial advice and the shareholders' approval requirements. Please refer to the announcement dated 26 September 2016 for details.

ANNUAL CAP AND ACTUAL FIGURE OF NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY

Description of transaction	Annual Cap for 2016 RMB'000	Actual Figure for 2016 RMB'000
Logistics Service Agreement	34,000	29,042

The independent non-executive Directors, Cheng Xinsheng, Japhet Sebastian Law and Zhou Zisheng, have reviewed the above continuing connected transaction and confirmed that it has been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement with terms which are fair and reasonable and in the interests of the shareholders as a whole.

In addition, the Group has duly complied with the requirements under Rule 20.54 of the GEM Listing Rules.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transaction disclosed by the Group on pages 41 to 42 of the Annual Report in accordance with Rule 20.54 of the GEM Listing Rules.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in Note 34 to the financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements (if any) under Chapter 20 of the GEM Listing Rules.

LITIGATION

As at 31 December 2016, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, or redeemed or sold or cancelled any listed securities of the Company.

PUBLIC FLOAT

Based on the information available to the Company and to the knowledge of the Directors, the Company has, up to the date of this report, maintained the public float required by the GEM Listing Rules and approved by the Stock Exchange.

TRUST DEPOSITS

As at 31 December 2016, neither the Company nor any of its subsidiaries placed any trust deposits with any financial institutions within or outside the PRC.

AUDITORS

The financial statements have been audited by HLB Hodgson Impey Cheng Limited ("HLB") who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

PricewaterhouseCoopers resigned and HLB was appointed as auditor of the Company on 24 April 2015. The financial statements of the Company for the financial year ended 31 December 2014 and subsequent financial years were audited by HLB. The financial statements of the Company for the past financial years ended 31 December 2013 were audited by PricewaterhouseCoopers. Save as indicated above, there has been no other change of auditor in the preceding three years.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors are not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

By order of the Board
Zhang Jian

Tianjin, the PRC, 24 March 2017

REPORT OF THE SUPERVISORY COMMITTEE

Dear shareholders,

Pursuant to the "Company Law of the People's Republic of China", the articles of association of the Company and the relevant regulations regarding Hong Kong listed companies and the supervisory committee of the Company (the "Supervisory Committee"), under its fiduciary duty, has taken up a responsible role to work reasonably and cautiously with integrity and diligence to protect the interests of the Company, its shareholders and staff.

During the year, the Supervisory Committee duly reviewed the operational and development plans of the Company, the supervisors made their best endeavours to attend each Board meeting and general meeting held in 2016, and provided reasonable opinions and recommendations to the Board. It also constantly monitored the Company's financial status and administered the code of practices of the Directors, general manager and other senior management. The Supervisory Committee has made stringent supervision on whether any material and concrete decision made by the management of the Company is in compliance with the laws and regulations of the PRC and the articles of association of the Company, and whether it is in the interests of its shareholders.

Through its efforts made on supervision and inspections during 2016, the Supervisory Committee considered that the members of the Board, the general manager and other senior management of the Company all strictly observed their fiduciary duties, to act diligently and to exercise their authority faithfully under the premise of safeguarding the best interests of the Company. They carried out duties in accordance with the requirements set out in the articles of association of the Company in a standardised manner. During the reporting period, the Company carried out operations according to the law with a standardised management style, and its operating results were objective and true. The Company had an integral, reasonable and effective internal control system, and its operation decision-making process were legal. The connected transactions of the Company have been carried out on fair and reasonable terms that are in the interests of the shareholders of the Company as a whole, and no violation to the interests of the shareholders and the Company has been found. To date, none of the Directors, supervisors, general manager and other senior management had been found abusing their authority, damaging the interests of the Company or infringing upon the interests of its shareholders and employees, nor found to be in breach of any laws and regulations or the articles of association of the Company.

The Supervisory Committee has exercised supervision over the execution of the resolutions of the general meeting and considers that the Board is capable of executing the resolutions of the general meeting diligently.

The Supervisory Committee is satisfied with the performance and the economic benefits achieved by the Company in 2016, and has full confidence in the future development of the Company.

During the year, the Supervisory Committee of the Company will continue to perform its duties pursuant to the relevant laws and regulations by adhering to the fiduciary duties and strengthening its supervisory work so as to safeguard and protect the interests of the Company and the shareholders, fulfill its responsibility in an honest and diligent manner and hence achieve good performance in every aspect.

By order of the Supervisory Committee
Xu Jianxin
Chairman

Tianjin, the PRC, 24 March 2017

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Zhang Jian (張艦), aged 59, a senior engineer and a fellow of China National Democratic Construction Association, and joined the Company as the chairman and general manager in June 2006. He graduated from the semiconductor physics and devices profession (半導體物理與器件專業) of the electronic engineering department of Tianjin University (天津大學) with a bachelor's degree in engineering in 1982. He obtained a master's degree in business administration from the National University of Singapore in 2003. From 1984 to 1985, he performed administrative secretarial work in Tianjin Economic and Technological Development Area Corporation, the predecessor of Teda Holding. From 1985 to 1987, he worked as a project manager at Teda Industrial Investment Co., Ltd. (天津開發區工業投資公司). From 1987 to 1995, he worked as a deputy manager in Heat and Power Company of Teda Holding (泰達控股熱電公司), a company controlled by Teda Holding, the controlling Shareholder and an initial management Shareholder. From 1995 to 2008, he had been the manager of the management department of Teda Holding. He was a director of Tianjin Binhai Energy & Development Co., Ltd. (天津濱海能源發展股份有限公司) (Stock code: 000695, Shenzhen Stock Exchange), the chairman of the supervisory committee of Tianjin Jinbin Development Co., Ltd. (天津津濱發展股份有限公司) (Stock code: 000897, Shenzhen Stock Exchange), the chairman of Tianjin Yuan Da Xian Dai Logistics Co., Ltd., TEDA General Bonded Warehouse Co., Ltd. and Tianjin TEDA International Freight Forwarding Co., Ltd. (all being member companies of the Group) and the vice chairman of Tianjin Port Gangwan International Automobile Logistics Co., Ltd., Tianjin Ferroalloy Exchange Co., Ltd., the director of Tianjin Tianxin Automobile Inspection Services Co., Ltd. (天津天鑫機動車檢測服務有限公司) and the vice president of the China Society of Logisitcs. He is currently the chairman of Tianjin Alps Teda Logistics Co., Ltd., Dalian Alps Teda Logistics Co., Ltd., Tianjin Fengtian Logistics Co., Ltd. and Tedahang Cold Chain Logistics Co., Ltd., the director of He Guang Trade and Business Co., Ltd. and the vice president of the China Federation of Logistics and Purchasing. Both Tianjin Jinbin Development Co., Ltd. and Tianjin Binhai Energy & Development Co., Ltd. are affiliated companies of Teda Holding, the controlling Shareholder and an initial management Shareholder.

NON-EXECUTIVE DIRECTORS

Mr. Cui Xuesong (崔雪松), aged 38, joined the Company as a non-executive Director in June 2014. He graduated from Tianjin University with a master's degree in management science and engineering. Mr. Cui once served as the office director and the director of the Investment Promotion Department of the Modern Industrial Zone of TEDA, the deputy manager of the investment management department of Tianjin Teda Investment Holding Co., Ltd. and the director of Tianjin Steel Pipe Group Corporation (天津鋼管集團股份有限公司) and China-Africa TEDA Investment Co., Ltd. (中非泰達投資股份有限公司). He is currently the manager of the asset management department of Tianjin Teda Investment Holding Co., Ltd..

Mr. Zhang Wang (張旺), aged 35, joined the Company as a non-executive Director in November 2016. He graduated from the Department of Environmental Engineering of the Faculty of Environmental Science & Engineering of Hunan University (湖南大學). He used to be employed at the engineering department of Tianjin Teda Water Supply Co., Ltd. (天津泰達自來水有限公司); and was the department head of the water supply management department, the department head of the operation department, chairman of the labor union and the production technology director of Tianjin Teda Water Co., Ltd. (天津泰達水務有限公司); the deputy manager in the investment management department of TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司); and the vice general manager of Tianjin Binhai New District Teda Qihang Yacht Club Co., Ltd. (天津濱海新區泰達啟航遊艇俱樂部有限公司). He is now the manager in the investment management department of TEDA Investment Holding Co., Ltd..

Mr. Tse Ping (謝炳), aged 65, joined the Company as a non-executive Director in December 2012. He is the Founder and currently an executive director of Sino Biopharmaceutical Limited, a listed company on the Hong Kong Stock Exchange (stock code: 01177), responsible for overall operation. With more than 23 years of pharmaceutical related investment and management experience in China, Mr. Tse is currently a director of Chia Tai – Tianqing Pharmaceutical Group Co., Ltd. ("CT Tianqing"), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd., Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd., Jiangsu Chiatai Qing Jiang Pharmaceutical Co., Ltd., Qingdao Chia Tai Haier Pharmaceutical Co., Ltd., Qingdao Chia Tai Haier Medicines Co., Ltd., Qingdao Heng Seng Tang Pharmacy Co., Ltd. and Beijing Tide Pharmaceutical Co. Ltd. ("Beijing Tide"). He is also a director of Shanghai Fortune World Development Co., Ltd. (上海富都世界發展有限公司), Tianjin Chiatai Feed Tech Co., Ltd.(天津正大飼料科技有限公司), Syn Energy Technology Co., Ltd. (新興能源科技有限公司) and Chia Tai Overseas Chinese Realty Development Co., Ltd. (正大僑商房地產開發有限公司). Mr. Tse was formerly the vice chairman of C.P. Lotus Corporation (the shares of which are listed on the main board of the Stock Exchange). Mr. Tse was also the vice chairman of Shenzhen 999 Pharmaceutical Co., Ltd. (深圳三九藥業有限公司), and was involved in the management of Hainan Haiyao Co., Ltd. (海南海藥股份有限公司) (formerly known as Hainan Pharmaceutical Industrial Joint-Stock Company Limited (海南海藥實業股份有限公司)), which is now listed on the Shenzhen Stock Exchange. Mr. Tse was also formerly the chairman of Chia Tai Qingchunbao Pharmaceutical Co., Ltd. ("CTQ", which is now a subsidiary of Shanghai Industrial Investment (Holdings) Co., Ltd.) and Xian C.P. Pharmaceutical Co., Ltd. and the executive chairman of TM International Bank Co., Ltd, based in Shanghai. Mr. Tse is still a director of CTQ, a committee member of the Association of Pharmaceutical Biotechnology of China and an honorary professor of Shenyang University of Pharmacy.

Within the pharmaceutical industry in China, with the leadership by Mr. Tse Ping, Sino Biopharmaceutical Limited's market in hepatitis medicines and the therapeutic segment of micro-sphere target sustained medicine demonstrates a leading position. CT Tianqing, Beijing Tide and CTQ were ranked the top 100 profit-making enterprises under the National Pharmaceutical Industrial Statistics Annual Report. In November, 2005, Sino Biopharmaceutical Limited was awarded "Best under 1 US Billion enterprise within the Asian Pacific Region" by Forbes Asia. At the first "Capital – Chinese Outstanding Enterprise Achievement Prize" campaign launched by the Capital Magazine, Sino Biopharmaceutical Limited was awarded "Capital – Chinese Outstanding Pharmaceutical Group Prize" in May, 2006. In January 2008, Mr. Tse was granted the "World Outstanding Chinese Award" in Hong Kong and awarded an honorary doctorate degree from the University of West Alabama in the United States. He also received "2007/2008 Fellowship of Asian Knowledge Management Association" from the Asian Knowledge Management Association in December 2008. In June 2010, Mr. Tse was awarded the "2010 Top Ten Most Innovative Leaders of Chinese Enterprises" by the Chinese Association of Productivity Science and China Enterprises News.

Mr. Tse was a member of the Ninth, the Tenth and the Eleventh National Committee of the Chinese People's Political Consultative Conference, and is currently the vice chairman of China Overseas Chinese Entrepreneurs Association and China International Council for the Promotion of Multinational Corporations.

Mr. Yang Xiaoping (楊小平), aged 53, joined the Company as a non-executive Director in December 2012. He is currently the senior vice president of Charoen Pokphand Group, executive director of C.P. Lotus Corporation, chief executive officer of CT Bright Holdings Limited and senior vice chairman of Chia Tai Group Agro-Industry and Food Business China Area. Mr. Yang previously acted as the manager of Nichiyo Co., Ltd for China Division and the Chief Representative of Nichiyo Co., Ltd, Beijing Office. Mr. Yang is also a member of the twelfth National Committee of the Chinese People's Political Consultative Conference, director of Ping An Insurance (Group) Company of China (中國平安保險集團), a non-executive director of CITIC Limited, deputy dean of China Institute for Rural Studies, Tsinghua University (清華大學中國農村研究院), chairman of the Connected Transaction Committee under the Board of China Minsheng Investment Corp. Ltd, council of China Association for NGO International Trade (中國民間組織國際交易促進會), vice president of Beijing Association of Enterprises with Foreign Investment (北京市外商投資企業協會), investment promotion advisor to Beijing Municipal Government and president of Jilin Association of Enterprises with Foreign Investment (吉林省外商投資企業協會), Mr. Yang holds a bachelor's degree from Jiangxi Institute of Science & Technology (江西工學院) and has experience in overseas studies in Japan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Xinsheng (程新生), aged 54, joined the Company as an independent non-executive Director in June 2014. He is a professor of Business School of Nankai University as well as a Doctor and Postdoctor of Management (accounting). From 2004 to 2005, he was the visiting scholar of University of Alberta in Canada and the assistant executive editor-in-chief of Nankai Business Review and was honored with the awards of outstanding result in social science for several times. In 1994, he became a fellow member of the Chinese Institute of Certified Public Accountants. He was in charge of three research projects in Management funded by National Natural Science Foundation and three projects funded by the Foundation of the Ministry of Education. He also participated in over ten key topic projects funded by National Natural Science Foundation, National Philosophy and Social Science Foundation and the Humanities and Social Sciences Foundation of the Ministry of Education. He has published five books and over 50 articles and has a translated work. He was an independent director of Offshore Oil Engineering Co., Ltd. (Stock Code: 600583, Shanghai Stock Exchange). Mr. Cheng is currently an independent supervisor of China Oilfield Services Limited (Stock Code: 601808, Shanghai Stock Exchange).

Mr. Japhet Sebastian Law (羅文鈺), aged 65, was appointed as an independent non-executive Director in August 2012. He obtained his Doctorate degree of Philosophy in mechanical/industrial engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986. Mr. Law was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002 and retired from the University of Hong Kong on 1 August 2012. Prior to returning to Hong Kong, Mr. Law was the director of Operations Research at the Cullen College of Engineering and director of Graduate Studies in Industrial Engineering at the University of Houston, and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Mr. Law has consulted with various corporations in Hong Kong and overseas. He is also active in public services, having served as a member of the Provisional Regional Council of The Government of the Hong Kong Special Administrative Region and various other committees, and is also active on the boards of profit, non-profit and charitable organisations in Hong Kong and overseas. From July 2010 to July 2013, he was an independent non-executive director of Cypress Jade Agricultural Holdings Limited (Stock Code: 00875, Stock Exchange). From August 2013 to July 2016, he was an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd. (Stock Code: 06116, Stock Exchange). Mr. Law is currently an independent non-executive director of Beijing Capital International Airport Co., Ltd. (Stock Code: 00694), Tianjin Port Development Holdings Limited (Stock Code: 03382), Regal Hotels International Holdings Limited (Stock Code: 00078), Shougang Fushan Resources Group Limited (Stock Code: 00639) and Binhai Investment Company Limited (Stock Code: 02886), being companies whose shares are listed on the main board of the Hong Kong Stock Exchange, and Global Digital Creations Holdings Limited (Stock Code: 08271), being company whose shares are listed on the GEM of the Hong Kong Stock Exchange.

Mr. Zhou Zisheng (周自盛), aged 67, joined the Company as an independent non-executive Director in June 2014. He is an associate professor of economics and a fellow of China National Democratic Construction Association. He once served as the Deputy Secretary and the Director of Practice Standards Working Committee of Securities Association of China. From December 2009 to February 2014, Mr. Zhou served as the independent director of Sihuan Pharmaceutical Company Limited (四環藥業股份有限公司) (Stock Code: 000605, Shenzhen Stock Exchange).

SUPERVISORS

Shareholder Representative Supervisor

Ms. Xu Jianxin (徐建新), aged 52, was the solicitor of Tianjin Teda Law Firm, the legal advisor of Tianjin Teda Investment Holding Co., Ltd., the deputy director and legal advisor of the office of Tianjin Teda Investment Holding Co., Ltd. and the chairman of the supervisory committee of Sihuan Pharmaceutical Company Limited (四環藥業股份有限公司). She was the supervisor of Tianjin Seamless Steel Pipe (Group) Corporation Limited (天津無縫鋼管集團有限公司) and Tianjin Binhai Energy & Development Co., Ltd. (天津濱海能源發展股份有限公司). She is currently serving as deputy secretary to the Disciplinary Committee and officer of the Discipline and Inspection Department of Tianjin Teda Investment Holding Co., Ltd.. She is concurrently holding the positions of the chairman of the supervisory committee of Tianjin Jinbin Development Co. Ltd, the supervisor of Northern International Trust Co., Ltd. (北方國際信託股份有限公司), the supervisor of Tianjin Teda International (Group) Holding Company Limited (天津市泰達國際控股(集團)有限公司) and the director of Bohai Industrial Investment Fund Management Co., Ltd..

Mr. Hai Tianmin (海天敏), aged 61, graduated from Finance Department at Hubei Institute of Finance and Economics in 1983. Since 2012, he has been the assistant to the president of Sino Biopharmaceutical Limited (stock code: 01177, Stock Exchange) and responsible for assisting the president in managing the overall operations of the group. With more than 30 years of finance, investment and enterprise management experience, Mr. Hai is currently also the executive deputy president of Chia Tai Energy Chemical Group Limited and director and general manager of Chia Tai Kaiyue (Wuxi) Real Estate Co., Ltd. (正大凱悦(無錫)房地產有限公司).

Mr. Wang Rui (王蕤), aged 54, is a senior engineer. He graduated from Tianjin Shipping Technical Institute (天津水運技校) and the Department of Mechanical Engineering of Tianjin Technology and Education College (天津職業技術師範學院) in 1981 and 1987, respectively. He completed a bachelor course majoring in administrative management at Tianjin University in 2000 and obtained a master's degree in transportation planning and management from Dalian Maritime University (大連海事大學) in 2009. Mr. Wang had been a trainee teacher at Tianjin Shipping Technical Institute from 1983 to 1985; successively a teacher, the deputy department head and department head of Tianjin Port Staff Training Centre (天津港職工培訓中心) from 1987 to 1996. He held the positions of the deputy general manager and general manager of Tianjin Port Storage & Transportation Co., Ltd. (天津港儲運股份有限公司) from 1996 to 2006; and the general manager of Tianjin Port International Logistics Development Co., Ltd. (天津港國際物流發展有限公司) from 2006 to 2010. Mr. Wang has been an executive director and deputy general manager of Tianjin Port Development Holdings Limited (天津港發展控股有限公司) (Stock code: 3382, Stock Exchange) since 2010.

STAFF REPRESENTATIVE SUPERVISORS

Mr. Yuan Baolei (苑寶磊), aged 32, graduated from the information and computer science major and the enterprise management major of Beijing Jiaotong University with a bachelor's degree in science and a master's degree in management in 2007 and 2009 respectively. He served as officer of investor relations of the Bank of Hebei Company Limited in July 2009. He joined the Company in February 2012 as the head of the investment planning department and was also the deputy general manager and head of the sales department of Tedahang.

Ms. Wang Rui (王睿), aged 33, graduated from the Business Management major of Lanzhou University（蘭州大學）with a master's degree in management in 2008. She joined the Company in July 2008 and is currently the assistant to the general manager of the Comprehensive Management Department of the Company.

SENIOR MANAGEMENT

Mr. Zhang Jian (張艦), aged 59, executive Director and general manager of the Company. He is responsible for the overall management of operation, liaison with major customers and planning for business development of the Group. Please see his biography set out in the sub-section headed "Executive Director" above.

Mr. Guojian (郭健), aged 50, graduated from the thermal engineering major of the branch school of Tinjian University (天津大學) in 1989 and graduated from the ideological and political education major of University of Science and Technology Beijing (北京科技大學) in 1993. From 1989 to 1994, Mr. Guo taught at the branch school of Tianjin University. From 1994 to 2002, he worked as the associate chief officer, chief officer, chief and vice division chief level investigator (副處級調研員) of the office of Work Committee of Tianjin Economic and Technological Development Zone and Free Trade Zone. From 2002 to 2004, he was the secretary of the board of Tianjin Beacon Coatings Co., Ltd (天津燈塔塗料股份有限公司). From 2004 to 2009, he was the secretary of the board and deputy general manager of Tianjin Binhai Energy & Development Co., Ltd. (天津濱海能源發展股份有限公司). Mr. Guo is currently the Secretary of the Party General Branch of the Group.

Mr. Li Yangqian (李仰乾), aged 50, graduated from Graduate School of Tianjin University with a master's degree in science of metallic materials and engineering in 1991. From 1991 to 1995, he worked as the workshop technical supervisor of Tianjin Cool Rolled Plate (天津市冷軋薄板廠). From 1995 to 1998, he was the manager of Tianjin branch, Avon Products (China) Co., Ltd.. From 1998 to 2001, he was the marketing director of Tianjin Donghai Gas Engineering Co., Ltd. (天津東海燃氣工程有限公司). From 2001 to 2003, he was a regional manager of Tianjin Otis Elevator Co., Ltd. (中奧集團天津奧的斯電梯有限公司). From 2003 to 2006, he was the deputy general manager of Tianjin Binhai Shisheng Trade Investment (Group) Co., Ltd. (天津濱海世盛商貿投資集團有限公司). He served as the general manager of Tianjin Port International Automobile Logistics Co., Ltd. (天津港國際汽車物流有限公司), deputy general manager of Tianjin Tianxin Automobile Inspection Services Co., Ltd. (天津天鑫機動車檢測服務有限公司) and executive deputy general manager of Tianjin Fengtian Logistics Co., Ltd.. Mr. Li is currently the vice president and the general manager of the Business Development Department of the Company, director of Tianjin Fengtian Logistics Co., Ltd. and Tianjin Tianxin Automobile Inspection Services Co., Ltd., vice chairman and deputy general manager of Tianjin Port Gangwan International Automobile Logistics Co., Ltd., and chairman of Tianjin Yuan Da Xian Dai Logistics Co., Ltd. and TEDA General Bonded Warehouse Co., Ltd..

Mr. Tang Zhizhong (唐志忠), aged 47, graduated from the Department of Industrial Management of Tianjin University of Finance and Economics with a bachelor's degree in economics in 1991 and obtained the master's degree in international shipping and transport logistics from School of Economics of the Hong Kong Polytechnic University in 2005. From 1991 to 1994, he served with Tianjin Municipal Bureau of Labor and Social Security as a clerk. From 1994 to 2002, he was the associate chief officer, chief officer, chief and vice investigator of the Work Committee of Tianjin Economic and Technological Development Zone and Free Trade Zone of the Communist Party of China. From 2002 to 2005, he was a vice investigator of the Administrative Committee of Tianjin Economic and Technological Development Zone. From 2005 to 2012, he served as head of the business management department, assistant to the general manager and executive deputy general manager of Tianjin Fengtian Logistics Co., Ltd.. Mr. Tang is currently the vice president and the general manager of the comprehensive management department of the Company, and the director of Tianjin Alps Teda Logistics Co., Ltd. and Dalian Alps Teda Logistics Co., Ltd.

Mr. Jia Wenxuan (賈文軒), aged 41, graduated from the Gunma University, Japan with a master's degree in Social and Information Studies. He qualified as an intermediate accountant and an asset liquidator of Japan in April 2001 and an enterprise internal auditor in September 2007. He obtained the qualification for serving as the secretary of board from the Shanghai Stock Exchange in September 2014. Mr. Jia joined the Company in September 2010, and currently serves as the joint company secretary, secretary of the Board and general manager of the investment planning department of the Company, the chairman of Tianjin Teda International Freight Forwarding Co., Ltd. (天津泰達國際貨運代理有限公司), the vice chairman of Tianjin Ferroalloy Exchange Co., Ltd. and the director of Tianjin Fengtian Logistics Co., Ltd., Tedahang Cold Chain Logistics Co., Ltd. (泰達行(天津)冷鏈物流有限公司), Tianjin Alps Teda Logistics Co., Ltd. and Dalian Alps Teda Logistics Co., Ltd..

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TIANJIN BINHAI TEDA LOGISTICS (GROUP) CORPORATION LIMITED
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Tianjin Binhai Teda Logistics (Group) Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 130, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on trade receivables	
Refer to Note 20 to the consolidated financial statements.	
The Group has trade receivables of approximately RMB565,370,000, which constitute 22% of the Group's total assets. Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made. The judgement mainly includes estimating and evaluating expected future receipts from customers based on past payment trend, age of the debtors, knowledge of the customers' businesses and financial condition.	Our procedures in relation to management's impairment assessment on trade receivables included: • Discussing the Group's procedures on credit limits and credit periods given to customers with the management; • Evaluating the management's impairment assessment of trade receivables; • Assessing, validating and discussing with the management and evaluating their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on the trade receivables ageing analysis, collections subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the businesses; • Checking on a sample basis, the accuracy and relevance of information included in the impairment assessment of trade receivables. We consider the management conclusion to be consistent with the available information.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	6	**2,772,369**	3,186,352
Cost of sales		**(2,682,819)**	(3,085,640)
Gross profit		**89,550**	100,712
Administrative expenses		**(58,536)**	(54,241)
Other income	7	**14,814**	18,530
Other gains/(losses) – net	8	**513**	(823)
Operating profit		**46,341**	64,178
Finance costs	11	**(10,427)**	(5,842)
Share of profit of investments accounted for using the equity method	12b	**31,789**	13,449
Profit before income tax	9	**67,703**	71,785
Income tax expense	13	**(10,067)**	(12,306)
Profit and total comprehensive income for the year		**57,636**	59,479
Profit and total comprehensive income attributable to:			
Owners of the Company		**43,383**	53,684
Non-controlling interests		**14,253**	5,795
		57,636	59,479
Earnings per share (RMB cents)			
– Basic and diluted	14	**12**	15
Dividends	29	**10,629**	21,258

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Land use rights	15	**93,976**	96,563
Property, plant and equipment	16	**183,492**	202,534
Investment properties	17	**70,564**	75,008
Investments accounted for using the equity method	12b	**253,794**	241,376
Available-for-sale financial assets	12c	**16,310**	16,310
		618,136	631,791
Current assets			
Inventories	19	**54,863**	72,714
Trade and other receivables	20	**1,375,227**	1,443,423
Pledged bank deposits	21	**144,423**	216,083
Cash and cash equivalents	21	**327,598**	215,350
		1,902,111	1,947,570
Total assets		**2,520,247**	2,579,361
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	22	**354,312**	354,312
Other reserves	23	**97,564**	94,091
Retained earnings	24	**387,156**	357,916
		839,032	806,319
Non-controlling interests		**94,493**	84,857
Total equity		**933,525**	891,176

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	27	**5,887**	6,243
Obligations under finance lease	28	**56,875**	–
		62,762	6,243
Current liabilities			
Trade and other payables	25	**1,293,547**	1,600,347
Current income tax liabilities		**6,246**	11,074
Borrowings	26	**193,834**	70,521
Obligations under finance lease	28	**30,333**	–
		1,523,960	1,681,942
Total liabilities		**1,586,722**	1,688,185
Total equity and liabilities		**2,520,247**	2,579,361
Net current assets		**378,151**	265,628
Total assets less current liabilities		**996,287**	897,419

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 March 2017 and were signed on its behalf.

Zhang Wang
Director

Zhang Jian
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company					
	Share capital RMB'000	Other reserves (Note 23) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	354,312	89,103	348,489	791,904	88,061	879,965
Profit and total comprehensive income for the year	–	–	53,684	53,684	5,795	59,479
Transfer from retained earnings	–	4,988	(4,988)	–	–	–
Dividends paid	–	–	(39,269)	(39,269)	(8,999)	(48,268)
Balance at 31 December 2015 and 1 January 2016	**354,312**	**94,091**	**357,916**	**806,319**	**84,857**	**891,176**
Profit and total comprehensive income for the year	**–**	**–**	**43,383**	**43,383**	**14,253**	**57,636**
Transfer from retained earnings	**–**	**3,473**	**(3,473)**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**(10,670)**	**(10,670)**	**(4,617)**	**(15,287)**
Balance at 31 December 2016	**354,312**	**97,564**	**387,156**	**839,032**	**94,493**	**933,525**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	**2016** **RMB'000**	2015 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	31	**(152,592)**	10,169
Interest received		**6,274**	6,437
Interest paid		**(10,427)**	(5,842)
Income tax paid		**(14,895)**	(11,101)
Net cash used in operating activities		**(171,640)**	(337)
Cash flows from investing activities			
Decrease in pledged bank deposits		**71,660**	9,879
Purchase of property, plant and equipment		**(3,582)**	(31,617)
Proceeds from disposal of property, plant and equipment		**1,205**	50
Dividends received from investments accounted for the using equity method		**19,371**	18,713
Net cash generated from/(used in) investing activities		**88,654**	(2,975)
Cash flows from financing activities			
Proceeds from borrowings		**238,316**	172,092
Repayments of borrowings		**(115,003)**	(206,469)
Proceeds from loan arrangement		**91,000**	–
Repayment of obligation under finance lease		**(3,792)**	–
Dividends paid to owners of the Company		**(10,670)**	(39,269)
Dividends paid to non-controlling interests		**(4,617)**	(8,999)
Net cash generated from/(used in) financing activities		**195,234**	(82,645)
Net increase/(decrease) in cash and cash equivalents		**112,248**	(85,957)
Cash and cash equivalents at 1 January		**215,350**	301,307
Cash and cash equivalents at 31 December		**327,598**	215,350

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

Tianjin Binhai Teda Logistics (Group) Corporation Limited (the "Company") and its subsidiaries (together "the Group") are principally engaged in provision of logistics and supply chain solutions services and trading and related logistics services in the People's Republic of China (the "PRC").

The Company was established as an investment holding company in the PRC by its promoters, Tianjin Teda Investment Holding Co., Ltd. (天津泰達投資控股有限公司) ("TEDA Holding") and Tianjin Economic and Technological Development Area State Asset Operation Company (天津經濟技術開發區國有資產經營公司) ("TEDA Asset Company") as a joint stock limited company on 26 June 2006. Both TEDA Holding and TEDA Asset Company are controlled by Tianjin Economic and Technological Development Area Administrative Commission ("TEDA Administrative Commission").

Pursuant to the Group reorganisation (the "Reorganisation") in preparation for the listing of the Company's overseas listed foreign shares ("H shares") on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group in June 2006. The Company's H shares were listed on the GEM of the Stock Exchange on 30 April 2008.

On 18 November 2011, TEDA Holding entered into a share transfer agreement with Chia Tai Land Company Limited ("Chia Tai Company"), while TEDA Asset Company entered into a share transfer agreement with Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. ("Chia Tai Pharmaceutical Company"). Accordingly, TEDA Holding and TEDA Asset Company agreed to transfer 28,344,960 (8% of ordinary shares) and 77,303,789 (21.82% of ordinary shares) domestic shares of the Company to Chia Tai Company and Chia Tai Pharmaceutical Company respectively. In 2012, the two aforementioned domestic share transfers were approved by the relevant state-owned assets supervision and administration authorities of the PRC. The registration procedures of the related transfers have been completed on 7 June 2013.

As at 31 December 2016, the Directors of the Company consider TEDA Holding as the immediate holding company and the ultimate holding company of the Company.

These financial statements are presented in Renminbi ("RMB") unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 24 March 2017.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which is a collective term that includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations promulgated by the International Accounting Standards Board (the "IASB"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(d) provides information on any changes in accounting policies resulting from initial application relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 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 IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2. BASIS OF PREPARATION *(Continued)*

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's principal operations are conducted in the PRC. The consolidated financial statements have been presented in RMB, which is the Company's functional and the Group's presentation currency.

(d) Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the IASB, which are effective for the Group's financial year beginning on or after 1 January 2016.

IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IAS 1 (Amendments)	Disclosure Initiative
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants
IAS 27 (Amendments)	Equity Method in Separate Financial Statements

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments shall be applied prospectively.

The amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to IFRS 7 issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 Interim Financial Reporting.

2. BASIS OF PREPARATION *(Continued)*

(d) Application of New and Revised International Financial Reporting Standards ("IFRSs") *(Continued)*

Annual Improvements to IFRSs 2012-2014 Cycle *(Continued)*

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in opening retained earnings of the earliest comparative period presented.

The amendments to IAS 34 clarify the requirements relating to information required by IAS 34 that is presented elsewhere in the interim financial report. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The application of the said amendments to IFRSs has had no material effect on the Group's consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The application of these amendments to IFRS 10, IFRS 12 and IAS 28 has had no material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

2. BASIS OF PREPARATION *(Continued)*

(d) Application of New and Revised International Financial Reporting Standards ("IFRSs") *(Continued)*

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 regarding impairment testing of a cash-generating unit ("CGU") to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation on its formation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The application of these amendments to IFRS 11 has had no material impact on the Group's consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

The application of these amendments to IAS 1 has had no material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

2. BASIS OF PREPARATION *(Continued)*

(d) Application of New and Revised International Financial Reporting Standards ("IFRSs") *(Continued)*

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation *(Continued)*

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation for its plant and equipment. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the application of these amendments to IAS 16 and IAS 38 has had no material impact on the Group's consolidated financial statements.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost;
- in accordance with IFRS 9 Financial Instruments (or IAS 39 for entities that have not yet adopted IFRS 9);
- using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IFRS 1 First-time Adoption of International Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Group's consolidated financial statements.

The application of the other new and revised IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and on the disclosures set out in these consolidated financial statements.

2. BASIS OF PREPARATION *(Continued)*

(d) Application of New and Revised International Financial Reporting Standards ("IFRSs") *(Continued)*

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.

That are relevant to the Group are described as follows:

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

2. BASIS OF PREPARATION *(Continued)*

(d) Application of New and Revised International Financial Reporting Standards ("IFRSs") *(Continued)*

IFRS 9 Financial Instruments *(Continued)*

Key requirements of IFRS 9

- All recognised financial assets that are within the scope of IAS 39 to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. BASIS OF PREPARATION *(Continued)*

(d) Application of New and Revised International Financial Reporting Standards ("IFRSs") *(Continued)*

IFRS 9 Financial Instruments *(Continued)*

The directors of the Company anticipate that the application of IFRS 9 in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Group's consolidated financial statements.

2. BASIS OF PREPARATION *(Continued)*

(d) Application of New and Revised International Financial Reporting Standards ("IFRSs") *(Continued)*

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

The Group is in the process of assessing the potential impact of the other new and revised IFRSs upon initial application but is not yet in a position to state whether the other new and revised IFRSs, will have a significant impact on the Group's financial performance and position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(a) Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Investment in associates and joint ventures

An associate is an entity over 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(b) Investment in associates and joint ventures *(Continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(b) Investment in associates and joint ventures *(Continued)*

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's senior management that makes strategic decisions.

(d) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(d) Foreign currencies *(Continued)*

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, the depreciation rate per annum is as follows:

Buildings	3.17%-4.5%
Machinery	9%-18%
Furniture and office equipment	18%-19%
Motor vehicles	9%-19%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 5).

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses) – net' in the consolidated statement of profit or loss and other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(f) Investment property

Investment property, principally comprising buildings and properties, is held for long-term rental yields and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at cost less accumulated depreciation and impairment. Amortization of investment property is calculated to write-off that cost, less estimated net residual value and accumulated impairment losses, if any, on a straight-line basis over their estimated useful lives ranging from 20 to 30 years.

(g) Land use rights

Land use rights represent prepaid operating lease payments for land less accumulated amortisations and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for and over the remaining lease term.

(h) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(h) Financial instruments *(Continued)*

***Financial assets** (continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from related parties, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(h) Financial instruments *(Continued)*

***Financial assets** (continued)*

Impairment of financial assets *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties and borrowings are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expenses is recognised on an effective interest basis other than financial liabilities classified as at fair value though profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(h) Financial instruments *(Continued)*

Financial liabilities and equity instruments *(continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

(i) Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(j) Inventories

Inventories which consist of cargos are stated at the lower of cost and net realisable value. Cost is determined using actual cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(k) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity owners.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(n) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(o) Related parties

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

(i) A person, or a close member of that person's family, is related to the Company if that person:

(a) has control or joint control over the Company;

(b) has significant influence over the Company; or

(c) is a member of the key management personnel of the Company or of a parent of the Company.

(ii) An entity is related to the Company if any of the following conditions applies:

(a) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsorship employees are also related to the Company.

(f) The entity is controlled or jointly controlled by a person identified in (i); and

(g) A person identified in (i)(a) 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).

(h) 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 group's parent.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(p) Current and deferred income tax *(Continued)*

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Employee benefits

Payments to a state-managed retirement benefit scheme are dealt with as payment to defined contribution plan which are charged as an expense when employees have rendered service entitling them to contribution.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(r) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

Sales of raw materials are recognised when the goods are delivered and title has passed.

(ii) Sales of services

Revenue from rendering of logistics services for finished vehicles, supply chain management for automobile components and parts, warehousing services and related logistics services for steel trading are recognised upon the completion of services due to the short duration of the service period.

For sales of services, revenue is recognised in accounting period in which the services rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

(iii) Rental income

Rental income from investment properties is recognised on a straight-line basis over the period of the lease.

(iv) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(t) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

(t) Leases *(Continued)*

The Group as lessor *(Continued)*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's major financial assets and liabilities include trade and other receivables, bank balances and cash, amounts due from related parties, trade and other payables, amounts due to related parties and bank borrowings. The risks associated with these financial assets and liabilities include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risks

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB, United States dollars ("USD") and Australia dollars ("AUD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management do not expect the net foreign currency risk from these activities to be significant and hence, the Group do not presently hedge the foreign exchange risks. The Group periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

At 31 December 2016, if RMB had weakened/strengthened by 10% against the USD with all other variables held constant, post-tax profit for the year would have been approximately RMB60,000 (2015: RMB478,000) higher/lower.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risks (Continued)

(ii) Cash flow and fair value interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been prepared based on the exposure to interest rates for interest bearing bank balances and variable-rate bank borrowings at the balance sheet date and on the assumption that the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year.

If interest rates on bank balances and variable-rate bank borrowings had been 100 basis points (2015: 100 basis points) higher/lower and all other variables were held constant, post-tax profit for the year will increase/decrease by approximately RMB2,100,000 (2015: RMB2,700,000).

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted procedures in monitoring its credit risk.

As at 31 December 2016, the Group's exposure to credit risk relates mainly to:

- the carrying amount of the trade and other receivables and cash and cash equivalents as stated in the consolidated balance sheet; and

- the financial guarantees provided by the Group as disclosed in Note 33.

The Group's current credit practices include assessment and evaluation of customer's credit reliability and periodic review of their financial status to determine credit limit to be granted. The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(b) Credit risk *(continued)*

At 31 December 2016 and 2015, the ten largest debtors accounted for approximately 91% and 88% of the Group's total trade receivables respectively. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination the credit limits, credit approvals and other monitoring procedures on customers to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amounts of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The directors of the Company consider that the Group's credit risk is adequately managed.

The credit risk on bank balances and cash is limited because majority of the counterparties are state-owned banks with good reputation or banks with high credit rating.

Maximum exposure to credit risk before collateral held or other credit enhancements.

	Maximum exposure	
	2016	2015
	RMB'000	RMB'000
Credit risk exposure relating to off-balance sheet items		
– Financial guarantees	**124,364**	162,258
At 31 December	**124,364**	162,258

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flow. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturities for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The tables include both interest and principal cash flows.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) *Liquidity risk* *(Continued)*

The Group

	Weighted average interest rate %	Less than 3 months RMB'000	Over 3 months but not more than 6 months RMB'000	Over 6 months but not more than 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities							
As at 31 December 2016							
Trade and other payables		578,755	340,377	–	–	919,132	919,132
Borrowings	4.420%	75,727	80,824	40,703	–	197,254	193,834
Obligations under finance lease	5.225%	8,730	8,628	16,989	60,083	94,430	87,208
Financial guarantees		56,000	68,364	–	–	124,364	–
		719,212	498,193	57,692	60,083	1,335,180	1,200,174

	Weighted average interest rate %	Less than 3 months RMB'000	Over 3 months but not more than 6 months RMB'000	Over 6 months but not more than 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities							
As at 31 December 2015							
Trade and other payables		695,795	508,081	–	–	1,203,876	1,203,876
Borrowings	4.380%	10,782	1,175	61,088	–	73,045	70,521
Financial guarantees		82,500	79,758	–	–	162,258	–
		789,077	589,014	61,088	–	1,439,179	1,274,397

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as bank borrowings.

The Group monitors it capital structure on the basis of gearing ratio. The Group's gearing ratio (ratio of borrowings (including borrowings and obligations under finance lease) to total equity) is approximately 30% (2015: 8%). There were no changes in the Group's approach to capital management during the year.

4.3 Fair Value estimation

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities as recorded in the consolidated financial statements approximate their fair values at the end of the reporting period.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Allowances for bad and doubtful debts

Management makes assessments on the recoverability of trade and other receivable based on objective evidence, taking into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flow is less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of trade and other receivables, net of allowance for doubtful debts, is approximately RMB1,386,395,000 (2015: RMB1,443,423,000).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(b) Income taxes

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

(c) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(d) Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group gas to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

(e) Impairment of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(f) Impairment of available-for-sale equity investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

6. SEGMENT INFORMATION

The Group reports two operating segments; these are managed independently by the responsible segment management bodies in line with the products and services offered and the distribution channels and customer profiles involved. Components of entity are defined as segments on the basis of the existence of segment managers with revenue and segment results (profit before income tax less interest income, finance cost and corporate expenses) responsibility who report directly to the Group's senior management who make strategic decisions.

Principal activities of the Group's two reportable segments are as follows:

Logistics and supply chain service for finished automobiles and components – Provision of logistics services and supply chain management, i.e. planning, storage and transportation management for finished automobile and components;

Materials procurement and related logistics services – Sales of raw materials to customers comprising principally trading companies and provision of related services of transportation management, storage, warehouse supervising and management.

The investments accounted for using the equity method mainly carry out provision of logistics services, supply chain management and agency service for electronics components; and provision of cold warehouse operating and logistic services.

6. SEGMENT INFORMATION *(Continued)*

	For the year ended 31 December 2016				
	Logistics and supply chain service for finished automobiles and components RMB'000	Materials procurement and related logistics services RMB'000	Reportable segments subtotal RMB'000	All other segments RMB'000	Total RMB'000
Revenue	883,152	1,884,370	2,767,522	80,543	2,848,065
Inter-segment revenue	–	(66,302)	(66,302)	(9,394)	(75,696)
Revenue from external customers	883,152	1,818,068	2,701,220	71,149	2,772,369
Segment results	31,376	6,009	37,385	7,343	44,728
Share of results of investments accounted for using the equity method					31,789
Unallocated other income					6,274
Unallocated corporate expenses					(4,661)
Finance costs					(10,427)
Profit before income tax					67,703
Income tax expense					(10,067)
Profit for the year					57,636
Other information:					
Depreciation and amortisation	(12,930)	(467)	(13,397)	(14,767)	(28,164)
Income tax expense	(9,918)	(157)	(10,075)	8	(10,067)

6. SEGMENT INFORMATION *(Continued)*

	For the year ended 31 December 2015				
	Logistics and supply chain service for finished automobiles and components RMB'000	Materials procurement and related logistics services RMB'000	Reportable segments subtotal RMB'000	All other segments RMB'000	Total RMB'000
Revenue	908,974	2,223,982	3,132,956	108,266	3,241,222
Inter-segment revenue	(321)	(41,825)	(42,146)	(12,724)	(54,870)
Revenue from external customers	908,653	2,182,157	3,090,810	95,542	3,186,352
Segment results	13,931	22,525	36,456	25,321	61,777
Share of results of investments accounted for using the equity method					13,449
Unallocated other income					6,437
Unallocated corporate expenses					(4,036)
Finance costs					(5,842)
Profit before income tax					71,785
Income tax expense					(12,306)
Profit for the year					59,479
Other information:					
Depreciation and amortisation	(14,115)	(745)	(14,860)	(13,947)	(28,807)
Income tax expense	(3,168)	(3,187)	(6,355)	(5,951)	(12,306)

Sales between segments are carried out based on mutually agreed price. The revenue from external parties reported to the senior management is measured in a manner consistent with that in the statement of comprehensive income.

Total segment assets and liabilities are not disclosed as they are not regularly provided to and reviewed by the Group's senior management.

6. SEGMENT INFORMATION *(Continued)*

Geographical information

Over 90% of the Group's operations and non-current assets are located in the PRC, and over 90% of the Group's revenue of the external customers is attributed to the PRC. Therefore, no analyses of geographical segment is presented for the years ended 31 December 2016 and 2015.

Information about major customer

	2016 **RMB'000**	2015 RMB'000
Customer A	**736,671**	757,652
Customer B	**321,954**	–
Customer C	**281,946**	–
Customer D (note)	**–**	319,892

Note: No information on turnover for the current year is disclosed for this customer since it contributed less than 10% to the Group's turnover for the year ended 31 December 2016.

7. OTHER INCOME

	2016 **RMB'000**	2015 RMB'000
Government grant (note)	**8,540**	12,093
Interest income from bank deposits	**6,274**	6,437
	14,814	18,530

Note: Government grant represents subsidies and awards from local government authorities for the Group's contribution to the development of the local economies.

8. OTHER GAINS/(LOSSES) – NET

	2016 RMB'000	2015 RMB'000
Net foreign exchange gains	**818**	1,231
Loss on disposal of property, plant and equipment	**(286)**	(1,717)
Others	**(19)**	(337)
	513	(823)

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2016 RMB'000	2015 RMB'000
Auditors' remuneration	**1,760**	1,350
Cost of materials purchased	**1,806,906**	2,138,941
Subcontracting charges	**628,728**	699,721
Employee benefits expenses (Note 10)	**152,504**	148,209
Depreciation	**25,577**	26,220
Transportation	**14,354**	10,715
Fuel	**8,919**	9,222
Operating lease charges	**2,406**	3,128
Business tax	**2,340**	3,260
Amortisation	**2,587**	2,587
Others	**95,274**	96,528
Total cost of sales and administrative expenses	**2,741,355**	3,139,881

10. EMPLOYEE BENEFIT EXPENSE

	2016 **RMB'000**	2015 RMB'000
Wages and salaries	**101,625**	93,263
Employer's contribution to pension scheme	**45,340**	49,744
Others	**5,539**	5,202
Total employee benefit expense	**152,504**	148,209

(a) Directors' and chief executive's emoluments

	2016 **RMB'000**	2015 RMB'000
Director's fee	**632**	650
Other emoluments:		
– Salaries and allowances	**993**	1,401
– Performance related bonuses	**–**	540
– Retirement benefit scheme contributions	**56**	56
	1,681	2,647

10. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive for the year ended 31 December 2016 is set our below:

	Directors Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
The Chief executive and director:					
Zhang Jian (Note d)	–	993	–	56	1,049
Non-executive directors:					
Tse Ping	50	–	–	–	50
Yang Xiaoping	50	–	–	–	50
Xu Lifan (resigned on 11/11/2016)	38	–	–	–	38
Cui Xuesong	50	–	–	–	50
Zhang Wang (appointed on 11/11/2016)	13	–	–	–	13
Independent non-executive directors:					
Japhet Sebastian Law	150	–	–	–	150
Cheng Xinsheng	150	–	–	–	150
Mei Xingbao (resigned on 14/11/2016)	131	–	–	–	131
Zhou Zisheng	–	–	–	–	–
	632	993	–	56	1,681

10. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive for the year ended 31 December 2015 is set our below:

	Directors Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
The Chief executive and director:					
Zhang Jian (Note d)	–	1,401	540	56	1,997
Non-executive directors:					
Tse Ping	50	–	–	–	50
Yang Xiaoping	50	–	–	–	50
Xu Lifan	50	–	–	–	50
Cui Xuesong	50	–	–	–	50
Independent non-executive directors:					
Japhet Sebastian Law	150	–	–	–	150
Cheng Xinsheng	150	–	–	–	150
Mei Xingbao	150	–	–	–	150
Zhou Zisheng	–	–	–	–	–
	650	1,401	540	56	2,647

(b) The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include one (2015: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2015: four) individuals during the year ended 31 December 2016 are as follows:

	2016 RMB'000	2015 RMB'000
Employees		
– salaries and allowances	**3,571**	3,178
– performance related bonus	**–**	–
– retirement benefit scheme contribution	**219**	219
	3,790	3,402

10. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(c) No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments in the year ended 31 December 2016.

(d) Zhang Jian is the chief executive and also the executive director of the Group.

(e) The emoluments of the Group's senior management fell within the followings bands:

	Number of individuals	
	2016	2015
Emolument bands		
Approximately HK$380,000 – HK$1,000,000	**1**	2
Approximately HK$1,000,000 – HK$2,000,000	**3**	2

11. FINANCE COSTS

	2016 **RMB'000**	2015 RMB'000
Interest on borrowings wholly repayable within five years	**8,425**	4,439
Interest on discounted bill receivables	**1,394**	1,403
Interest on finance lease	**608**	–
	10,427	5,842

12a. INVESTMENTS IN SUBSIDIARIES

(a) Subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2016:

Name of Company	Place of Incorporation and kind of legal entity	Principal activities	Registered capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Tianjin Fengtian Logistics Co., Ltd. ("TFL")	China, limited liability company	Transportation of finished vehicles and supply chain management services	USD8,645,600	52%	52%	48%
TEDA General Warehouse Co., Ltd.	China, limited liability company	Warehouse operations and logistic services	RMB80,000,000	100%	100%	–
Tianjin Yuan Da Xian Dai Logistics Co., Ltd.	China, limited liability company	Logistic services	RMB20,000,000	100%	100%	–
He Guang Trade and Business Co., Ltd. ("He Guang")	Hong Kong, limited liability company	International trading	HK$100,000	100%	100%	–
Tianjin TEDA Freight Forwarding Co., Ltd.	China, limited liability company	International transportation agency services	RMB5,000,000	51%	51%	49%

12a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(b) Material non-controlling interests

The total non-controlling interest as at 31 December 2016 is approximately RMB94,493,000 (2015: RMB84,857,000) of which approximately RMB93,323,000 (2015: RMB83,722,000) is for TFL. The non-controlling interests in respect of Tianjin TEDA International Freight Forwarding Co., Ltd. is not material.

Summarised financial information on subsidiaries with non-controlling interests that are material to the Group

Set out below are the summarised financial information for TFL.

Summarised statement of financial position

	2016 **RMB'000**	2015 RMB'000
Current		
Assets	**251,200**	192,914
Liabilities	**(135,229)**	(109,024)
Net current assets	**115,971**	83,890
Non-current assets	**78,452**	91,332
Net assets	**194,423**	175,222

12a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(b) Material non-controlling interests *(Continued)*

Summarised financial information on subsidiaries with non-controlling interests that are material to the Group (continued)

Summarised statement of profit or loss and other comprehensive income

	2016 RMB'000	2015 RMB'000
Revenue	**881,108**	908,974
Profit before income tax	**38,739**	14,510
Income tax expense	**(9,918)**	(3,168)
Profit and total comprehensive income for the year	**28,821**	11,342
Total comprehensive income allocated to non-controlling interests	**13,834**	5,444
Dividends paid to non-controlling interests	**4,617**	8,999

Summarised statement of cash flows

	2016 RMB'000	2015 RMB'000
Cash flows from operating activities		
Cash generated from operations	**80,626**	2,799
Income tax paid	**(9,122)**	(3,615)
Net cash generated from/(used in) operating activities	**71,504**	(816)
Net cash used in investing activities	**(602)**	(9,794)
Net cash used in financing activities	**(9,619)**	(18,749)
Net increase/(decrease) in cash and cash equivalents	**61,283**	(29,359)
Cash and cash equivalents at beginning of year	**39,830**	69,189
Cash and cash equivalents at end of year	**101,113**	39,830

The information above is the amount before inter-company eliminations.

12b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated statement of financial position are as follows:

The Group	2016 RMB'000	2015 RMB'000
Associates	**29,162**	26,571
Joint ventures	**224,632**	214,805
At 31 December	**253,794**	241,376

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2016 RMB'000	2015 RMB'000
Associates	**6,362**	1,232
Joint ventures	**25,427**	12,217
For the year ended 31 December	**31,789**	13,449

(a) Investment in associates

	2016 RMB'000	2015 RMB'000
At 1 January	**26,571**	29,252
Share of results of associates	**6,362**	1,232
Dividends received	**(3,771)**	(3,913)
At 31 December	**29,162**	26,571

12b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investment in associates *(Continued)*

Set out below are associates of the Group as at 31 December 2016, which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as at 31 December 2016

Name of company	Registered capital	Place of business/ country of incorporation	Proportion of ordinary shares directly held by parent (%)	Nature of the relationship	Measurement method
Directly held:					
Tianjin Port Gangwan International Automobile Logistics Co., Ltd. ("Gangwan Automobile")	RMB30,000,000	China	40%	Carrying out the Group's automobile storage and related services	Equity
Tianjin Tianxin Automobile Inspection Services Co., Ltd. ("Tianxin")	RMB5,000,000	China	30%	Carrying out the Group's vehicle inspection services	Equity

The associates of the Group are private companies and there are no quoted market prices available.

There are no contingent liabilities relating to the Group's interest in the associates.

12b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investment in associates *(Continued)*

Summarised financial information for associates

Set out below are the summarised financial information for the associates of the Group which are accounted for using the equity method and the share of the profits are material to the Group.

Summarised statement of financial position

	Gangwan Automobile		Tianxin	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Current				
Cash and cash equivalents	**47,956**	38,667	**21,890**	20,236
Other current assets	**1,845**	2,146	**3,654**	2,831
Total current assets	**49,801**	40,813	**25,544**	23,067
Current liabilities	**(2,435)**	(1,255)	**(3,500)**	(294)
Net current assets	**47,366**	39,558	**22,044**	22,773
Non-current assets	**4,365**	5,183	**6,186**	6,140
Net assets	**51,731**	44,741	**28,230**	28,913

Summariesd statement of profit or loss and other comprehensive income

	Gangwan Automobile		Tianxin	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Revenue	**94,946**	80,225	**19,335**	19,065
Depreciation and amortisation	**(620)**	(601)	**(1,264)**	(638)
Interest income	**784**	899	**16**	91
Profit before income tax	**17,152**	1,019	**5,756**	8,078
Income tax expense	**(4,484)**	(2,124)	**(1,439)**	(2,498)
Profit/(loss) and total comprehensive income/(loss) for the year	**12,668**	(1,105)	**4,317**	5,580
Dividends received from associates	**2,271**	913	**1,500**	3,000

12b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investment in associates *(Continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates

Summarised financial information

	Gangwan Automobile		Tianxin	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Opening net assets at 1 January	**44,741**	48,129	**28,913**	33,333
Profit/(loss) and total comprehensive income/(loss) for the year	**12,668**	(1,105)	**4,317**	5,580
Dividend	**(5,678)**	(2,283)	**(5,000)**	(10,000)
Closing net assets at 31 December	**51,731**	44,741	**28,230**	28,913
Interest in associates	**20,693**	17,897	**8,469**	8,674

(b) Investment in joint ventures

	2016 RMB'000	2015 RMB'000
At 1 January	**214,805**	217,388
Share of profits of joint ventures	**25,427**	12,217
Dividend received	**(15,600)**	(14,800)
At 31 December	**224,632**	214,805

Nature of investment in joint ventures as at 31 December 2016

Name of company	Registered capital	Place of business/ country of incorporation	Proportion of ordinary shares directly held by parent (%)	Nature of the relationship	Measurement method
Tedahang Cold Chain Logistics Co., Ltd. ("Tedahang") (note)	RMB200,000,000	China	60%	Carrying out the cold warehouse operating and logistic services	Equity
Tianjin Alps Teda Logistics Co., Ltd. ("Tianjin Alps")	USD6,240,000	China	50%	Carrying out the supplying chain management services	Equity
Dalian Alps Teda Logistics Co., Ltd. ("Dalian Alps")	USD2,400,000	China	50%	Carrying out the material procurement logistics and supply chain management services	Equity

The joint ventures of the Group are private companies and there is no quoted market price available.

12b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(b) Investment in joint ventures *(Continued)*

Nature of investment in joint ventures as at 31 December 2016 *(Continued)*

Note:

The Group holds 60% of the registered capital of Tedahang, and controls 60% of the voting power in the general meetings. However, under the shareholders' agreement, the major financing and operational decision of Tedahang should be unanimously approved by the Group and other ventures. Therefore, Tedahang is regarded as a joint venture of the Group.

Summarised financial information for joint ventures

Set out below are the summarised financial information for joint ventures of the Group which is accounted for using the equity method:

Summarised statement of financial position

	Tedahang		Tianjin Alps		Dalian Alps	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current						
Cash and cash equivalents	**12,972**	11,035	**161,250**	145,152	**36,341**	28,164
Other current assets	**22,058**	6,341	**120,573**	94,145	**90,058**	69,174
Total current assets	**35,030**	17,376	**281,823**	239,297	**126,399**	97,338
Financial liabilities	**(51,440)**	(37,894)	**–**	–	**(4,162)**	(3,896)
Other current liabilities	**(59,252)**	(36,987)	**(60,445)**	(46,093)	**(61,778)**	(41,135)
Total current liabilities	**(110,692)**	(74,881)	**(60,445)**	(46,093)	**(65,940)**	(45,031)
Net current (liabilities)/assets	**(75,662)**	(57,505)	**221,378**	193,204	**60,459**	52,307
Non-current						
Total non-current assets	**319,916**	334,639	**34,608**	37,472	**10,044**	10,844
Financial liabilities	**(104,712)**	(124,364)	**(836)**	(1,734)	**–**	–
Other non-current liabilities	**(18,768)**	(20,411)	**–**	–	**–**	–
Total non-current liabilities	**(123,480)**	(144,775)	**(836)**	(1,734)	**–**	–
Net non-current assets	**196,436**	189,864	**33,772**	35,738	**10,044**	10,844
Net assets	**120,774**	132,359	**255,150**	228,942	**70,503**	63,151

12b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(b) Investment in joint ventures *(Continued)*

Summarised financial information for joint ventures *(Continued)*

Summarised statement of profit or loss and other comprehensive income

	Tedahang		Tianjin Alps		Dalian Alps	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Revenue	**64,476**	29,221	**525,914**	449,611	**264,684**	215,556
Depreciation and amortisation	**(15,315)**	(13,537)	**(5,387)**	(5,220)	**(1,325)**	(1,286)
Interest income	**58**	70	**1,053**	482	**–**	–
Interest expense	**(9,274)**	(11,394)	**–**	–	**(86)**	(70)
(Loss)/profit before income tax	**(11,588)**	(20,664)	**72,403**	53,662	**14,221**	8,189
Income tax expense	**–**	–	**(18,195)**	(10,469)	**(3,669)**	(2,151)
(Loss)/profit and total comprehensive (loss)/income for the year	**(11,588)**	(20,664)	**54,208**	43,193	**10,552**	6,038
Dividends received from joint ventures	**–**	–	**14,000**	13,000	**1,600**	1,800

The information above reflects the amount presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the Group and the joint ventures.

Reconciliation of the summarised financial information presented to the carrying amount of its interests in the joint ventures are as follows:

12b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(b) Investment in joint ventures *(Continued)*

Summarised financial information for joint ventures *(Continued)*

Summarised financial information

	Tedahang		Tianjin Alps		Dalian Alps	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
At 1 January	**132,362**	153,026	**228,942**	211,749	**63,151**	60,713
(Loss)/profit for the year	**(11,588)**	(20,664)	**54,208**	43,193	**10,552**	6,038
Dividend	**–**	–	**(28,000)**	(26,000)	**(3,200)**	(3,600)
At 31 December	**120,774**	132,362	**255,150**	228,942	**70,503**	63,151
Interest in joint ventures	**72,465**	79,417	**127,575**	114,471	**35,251**	31,576
Fair value adjustments on land use rights, property, plant and equipment	**(10,659)**	(10,659)	**–**	–	**–**	–
Carrying value	**61,806**	68,758	**127,575**	114,471	**35,251**	31,576

At the end of reporting period, the jointly controlled entities do not have any outstanding contingent liabilities.

12c. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Non-current		
Unlisted equity investment at cost (note)	**16,310**	16,310

Note:

As at 31 December 2016, the unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimate is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

13. INCOME TAX EXPENSE

	2016 **RMB'000**	2015 RMB'000
Current tax:		
Provision for the year	**10,893**	13,108
Over-provision in prior years	**(826)**	(802)
PRC Enterprise Income Tax	**10,067**	12,306

Under the prevailing tax law in the PRC, the Enterprise Income Tax rate of the Company and the subsidiaries is 25%.

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2016 **RMB'000**	2015 RMB'000
Profit before income tax	**67,703**	71,785
Tax at the official income tax rate of 25% and 16.5% (2015: 25% and 16.5%)	**16,862**	17,977
Tax effect of:		
– Associates' and joint ventures' results reported, net of tax	**(7,947)**	(3,362)
– Expenses and income not deductible or taxable for taxation purpose	**1,978**	(1,507)
– Over-provision in respect of prior years	**(826)**	(802)
Income tax expense	**10,067**	12,306

All the end of the reporting period, no deferred tax assets or liabilities are recognised in consolidated financial statements as the Group did not have material temporary difference arising between tax bases of assets or liabilities and their carrying amounts.

14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016 **RMB'000**	2015 RMB'000
Earnings		
Profit attributable to owners of the Company	**43,383**	53,684
Number of shares (thousands)		
Weighted average number of ordinary shares for calculating basic and diluted earnings per share	**354,312**	354,312

For the years ended 31 December 2016 and 2015, diluted earnings per share are the same as the basic earnings per share as the Company did not have any potential dilutive ordinary shares outstanding during the years ended 31 December 2016 and 2015.

15. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2016 **RMB'000**	2015 RMB'000
At beginning of the year	**96,563**	99,150
Amortisation charge for the year	**(2,587)**	(2,587)
At the end of the year	**93,976**	96,563

Note:

All the land use rights of the Group are situated in the PRC and are amortised over their lease periods. As at 31 December 2016, the land use rights have remaining lease periods ranging from 30 to 41 years (2015: 31 to 42 years).

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2015	195,248	33,479	26,525	80,194	5,094	340,540
Additions	19,159	335	1,212	415	10,496	31,617
Transfer	4,336	–	–	9,830	(14,166)	–
Disposals	(73)	(335)	(716)	(16,267)	–	(17,391)
At 31 December 2015 and 1 January 2016	218,670	33,479	27,021	74,172	1,424	354,766
Additions	1,364	471	1,031	716	–	3,582
Transfer	1,424	–	–	–	(1,424)	–
Disposals	–	(1,603)	(1,567)	(5,763)	–	(8,933)
At 31 December 2016	221,458	32,347	26,485	69,125	–	349,415
Accumulated depreciation						
At 1 January 2015	55,740	22,592	17,883	49,865	–	146,080
Charge for the year	8,541	2,096	2,406	8,733	–	21,776
Disposals	–	(297)	(697)	(14,630)	–	(15,624)
At 31 December 2015 and 1 January 2016	64,281	24,391	19,592	43,968	–	152,232
Charge for the year	9,655	1,870	1,929	7,679	–	21,133
Disposals	–	(1,363)	(1,295)	(4,784)	–	(7,442)
At 31 December 2016	73,936	24,898	20,226	46,863	–	165,923
Net book values						
At 31 December 2016	147,522	7,449	6,259	22,262	–	183,492
At 31 December 2015	154,389	9,088	7,429	30,204	1,424	202,534

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Note:

During the year ended 31 December 2016, depreciation expense of approximately RMB17,000,000 (2015: RMB18,000,000) has been charged in 'Cost of sales' and approximately RMB4,000,000 (2015: RMB4,000,000) in 'administrative expenses'.

As at 31 December 2016, the Group has lease buildings under finance leases with net book value of approximately RMB83,835,000 (2015: Nil).

17. INVESTMENT PROPERTIES

	2016 **RMB'000**	2015 RMB'000
At the beginning of the year	**75,008**	79,452
Depreciation charge for the year	**(4,444)**	(4,444)
At the end of the year	**70,564**	75,008

Fair value

As at 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: Nil).

All investment properties of the Group are warehouses located in the PRC.

The fair value of the Group's investment properties as at 31 December 2016 has been arrived at on the basis of a valuation carried out by Peak Vision Appraisals Limited, an independent qualified professional valuer not connected to the Group.

The fair value of the Group's investment properties was determined based on the income capitalisation approach, which involves estimating the rental incomes of the property and capitalising them all on appropriate rate to produce a capital value.

In estimating the fair value of the properties, their current use equates to the highest and best use of the properties.

As at 31 December 2016, the Group has lease investment properties under finance leases with net book value of approximately RMB6,788,000 (2015: Nil).

17. INVESTMENT PROPERTIES *(Continued)*

Fair value *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

	Fair value of investment properties 2016 RMB'000	2015 RMB'000	Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties in PRC	**286,200**	249,200	Level 3	Market unit rent, using the direct market comparables and taking into account of location and other individual factors, of range from RMB0.2 sq. m. to RMB1.7 sq. m. per day (2015: RMB0.2 sq. m. to RMB1.5 sq. m. per day).	Assuming that the yield stand, the increase in the market unit rent would result in an increase in market value.
				Market yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received of 9.0% (2015: 9.0%).	Assuming that the market value stand, the increase in the reversionary yield would result in a decrease in fair value.

18. FINANCIAL INSTRUMENTS

By Category

	2016 RMB'000	2015 RMB'000
Assets as per consolidated statement of financial position		
Loans and receivables		
– Trade and other receivables, excluding prepayment to suppliers	**597,536**	591,919
– Pledged bank deposits	**144,423**	216,083
– Cash and cash equivalents	**327,598**	215,350
Total	**1,069,557**	1,023,352
Available-for-sale financial assets	**16,310**	16,310

	2016 RMB'000	2015 RMB'000
Liabilities as per consolidated statement of financial position		
Other financial liabilities at amortised cost		
– Borrowings	**193,834**	70,521
– Obligations under finance lease	**87,208**	–
– Trade and other payables, excluding deposits from customer and statutory liabilities	**919,132**	1,203,876
Total	**1,200,174**	1,274,397

19. INVENTORIES

	2016 RMB'000	2015 RMB'000
Iron ore and related materials	**25,641**	–
Frozen meats	**27,755**	–
Tomato sauce	**–**	68,376
Others	**1,467**	4,338
	54,863	72,714

No significant inventory is stated at net realisable value as at 31 December 2016 (2015: Nil).

20. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**566,300**	560,081
Less: allowance for impairment	**(930)**	(930)
	565,370	559,151
Bill receivables (note (b))	**1,250**	4,000
	566,620	563,151
Other receivables, deposits and prepayments	**31,536**	29,388
Less: allowance for impairment	**(620)**	(620)
	597,536	591,919
Prepayment to suppliers	**778,478**	852,291
Less: allowance for impairment	**(787)**	(787)
Prepayment to suppliers-net	**777,691**	851,504
	1,375,227	1,443,423

Notes:

(a) The balance of the Group's trade and other receivables are denominated in Renminbi.

(b) The bill receivables are non-interest bearing bank acceptance bills with a maximum maturity period of 180 days.

(c) The Group allows an average credit period ranging from 90 to 300 days to its trade customers.

The following is an aging analysis of trade and bill receivables presented based on the invoice date at the end of reporting period:

	2016 RMB'000	2015 RMB'000
0 – 90 days	**367,119**	528,960
91 – 180 days	**122,327**	17,887
181 – 365 days	**50,969**	3,050
Over 365 days	**27,135**	14,184
	567,550	564,081

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(d) Aging of trade receivables which are past due but not impaired is as follows:

	2016 RMB'000	2015 RMB'000
Overdue by:		
1 – 90 days	**5,446**	4,882
Over 90 days	**59,805**	16,293
	65,251	21,175

The Group have not provided for impairment loss on the above balances as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The Group does not hold any collateral over these balances. In determining the recoverability of the trade receivables, the Group monitors any changes in the credit quality of the trade receivables since the credit was granted and up to the reporting date.

Receivables that were past due but not impaired related to a number of independent customers that a good trade record with the Group. Based on past experience, management believes that no impairment allowance 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.

(e) Allowances on past due trade receivables are made based on estimated irrecoverable amounts by reference to past default experience and objective evidences of impairment determined by the difference between the carrying amount and the present value of the estimate future cash flow discounted at the original effective interest rate.

Movement in impairment loss recognised on trade and other receivables is as follows:

	2016 RMB'000	2015 RMB'000
At the beginning of the year	**2,337**	2,337
Provision for impairment	**–**	–
At the end of the year	**2,337**	2,337

21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2016 RMB'000	2015 RMB'000
Cash at bank and on hand	**327,598**	215,350
Pledged bank deposits (note (c))	**144,423**	216,083

Notes:

(a) The Group's bank balances and cash denominated in currencies other than the functional currencies of the relevant group entities were as follows:

	2016 RMB'000	2015 RMB'000
Currency:		
– US Dollars	**12,403**	3,721
– Hong Kong Dollars	**132**	247
– Australian Dollars	**1**	–
– Japanese Yen	**–**	13

(b) Bank balances carry interest at market rate, the effective interest rates of the bank balances during the year are as follows:

	2016 RMB'000	2015 RMB'000
Effective interest rate (per annum)	**0.35%-2.05%**	0.35%-3.3%

(c) Pledged bank deposits represents pledge to banks to secure bill payables of approximately RMB686,000,000 (2015: RMB976,000,000) issued by the Group.

The pledged deposits carry fixed interest rate ranging from 1.30% to 2.05% (2015: 2.05% to 3.3%) per annum. The pledged bank deposits will be released upon the settlement of relevant bill payables.

(d) Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. Cash at banks earn interest at floating rates based on daily bank deposits rate.

22. SHARE CAPITAL

	2016			2015		
	Domestic Shares RMB'000	H-shares RMB'000	Total RMB'000	Domestic shares RMB'000	H-shares RMB'000	Total RMB'000
At the beginning and the end of the year	**256,069**	**98,243**	**354,312**	256,069	98,243	354,312

23. OTHER RESERVES

	Share premium	Statutory reserves (Note a)	Other reserves (Note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	55,244	74,473	(40,614)	89,103
Transfer from retained earnings	–	4,988	–	4,988
At 31 December 2015 and 1 January 2016	55,244	79,461	(40,614)	94,091
Transfer from retained earnings	–	3,473	–	3,473
At 31 December 2016	55,244	82,934	(40,614)	97,564

Notes:

(a) Statutory reserves

Reserve fund and Enterprise expansion fund

According to the relevant PRC rules and their articles of association, appropriations from net profit should be made to the Reserve Fund and the Enterprise Expansion Fund. The percentages to be appropriated to the Reserve Fund and Enterprise Expansion Fund are determined by the respective board of directors. Upon approval, the Reserve Fund can be used to offset accumulated losses or be converted into capital.

Statutory reserve

The Company and certain of its subsidiaries are domestic limited liability companies established under the PRC Company Law. According to the relevant PRC rules and their articles of association, statutory surplus reserve should be appropriated from net profit of management account under China Accounting Standard before distribution. The amount of appropriation should be 10% of profit after taxation, calculated in accordance with the PRC accounting rules and regulations, applicable to enterprises in the PRC, of the Company and its subsidiaries. The appropriation may cease to apply if the balance of the statutory surplus reserve has reached 50% of the entity's registered capital. Statutory surplus reserve can be used to make up prior year losses, to expand operation or to increase share capital. The Company or its subsidiaries may capitalise the statutory surplus reserve by way of bonus issues provided that the amount of the statutory surplus reserve remaining after such appropriation shall not be less than 25% of the registered capital of the Company or its subsidiaries.

(b) Other reserves

Other reserves as at 31 December 2016 and 2015 represent the difference between the paid up capital of the subsidiaries and the nominal value of Company's shares issued in exchange for the equity interest in the subsidiaries upon the reorganisation of the Group prior to listing.

24. RETAINED EARNINGS

	RMB'000
At 1 January 2015	348,489
Profit and total comprehensive income for the year	53,684
Dividends paid	(39,269)
Transfer to statutory reserves	(4,988)
At 31 December 2015 and 1 January 2016	357,916
Profit and total comprehensive income for the year	43,383
Dividends paid	(10,670)
Transfer to statutory reserves	(3,473)
At 31 December 2016	387,156

25. TRADE AND OTHER PAYABLES

	2016 **RMB'000**	2015 RMB'000
Trade payables	**171,507**	181,094
Bill payables (note a)	**686,441**	976,431
	857,948	1,157,525
Deposits from customers	**372,389**	392,780
Other tax payables	**2,026**	3,691
Other payables and accruals	**61,184**	46,351
	1,293,547	1,600,347

Notes:

(a) The bills are non-interest bearing and have a maximum maturity of six months. The credit period granted by the suppliers to the Group ranged from 30 to 90 days. Management of the Group monitors the repayment of all payables and ensures compliance with credit time frame.

(b) The aging analysis of the trade payables and bill payables at the end of the reporting period is as follows:

	2016 **RMB'000**	2015 RMB'000
0 – 90 days	**517,571**	730,396
91 – 180 days	**339,544**	425,027
181 – 365 days	**335**	406
Over 365 days	**498**	1,696
	857,948	1,157,525

26. BORROWINGS

	2016 **RMB'000**	2015 RMB'000
Current		
Short term bank borrowings		
– Unsecured	**193,834**	70,521
Carrying amounts repayable (note d)		
– within 1 year	**193,834**	70,521
– more than 1 year but within 2 years	**–**	–
– more than 2 years but within 5 years	**–**	–
– over 5 years	**–**	–
	193,834	70,521
Less: Amounts classified as current liabilities due within 1 year or contain a repayment on demand clause	**(193,834)**	(70,521)
	–	–
Analysed into:		
– Unsecured	**193,834**	70,521

Notes:

(a) The effective annual interest rates of the borrowings at the reporting date were as follows:

	2016 **RMB'000**	2015 RMB'000
Effective rate	**4.420%**	4.380%

(b) The carrying amounts of the borrowings approximate their fair values as at 31 December 2016 either due to their short-term maturity or because they bear interest at prevailing market rates throughout their maturity period.

(c) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2016 **RMB'000**	2015 RMB'000
RMB	**180,000**	70,000
US dollar	**13,834**	521
	193,834	70,521

(d) The amounts due are based on scheduled repayment dates.

27. DEFERRED INCOME

	2016 **RMB'000**	2015 RMB'000
Government grants received	**5,887**	6,243

The government grants from TEDA Administrative Commission were received in respect of its acquisition of land use rights and the project of inspection and storage centre. The government grants are recognised as deferred income and are released to income over the periods necessary to match them with the related costs.

28. OBLIGATIONS UNDER FINANCE LEASE

During the year ended 31 December 2016, the Group leased certain of its investment properties and buildings under finance lease. The lease term is 3 years. Interest rate underlying the obligations under finance leases is 5.225%. At the end of the lease term of the finance lease contract, the Group will have the right to purchase these land use rights and buildings at a nominal purchase price of RMB1. No arrangement has been entered into for contingent rental payments.

As at 31 December 2016 and 2015, the Group's finance lease liabilities were repayable as follows:

	Minimum lease payment		**Present value of minimum lease payment**	
	2016 **RMB'000**	2015 RMB'000	**2016** **RMB'000**	2015 RMB'000
Amounts payable under finance lease:				
Within one year	**34,347**	–	**30,333**	–
In the second year	**32,741**	–	**30,333**	–
In the third year	**27,342**	–	**26,542**	–
	94,430	–	**87,208**	–
Less: Future finance charges	**(7,222)**	–	**–**	–
	87,208	–	**87,208**	–
Less: Amount due within one year shown under current liabilities			**(30,333)**	–
Amount due after one year shown under non-current liabilities			**56,875**	–

28. OBLIGATIONS UNDER FINANCE LEASE *(Continued)*

The carrying amounts of the finance lease liabilities approximate their fair values. As at 31 December 2016, the Group has lease investment properties under finance leases with net book value of approximately RMB6,788,000 (2015: Nil) (Note 17) and buildings under finance leases with net book value of approximately RMB83,835,000 (2015: Nil) (Note 16).

29. DIVIDENDS

	2016 **RMB'000**	2015 RMB'000
Interim dividend (note a)	**–**	10,629
Final dividend (note b)	**10,629**	10,629
	10,629	21,258

Notes:

(a) On 12 August 2015, the Directors of the Company proposed the distribution of an interim dividend of RMB0.03 per share. The extraordinary general meeting approved and declared the proposal on 11 November 2015. The total amount is approximately RMB10,629,000 and was paid on or before 12 January 2016 to shareholders whose names appeared on the register of members of the Company on 22 November 2015.

(b) On 16 March 2016, the Directors of the Company proposed the payment of final dividend of RMB0.03 per share for the year ended 31 December 2015. The annual general meeting approved and declared the proposal on 11 May 2016. The total amount is approximately RMB10,629,000 and was paid on or before 30 June 2016 to shareholders whose names appeared on the register of members of the Company on 23 May 2016.

On 24 March 2017, the Directors of the Company proposed the payment of final dividend of RMB0.03 per share for the year ended 31 December 2016. These consolidated financial statements do not reflect this dividend payable.

(c) The dividends actually paid to owners of the Company for the years ended 31 December 2016 and 2015 were approximately RMB10,670,000 and RMB39,269,000 respectively based on the number of issued shares outstanding at relevant time.

30. PLEDGE OF ASSETS

	2016 **RMB'000**	2015 RMB'000
Pledged bank deposits	**144,423**	216,083
Investment properties	**6,788**	–
Buildings	**83,835**	–
	235,046	216,083

31. CASH (USED IN)/GENERATED FROM OPERATIONS

	2016 **RMB'000**	2015 RMB'000
Profit before income tax	**67,703**	71,785
Adjustments for:		
Interest income	**(6,274)**	(6,437)
Finance costs	**10,427**	5,842
Depreciation for property, plant and equipment	**21,133**	21,776
Depreciation for investment properties	**4,444**	4,444
Amortisation of land use rights	**2,587**	2,587
Loss on disposal of property, plant and equipment	**286**	1,717
Deferred income amortisation	**(356)**	(354)
Share of profit of investments accounted for using equity method	**(31,789)**	(13,449)
Operating cash flow before changes in working capital:		
Inventories	**17,851**	(46,379)
Trade and other receivables	**68,196**	(181,663)
Trade and other payables	**(306,800)**	150,300
Net cash (used in)/generated from operations	**(152,592)**	10,169

32. COMMITMENTS

(i) The Group leases various offices warehouses and vehicles under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group's future aggregate minimum lease rental expenses in respect of non-cancellable operating leases are as follows:

Buildings	**2016 RMB'000**	2015 RMB'000
Within one year	**1,163**	4,337
In the second to fifth year inclusive	**–**	1,049
	1,163	5,386

Motor vehicles	**2016 RMB'000**	2015 RMB'000
Within one year	**2,689**	3,356
In the second to fifth year inclusive	**165**	1,449
	2,854	4,805

(ii) The future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**10,114**	14,309
In the second to fifth year inclusive	**27,585**	29,149
Over fifth year	**–**	–
	37,699	43,458

33. FINANCIAL GUARANTEE LIABILITIES

At 31 December 2016, the Group has outstanding guarantee of approximately RMB225,636,000 provided to Tedahang, a joint venture with 60% interest owned by the Group, for its bank borrowing facilities of RMB350,000,000. The borrowings drawn down by the joint venture as at 31 December 2016 was approximately RMB124,364,000.

The Directors of the Company consider that the fair value of this outstanding financial guarantee is insignificant at initial recognition and the possibility of default is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and on the balance sheets as at 31 December 2016.

34. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions/balances with other state owned enterprises in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as "state-controlled entities"). The directors of the Company consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

During the year, the Group's significant transactions with these state controlled entities include purchases of raw materials for trading purposes and fuel for transportation vehicles used in the logistics business. As at year end, majority of the Group's cash and bank balances and borrowings are with state controlled banks.

(b) Key management compensation

The details of remuneration of key management personnel are set out in Note 10.

(c) For the transactions constitute connected transactions under GEM Listing Rules, please refer to "Connected Transactions and Continuing Connected Transactions" under "Directors' Report".

35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Land use rights	**44,757**	45,900
Property, plant and equipment	**2,561**	2,215
Investment properties	**59,465**	63,356
Investments in subsidiaries	**180,321**	180,321
Investments in jointly controlled entities	**170,941**	170,941
Investments in associates	**13,500**	13,500
Available-for-sale financial assets	**16,310**	16,310
	487,855	492,543
Current assets		
Inventories	**53,738**	68,704
Trade and other receivables	**1,155,356**	1,194,781
Amounts due from subsidiaries (note a)	**48,091**	47,667
Pledged bank deposits	**144,423**	216,083
Cash and cash equivalents	**205,922**	157,293
	1,607,530	1,684,528
Total assets	**2,095,385**	2,177,071
EQUITY AND LIABILITIES		
Equity		
Share capital	**354,312**	354,312
Other reserves (note c)	**92,381**	89,465
Retained earnings (note c)	**154,874**	151,714
Total equity	**601,567**	595,491

35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
LIABILITIES		
Current liabilities		
Trade and other payables	**1,133,417**	1,469,913
Amounts due to subsidiaries (note b)	**180,077**	50,187
Current income tax liabilities	**324**	1,480
Borrowings	**180,000**	60,000
Total liabilities	**1,493,818**	1,581,580
Total equity and liabilities	**2,095,385**	2,177,071
Net current assets	**113,712**	102,948
Total assets less current liabilities	**601,567**	595,491

Notes:

(a) Amounts due from subsidiaries are non-trade nature, unsecured, interest free and recoverable on demand.

(b) Amounts due to subsidiaries are non-trade nature, unsecured, interest free and repayable on demand.

35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: *(Continued)*

(c) Reserves of the Company.

	Share premium RMB'000	Statutory reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2015	55,244	30,319	150,606	236,169
Transfer from retained earnings	–	3,902	(3,902)	–
Profit and total comprehensive income for the year	–	–	44,279	44,279
Dividends paid	–	–	(39,269)	(39,269)
At 31 December 2015 and 1 January 2016	55,244	34,221	151,714	241,179
Transfer from retained earnings	–	2,916	(2,916)	–
Profit and total comprehensive income for the year	–	–	16,746	16,746
Dividends paid	–	–	(10,670)	(10,670)
At 31 December 2016	55,244	37,137	154,874	247,255

For details of the statutory reserves, please refer to the note 23 to the consolidated financial statements.

36. AUTHORISATION OF ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 March 2017.