天津濱海泰達物流集團股份有限公司
Tianjin Binhai Teda Logistics (Group) Corporation Limited*

2018 Annual Report

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

Stock Code: 8348

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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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EXECUTIVE DIRECTOR

Yang Weihong *(Chairman)*

NON-EXECUTIVE DIRECTORS

Peng Bo, Tse, Theresa Y Y, Yang Xiaoping, Zheng Yuying

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheng Xinsheng, Japhet Sebastian Law, Peng Zuowen, Zhou Zisheng

SUPERVISORS

Xu Jianxin, Fan Shuyu, Han Wanjin, Wang Yonggan, Wang Linlin

GENERAL MANAGER AND DEPUTY GENERAL MANAGERS OF THE COMPANY

Yang Weihong *(General Manager)*, Li Yangqian, Tang Zhizhong, Yu Fukang

COMPANY SECRETARY

Lo Tai On

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

Japhet Sebastian Law *(Chairman)*, Cheng Xinsheng, Peng Zuowen

Nomination Committee

Yang Weihong *(Chairman)*, Japhet Sebastian Law, Peng Zuowen

COMPLIANCE OFFICER

Yang Weihong

AUTHORISED REPRESENTATIVES

Yang Weihong, 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
Postal Code: 300457

PRINCIPAL OFFICE IN HONG KONG

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

STOCK CODE

08348

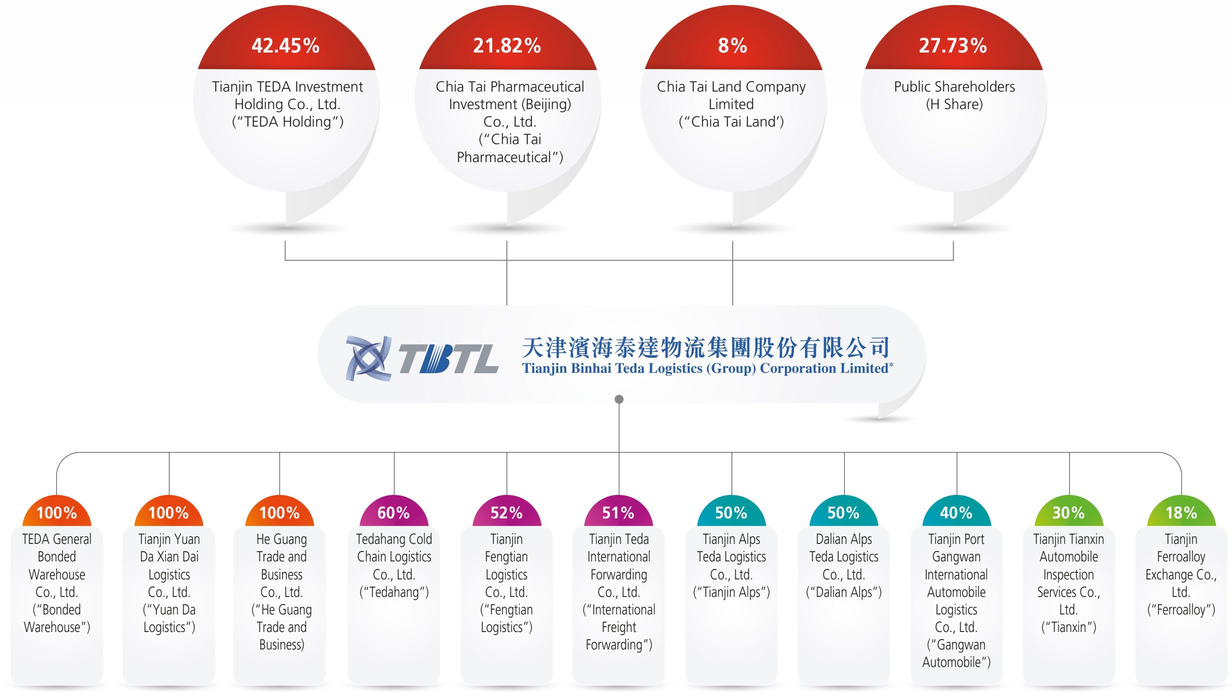
COMPANY WEBSITE

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 Free Trade Zone Branch of the Bank of China
Tianjin Dongli Branch of the Bank of China
Huayuan Sub-branch of the Bank of Dalian
Tianjin Binhai Branch of the Bank of Shanghai
Tianjin Binhai New Area Branch of Postal Saving Bank
Tianjin Binhai Branch of Shinhan Bank

GROUP STRUCTURE



* *For identification purposes only*

RESULTS

A summary of the consolidated results of the Company and its subsidiaries (the "Group") for the five accounting years ended 31 December 2018 prepared under the International Financial Reporting Standards is as follows:

	2018 RMB'000	2017 RMB'000 (Restated)	2016 RMB'000	2015 RMB'000	2014 RMB'000
Turnover	**2,613,904**	2,397,084	2,772,369	3,186,352	3,069,499
Profit before income tax	**47,738**	82,502	67,703	71,785	78,571
Income tax expense	**(20,130)**	(19,751)	(10,067)	(12,306)	(16,295)
Profit for the year	**27,608**	62,751	57,636	59,479	62,276
Profit attributable to					
Non-controlling interests	**25,039**	21,219	14,253	5,795	11,062
Owners of the Company	**4,759**	41,532	43,383	53,684	51,214
Basic earnings per share (RMB)	**0.01**	0.12	0.12	0.15	0.14

ASSETS AND LIABILITIES

A summary of the assets and liabilities of the Group for the five years ended 31 December 2018 prepared under the International Financial Reporting Standards is as follows:

	2018 RMB'000	2017 RMB'000 (Restated)	2016 RMB'000 (Restated)	2015 RMB'000	2014 RMB'000
Non-current assets	**744,410**	757,431	759,775	631,791	636,012
Current assets	**1,858,051**	2,040,152	1,902,111	1,947,570	1,815,364
Total assets	**2,602,461**	2,797,583	2,661,886	2,579,361	2,451,376
Non-current liabilities	**70,404**	114,766	115,560	6,243	6,597
Current liabilities	**1,466,121**	1,620,717	1,523,961	1,681,942	1,564,814
Non-controlling interests	**108,859**	103,280	94,493	84,857	88,061
Liabilities and non-controlling interests	**1,645,384**	1,838,763	1,734,014	1,773,042	1,659,472
Total equity	**1,065,936**	1,062,100	1,022,365	891,176	879,965

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 2018 to all shareholders.

RESULTS OF THE YEAR

For the year ended 31 December 2018 (the "Year" or "Reporting Period"), turnover of the Group amounted to approximately RMB2,613,904,000 (2017: RMB2,397,084,000), representing an increase of approximately 9% as compared with the corresponding period of last year. Profit attributable to the shareholders was approximately RMB4,759,000 (2017: RMB41,532,000) and the earnings per share was approximately RMB0.01 (2017: RMB0.12).

As of 31 December 2018, the total assets and current assets of the Group were approximately RMB2,602,461,000 (2017: RMB2,797,583,000) and approximately RMB1,858,051,000 (2017: RMB2,040,152,000), respectively, representing a decrease of RMB195,122,000 and RMB182,101,000 as compared with 31 December 2017, respectively. Our net assets attributable to the parent company and net assets per share at the end of the year were approximately RMB957,077,000 (2017: RMB958,820,000) and approximately RMB2.70 (2017: RMB2.71), respectively, both representing a decrease of approximately 0.18% as compared with 31 December 2017.

REVIEW FOR THE YEAR

2018 was an important turning point in which the global economic situation underwent major development, major changes and major adjustments. Since the beginning of the year, the global economy has maintained its moderate growth. The major economies showed a significant divergence in growth momentum, inflation level and monetary policy. Financial market saw continuous volatility. Protectionism and unilateralism were on the rise. International economic rules were undergoing profound adjustment and the uncertainties arose from trade conflict between China and the United States increased significantly. International political and economic environment faced by China have been even more severe. At the level of domestic economy, supply-side reform continued to advance and investment in infrastructure fell back excessively fast. Consumption growth slowed down and social credit was tightened significantly. Financial risks were gradually exposed and financing difficulties increased. Capital costs rose and more downward pressure was exerted on the overall economy. National and local governments enhance supervision over environment and fire-control measures, and placed greater emphasis on environmental protection and public security, leading to more stringent requirements on the Company's operation. The logistics transportation industry is still undergoing transformation, causing substantial changes in transportation resources, transportation costs and means of transportation. In order to adapt to the changes of international and domestic economic environment and policies, the logistics industry is still in the process of adjustments in the midst of explorations.

2018 was the 10th anniversary of the Company's listing in Hong Kong. Over the past decade, the Group has been making efforts to cope with the complex external environment. The international financial crisis, the 3.11 earthquake in Japan, the flood disaster in Thailand, the disputes between China and Japan, the 8.12 Tianjin Port explosion, the supply-side structural reform, the tide of default on corporate debts, the adjustment of the national inspection and quarantine policy, the trade frictions between China and the United States and so on were all challenges for the management of the Group. The Group remained calm as always in dealing with the severe economic situation in 2018. Through continuous strengthening of internal management, integrating various resources, we pushed ahead business development alongside with industry reform and strove to mitigate risks, ensured stable operation and promoted high-quality development under an unfavorable macro-environment.

Adapting to economic environment to adjust business structure

The Group all along adhered to the development strategy of integrated logistics business and upheld the general working principle of "tactic operation with flexible approaches and steady progress". The Group also actively adjusted the business structure, strictly controlled business risks and enhanced own-brand business operation.

As market risks increased, the Group took the initiative to scale down and adjust its materials procurement business, attached greater emphasis to risk control and adopt various initiatives to ensure stable business operation. Regarding business segments with lower operational efficiency, the Group actively explored counter-strategies, analyzed underlying reasons and formulated measures, and implemented exit mechanism for segments that were unable to achieve profits in the short term. During the Year, the Group strategically scaled down the business of its branch company in Changshu City. The Group continued to strengthen its advantages in traditional business segments such as automobile logistics and electronic components logistics, and integrated its superior resources to develop new business. The Group actively pushed forward the transformation and upgrading of the cold chain logistic business, approached potential investors and strategic investors and explored long-term development strategies for the cold chain logistic business.

Continuously improving internal management

In order to adapt to the new economic situation and the development stage, the Group constantly strengthened its internal management, promoted the reform of internal management departments, adjusted the division of work among the Company's management, strengthened the relationship among all levels within the Group and two-way communication between the Company and its subsidiaries, and established an efficient management mechanism.

The Group stepped up efforts in talent cultivation and capitalized on the leadership of outstanding talents. During the Year, the Group made certain human resources adjustments, promoted outstanding employees. Certain adjustments were made according to the intention and competency of employees, so as to provide a two-way selection between employees and positions and give full play to talents to support future development of the Group.

The Group further standardized internal management and improved internal control. The Group further standardized its internal decision-making process and further improved its management systems such as budget system and reimbursement system. During the Year, 32 new management systems were added and revised. The Group redefined the reimbursement standards for various expenses, carried out refined management of expenses, and effectively controlled its expenditure on various costs.

Under the guidance of the Audit Committee of the Board, internal audit work of the Group was further improved. The Group made annual internal control audit a regular practice and extended the internal audit work to its subsidiaries. During the Year, the Group completed the internal control audit work of the Company and 5 subsidiaries, effectively improving the internal management of each company.

The importance of information has been widely recognized by the Group. Information system has penetrated into various business of the Company and its function has changed from traditional backstage support to driving new business, which also put forward higher requirements for information construction. During the Year, the Group continued to improve information construction, optimized the use of OA platform, built an smart party building management information platform based on OA platform, further established an integrated information platform focused on OA, applied OA platform in the Company and its subsidiaries, and enhanced internal control through the information process constraints of OA platform. Meanwhile, the Group actively explored the application of "Internet +" new technology to provide technical support for the development of related businesses.

The Group has always implemented the working principle of "safety first, prevention first", and continued to strengthen the long-term mechanism of safety management. The management at all levels signed the "Work Safety Responsibility Letter" and broke down the objectives and tasks of work safety, thus creating a systematic and comprehensive work environment of production safety. The Company strengthened safety awareness of all staff, and regularly carried out activities in relation to disaster prevention and mitigation, safety month activities and fire protection week activities. During the Year, the Company carried out 8 safety production education activities, carried out hidden danger investigation, identified and mitigated 51 hidden hazards, carried 4 fire drills, and improved the safety techniques of all staff. Meanwhile, the Group regularly inspected major safety hazards of its subsidiaries, put forward feasible suggestions on safety rectification and complied investigation reports, which effectively prevented the occurrence of various safety accidents.

With attention to social responsibilities, the Group put great emphasis to green operation and production safety, and focused on talent cultivation and effective use of resources. We continued to promote improvement and optimization in our daily management and business activities, so as to reduce resources consumption and impact on the environment. The Company obtained ISO14001:2015 environmental management system certification.

PROSPECT AND OUTLOOK

In 2019, under a complex and severe international political and economic situation and a significant downward pressure of domestic economy, changes and worries weighed on stable economic operation. With intensifying competition and increasing pressure of transformation and upgrading, cost reduction and efficiency improvement in the logistics industry, sense of crisis of the logistics industry becomes more acute amid the economic downturn. Consolidation of foundation and acceleration of technological and managerial upgrade will be the top choice for logistics enterprises to survive and develop. Faced with the challenges, the Group will continue to adhere to the development strategy of integrated logistics business, uphold the general working principle of "tactic operation with flexible approaches and steady progress", actively adjust its business structure, strictly control business risks, timely withdraw from loss-making enterprises which have no hope of turning around, enhance its own-brand business operation, ensure the stability of the Company's operation, persist in cooperation and innovation, and explore new sources of business and profit. Key points of work in 2019 are as follows:

We will make full use of existing resources and introduce new business. In 2019, the reform of logistics industry will continue. The Group will continue to adhere to the development strategy of integrated logistics business, make full use of the technical advantages of automobile logistics and electronic components logistics, identify new partners, innovate business models, capitalize on the resources and geographical location advantages of courtyards, railways, cold storage and warehouses, actively activate assets and resources, and underpin the core competitive strengths for the Group's development.

The Group will continue to promote the development of two major industrial platforms, i.e. automobiles and cold chain food. Through resources consolidation and joint-venture cooperation, and focusing on these two business platforms, the Group will extend its business to the upstream and downstream segments of the supply chain and develop new business products, while consolidating its existing businesses at the same time. The Group will also leverage on its suppliers and customers resources and funding to foster all-around development of its businesses.

The Group will continue to push ahead the transformation and upgrading of the traditional business, improve the utilization rate of existing resources and profitability, through various means such as joint-venture cooperation and business innovation, activate existing assets, introduce new business resources and projects and further enrich the portfolio of logistics products.

In terms of logistics and supply chain services for electronic components business, by keeping abreast with the development trend of the electronic product industry, the Group will promptly push ahead transformation of services and products, explore new customers, expand business areas, improve service quality and seize market development opportunities to promote stable development of its business.

In terms of materials procurement and logistics business, the Group will continue to enhance risk control, adhere to the business development strategy of "tactic operation with flexible approaches", adjust product categories of bulk commodity trade business, exercise strict selection of business partners, mitigate risks, obtain new qualification for bulk commodity trading based on existing resources, expand offerings, and step up efforts in innovation and development of the physical logistics business.

The Group will (i) strengthen its internal management, review and improve system construction of the Company, reinforce the performance of basic tasks such as budget management, appraisal management, business cost management and record management, and enhance the standard of management; (ii) further improve its internal auditing function by enhancing internal audit and carrying out internal auditing on the relevant subsidiaries, with an aim to set a solid management foundation. Furthermore, the Group will step up efforts to cultivate outstanding key junior staff and young cadres, build up talent reserve through training of existing staff and introduction of new talents, optimize the reward and punishment mechanism and establish talent management system of the Group, offering a platform for the staff to demonstrate their talents; (iii) further reinforce information security management, and establish the network security management system; and (iv) strengthen information construction and establish a unified information sharing system.

In 2019, in line with the general trend of economic development and logistics transformation, and leveraging on the opportunities arising from policy adjustment, the Group will uphold the development philosophy of "advancing steadily" and adhere to the development strategy of integrated logistics business. The Group will remain cautious and focus on overcoming operational risks and alleviating capital pressure. Furthermore, the Group will continue to strengthen cooperation with third parties, innovate business models, adjust its business structure and take various measures to improve its profitability. Focusing on the logistics resources at the key hubs, the Group will continue to push ahead point-to-surface business development. Despite of all the challenges ahead, the Group will forge ahead to ensure stability and create benefits with confidence 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.

Yang Weihong

Tianjin, the PRC, 26 March 2019

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), Tianjin Metallurgy Group Logistic Co., Ltd. (天津冶金集團物流有限公司), Tianjin Baocang Logistics Co., Ltd. (天津寶倉物流有限公司), Tianjin Baisen International Trade Co., Ltd. (天津百森國際貿易有限公司), Hebei Jizhong Tangneng Trade Co., Ltd. (河北冀中唐能貿易有限公司), etc.

During the current reporting period, the operating income of the logistics and supply chain services for transportation of finished automobiles and components was basically the same as last year. As the operating results of imported automobiles improved significantly, the performance of this segment increased as compared with last year. During the reporting period, the operating income and operating profits from the materials procurement and related logistics services business of the Group increased compared to last year. The operating results of the bonded warehouse, transportation and supervision business increased significantly as compared with the corresponding period of last year. The business of the branch company in Changshu Branch was strategically downscaled and recorded a reduction in loss during the current reporting period. Although the operating income of Tianjin Alps Teda Logistics Co., Ltd. and Dalian Alps Teda Logistics Co., Ltd. (both associated companies of the Group) recorded a decrease, the operating profit increased as compared to last year as a result of exchange rate fluctuations and cost reduction. For the cold chain logistics business, during the reporting period, greater efforts were made to expand its market and the extension of the industrial chain was accelerated, resulting in an increase in the operating income as compared to last year. However, due to the decrease in the amount of meat inspection, there was a decrease in the operating results of Tedahang Cold Chain Logistics Co., Ltd as compared to last year. The combination of the above factors led to a decrease in the investment income of the Company as compared with the corresponding period of last year.

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

During the current reporting period, the principal businesses income from logistics and supply chain services for transportation of finished automobiles and components amounted to RMB996,834,000, basically the same as last year. Nevertheless, the logistics services for the imported automobiles recorded a stable growth, driving growth in the operating results of that segment, with a year-on-year increase of 26.08%.

Materials Procurement and Related Logistics Services

During the current reporting period, the principal business income from the materials procurement and related logistics services amounted to RMB1,565,943,000, representing an increase of RMB217,535,000 or 16% as compared with last year.

Warehouse, Supervision, Agency and Other Incomes

During the current reporting period, other services such as bonded warehouse, container yard, supervision, agency and transportation services recorded an operating income of RMB104,023,000, representing an increase of RMB40,525,000 or 64% as compared with last year.

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

During the current reporting period, the operating income from logistics and supply chain services for electronic components business of the Group's associates amounted to RMB751,387,000, representing a decrease of 6% as compared with the corresponding period of last year. However, affected by exchange rate fluctuations and decreased expenses, Tianjin Alps Teda Logistics Co., Ltd. and Dalian Alps Teda Logistics Co., Ltd. witnessed increase in operating profit. The business, as a whole, recorded an operating profit of RMB42,326,000, representing an increase of 5%.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2018, turnover of the Group was RMB2,614 million, representing an increase of RMB217 million or 9% as compared to RMB2,397 million during the corresponding period of last year. The increase in turnover is mainly attributable to the increase in materials procurement and related logistics services as compared to last year.

Cost of sales and gross profit

For the year ended 31 December 2018, the cost of sales of the Group was RMB2,480 million, representing an increase of RMB188 million or 8.2% as compared to RMB2,292 million of the corresponding period of last year, which was slightly lower than the increase of turnover for the year.

For the year ended 31 December 2018, gross profit margin of the Group was 5.12%, 0.74 percentage points higher than last year.

Administrative expenses

The administrative expenses of the Group amounted to RMB49,039,000 in 2018, representing an increase of RMB1,473,000 or 3.1% as compared to RMB47,566,000 during the corresponding period of last year. The Group will continue to strengthen its control over part of its administrative expenses.

Finance costs

The Group's finance costs during 2018 amounted to RMB32,134,000, representing an increase of RMB14,503,000 or 82% as compared to RMB17,631,000 last year. 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 2018 were RMB20,130,000, representing an increase of RMB379,000 or 1.92% as compared to RMB19,751,000 last year. The increase in taxation expenses was mainly attributable to the increase in the income tax expenses of Tianjin Fengtian Logistics Co., Ltd. (a subsidiary of the Group) as compared to last year as well as the decrease in the deferred tax expenses of the Company as compared to last year.

Net change in fair value of equity investments through comprehensive income

The net change in fair value of equity investment of the Group for 2018 was RMB2,190,000, which was mainly attributable to the increase in fair value of Tianjin Ferroalloy Exchange Co., Ltd. of the financial assets measured at fair value through profit or loss.

Share of results of joint ventures and associates

The share of results of joint ventures and associates of the Group for 2018 was RMB17,324,000, representing a decrease of RMB610,000 or 3.4% as compared to RMB17,934,000 last year, which was mainly due to the decrease in the operating results of Tedahang Cold Chain Logistics Co., Ltd. (an associated company 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 2018, total profits for the period amounted to RMB29,798,000, representing a decrease of RMB32,953,000 or 53% as compared to last year. Earnings attributable to the equity holders of the Company were RMB4,759,000, decreased by RMB36,773,000 or 89% as compared to RMB41,532,000 of last year. The decrease in earnings attributable to the equity holders of the Company was mainly due to the impairment provision made for certain items by the Company under the requirements of IFRS 9 during the reporting period and the increase in finance costs as compared with last year.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (corresponding period of 2017: nil). The Board will consider dividend distribution in due course according to dividend policy.

Liquidity and financial resources

The Group maintained a sound financial condition. As at 31 December 2018, the cash and bank balances of the Group were RMB387,273,000 (31 December 2017: RMB552,990,000). As at 31 December 2018, the total assets of the Group were RMB2,602,461,000 (31 December 2017: RMB2,797,583,000). Capital was sourced from current liabilities of RMB1,466,121,000 (31 December 2017: RMB1,620,717,000), non-current liabilities of RMB70,404,000 (31 December 2017: RMB114,766,000), shareholder's equity attributable to the shareholders of the Group of RMB957,077,000 (31 December 2017: RMB958,820,000) and minority interests of RMB108,859,000 (31 December 2017: RMB103,280,000).

Capital structure

For the year ended 31 December 2018, 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 2018, the balance of bank loans of the Group was RMB504,520,000 (31 December 2017: RMB319,995,000).

Gearing ratio

As at 31 December 2018, the ratio of total liabilities to total assets of the Group was 59% (31 December 2017: 62%). The gearing ratio (ratio of loans (including borrowings and obligations under finance leases) to total equity) of the Group was 52% (31 December 2017: 39%).

Charge on assets

As at 31 December 2018, 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 value of approximately RMB109,436,000.

On 11 May 2017, Bonded Warehouse, a wholly-owned subsidiary of the Group, further entered into a financial lease agreement with Tianyin Finance Leasing Company Limited* (天銀金融租賃有限公司) ("Tianyin Leasing") at the consideration of RMB55,000,000, and entered into a mortgage in favour of Tianyin Leasing to guarantee the principal payment under the finance lease agreement. The mortgaged assets are yards and facilities of Bonded Warehouse with a net value of approximately RMB55,469,000.

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 twelve months ended 31 December 2018, the Group had an exchange loss of RMB932,000 after offsetting the exchange gains with exchange losses.

Contingent liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

Operating lease commitments

As at 31 December 2018, the Group had the following operating lease commitments:

The Group as lessee

The Group	2018 RMB'000
Within one year	**1,431**
In the second to fifth year	**636**
Over five years	**–**
	2,067

The Group as lessor

The Group	2018 RMB'000
Within one year	**11,191**
In the second to fifth year	**5,458**
Over five years	**–**
	16,649

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 and associates by the Group.

EMPLOYEES

As at 31 December 2018, the Group employed 2,358 employees (31 December 2017: 2,345).

	As at 31 December 2018	As at 31 December 2017
Administration	**321**	335
Finance	**66**	62
Consulting Technology	**11**	12
Sale and Operation	**1,960**	1,936
Total	**2,358**	2,345

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 would 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.

The emoluments of the Directors are recommended by the remuneration committee of the Company, having regard to the Group's operating results, market competitiveness, individual performance and experience, to the Board for determination.

I. ABOUT THIS REPORT

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. Tianjin Binhai Teda Logistics (Group) Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group" or "We") stringently adhere to their environmental and social responsibilities.

The Group upholds the core value of "integrity, honour, responsibility, resources, efficiency, value, cooperation, innovation and ambition", places emphasis on talent cultivation, and requires its employees to possess good moral character, protect the environment and support public welfare activities. The principle of "corporate integrity, leader ethics, career development and staff support" is the foundation of our corporate culture. Under this principle, the Group sticks to the basic requirement of "integrity", abide by the laws and respect ethical business practices.

The Group is pleased to present Environmental, Social and Governance ("ESG") Report for FY2018 to demonstrate the Group's approach and performance in terms of ESG management and corporate sustainable development for the financial year ended on 31 December 2018. This ESG report is prepared in full compliance with the ESG Reporting Guide as set out in Appendix 20 of the GEM Listing Rules.

II. BOARD INCLUSIVENESS

The Group has developed its internal strategies and policies with aims to create sustainable values to its stakeholders, thereby minimising the Group's undue impact on the environment to a large extent. In order to carry out the Group's sustainability strategy from top to bottom, the board of directors of the Group (the "Board") has ultimate responsibilities for ensuring the effectiveness of the Group's ESG policies.

The Group has established dedicated teams to manage ESG issues within each business division of the Group and kept monitoring and overseeing the progress made against corporate goals and targets for addressing climate change. Dedicated teams with designated staff for management of ESG issues has been assigned to enforce and supervise the implementation of the relevant ESG policies cascading through the Group.

With the forward-looking guidance and well-designed plans of action to address underlying ESG matters, the management and responsible teams keep reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders on a regular basis. For instance, through the assignment of the responsibility of progress tracking to different management-level positions, the Group is committed to achieving an excellent performance in ESG management while also remaining competitive compared with its peers. Details of the Group's management approaches in both the environmental and social aspects are elaborated in different sections of this ESG report.

III. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG report covers the operational boundaries of the Group's business in Tianjin, the People's Republic of China.

For corporate governance section, please refer to the Group's 2018 Annual Report on pages 33 to 43 therein. The reporting period of this ESG report is for the financial year 2018 ("FY2018" or the "Reporting Period"), from 1 January 2018 to 31 December 2018. This report is prepared in both English and Chinese, and has been uploaded to the Group's website at http://www.tbtl.cn. If there is any conflict or inconsistency, the English version shall prevail.

IV. STAKEHOLDER ENGAGEMENT

An effective communication with both internal and external stakeholders is regarded essential to the Group in many areas.

With the goal to strengthen corporate sustainability approach and performance while enhancing stakeholders' awareness of ESG and sustainability issues, the Group has put tremendous efforts into its internal and external stakeholder inclusiveness. The Group highly values the feedback from its stakeholders and takes initiative to build a trustful and supporting relationship with them through their preferred communication channels, which are listed in the table below.

Table 1 Stakeholders Expectations and Communication Channels

Stakeholders	Expectations and concerns	Communication channels
Government and regulatory authorities	- Compliance with laws and regulations - Business sustainability - Proper tax payment	- Supervision on complying with local laws and regulations - Routine reports and tax paid
Shareholders	- Return on investments - Corporate governance - Business compliance	- Regular reports and announcements - Regular general meetings - Official company website
Employees	- Employees' compensation and benefits - Career development - Healthy and safe working environment	- Performance reviews - Regular meetings and trainings - Emails, notice boards, hotline, caring activities with management
Customers	- High quality products and services - Protect customers' rights	- Face-to-face meetings and on-site visits - Customer service hotline and email
Suppliers	- Fair and open procurement - Win-win cooperation	- Suppliers' satisfactory assessment - Face-to-face meetings and on-site visits
General public	- Involvement in communities - Business compliance - Environmental protection awareness	- Media conferences and responses to enquiries - Public welfare activities - Regular reports and announcements - Face-to-face interview

Materiality Assessment

In FY2018, the Group engaged its stakeholders to conduct a materiality assessment survey initiated by a third-party agency in order to guarantee the accuracy and objectivity of evaluation. Through a science-based materiality assessment to prioritise the topics from the entire list of ESG issues, the Group eventually formulated a materiality assessment matrix below, which could genuinely reflect the real concern of its stakeholders on ESG matters and facilitate the Group to develop actions plans for effective ESG management.

Materiality Matrix

IMPORTANCE TO THE STAKEHOLDERS		Not relevant	Crucial
	Crucial	Areas identified as relevant for disclosure: • Mitigation measures to protect natural resources • Employee development and training • Observing and protecting intellectual property rights • Energy use • Solid waste treatment • Use of other raw/packaging materials • Air and greenhouse gas emissions • Water use • Sewage treatment • Land use, pollution and restoration • Labelling relating to products/services • Health and safety relating to products/services • Preventing child and forced labour • Selection of suppliers and assessment of their products/services	Areas identified as critical for disclosure: • Protection of consumer information and privacy • Occupational health and safety • Quality control and management of product
	Not relevant	Areas identified as not relevant for disclosure: • Environmental protection assessment of the suppliers • Social risks assessment of the suppliers • Procurement practices • Understanding local communities' need • Public welfare and charity • Suppliers by geographical region	Areas identified as relevant for disclosure: • Preventing bribery, extortion, fraud and money laundering • Employee remuneration and benefits • Customers satisfaction • Anti-corruption policies and whistle-blowing procedure • Marketing and promotion • Composition of employees
		IMPORTANCE TO THE GROUP	

According to the outcome of the materiality analysis matrix, the Group identified three ESG issues that are of great significance to both the Group and its stakeholders from the inventory of 29 sustainability topics, namely "Protection of consumer information and privacy", "Occupational health and safety", and "Quality control and management of product". Besides these, the Group also engages stakeholders with the Sustainability Development Goals ("SDGs") to determine the future goals for Group ESG policy. The Group has identified "Target 2: Zero Hunger", "Target 3: Good Health and Well-Being for People" and "Target 13: Climate Action" as the most concerned goals for the sustainability development. This review and assessment helped the Group to objectively prioritise its sustainability issues, precisely identify the material and relevant aspects, and make for the purposeful documentation and disclosure of its ESG performance so as to align them with stakeholders' expectations.

Stakeholders Feedback

As the Group strives for excellence, the Group welcomes stakeholders' feedback, especially on topics listed as the highest importance in the materiality assessment and its ESG approach and performance. Readers are also welcome to share their views with the Group by e-mailing to investor@tbtl.cn.

V. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to the long-term sustainability of the environment and community in which it operates, stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in the People's Republic of China ("PRC") in the daily operation.

During the Reporting Period, the Group has established the environment management system and developed the environment management manual in accordance with the GB/T24001-2016/ ISO14001:2015 standard and the requirements of relevant laws, regulations and other requirements.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2018.

A.1. Emissions

Due to the nature of the Group's business, the emissions of the Group were mainly domestic wastewater, air emission from the use of vehicles and the solid wastes generated from the use of packaging material. The Group complied with all relevant environmental laws in the operating regions, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), and found no disregard of any influential laws relevant to air or greenhouse gas emissions, water or land discharging and hazardous or non-hazardous wastes.

In FY2018, the Group had no record of the amount of hazardous wastewater and solid wastes during the year under review. The Group's total emissions are summarised in Table 1.

Table 1 The Group's Total Emissions by Category in FY2018

Emissions		Unit	Amount	Intensity* (Unit/'000 m^2)
Air emissions	SO_2	kg	33.2	–
	NO_X	kg	131,669.6	149.2
	PM	kg	9,131.7	10.3
Greenhouse gas emissions	Scope 1 (Direct Emission)	tonnes CO_2e	5,673.9	6.8
	Scope 2 (Energy Indirect Emission)	tonnes CO_2e	8,326.7	9.4
	Total (Scope 1 & 2)	tonnes CO_2e	14,000.7	15.9
Non-hazardous solid waste	General Refuse Disposed to Landfill	tonnes	426.6	0.5
	Paper Disposed to Landfill	tonnes	0.03	–
	General Refuse Recycled	tonnes	210	0.2
	Paper Waste Recycled	tonnes	8.3	–
	Plastic Waste Recycled	tonnes	8.2	–
	Total	tonnes	653.1	0.7
Non-hazardous wastewater		M^3	35,284.4	40.0

* *Intensity is divided by the area of operating region in FY2018.*

Air and GHG Emissions

The air emissions discharged by the Group included warehousing air emissions and air emissions from the use of vehicles. The greenhouse gas ("GHG") emissions of the Group consisted of direct emissions from the use of vehicles (Scope 1) and indirect emissions from the consumption of electricity (Scope 2). The direct emissions and indirect emissions are the main sources of GHGs emissions while other indirect emissions are insignificant.

For direct emissions, the Group has encouraged customers to use railway instead of trucks for cargo transportation as railway has the least amount of carbon dioxide emission among road, water and air transportations. Apart from this, the Group's warehouses are equipped with detection devices to ensure all the emissions align with the environmental protection requirements. Standard energy consumption for different fleets were also established in accordance to the national policies for vehicle emission (China Standard IV) to monitor the environmental performance of fleets. 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 environmentally-friendly logistics supplier.

Refrigerator is also a big threat to the air emissions of the Group as the Group is engaged in warehouse business. The Group adopts liquid ammonia for refrigeration in the cold storage. We store the refrigerant properly in storage tanks, compressors, evaporative condensers and other refrigeration equipment, and purposely separate the refrigerating station from other zones, so as to reduce its leakage.

For indirect emissions, the Group has aligned its operating practice with internationally acceptable and recognised standards and recommendations in terms of GHGs reduction. Detailed measures taken by the Group to reduce its GHG emissions through reducing electricity consumption will be described further in **A.2. Use of Resources** of this report.

Non-hazardous Wastewater and Solid Waste

During the Reporting Period, the non-hazardous wastewater and solid waste generated by the Group were mainly municipal wastewater and municipal solid waste from daily operations. The Group has implemented a classification method for collection of solid waste to improve management. The non-recyclable solid wastes that have been classified will then be transported to a local recycling centre or waste disposal plant for further treatment.

The sewage discharged by us primarily came from domestic wastewater, sewage generated in warehousing activities, as well as rainfall. Rainfall pipeline is in place, 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 sewage which contains oil, which is transferred for professional treatment. Moreover, the Group engages a professional agency that is recognized by local environmental protection bureau to conduct sewage treatment regularly every year, mitigating the impact of sewage discharge on the environment.

As required by the warehousing business of the Group, the ammonia used in the cold storage has a designated water tank in case of accidents, the water tank is for storage of water that may contain ammonia from the pipes of the refrigerating station, thus avoiding leakage of liquid ammonia.

Noise

The noises generated from the businesses of the Group included machine noise, vehicle transportation and loading/unloading noises, as well as engineering construction noises, and so on.

In order to manage the noises, the Group has established internal policies and assigned dedicated personnel to carry out daily inspection of running equipment for finding out irregularities and repairing them promptly, thus avoiding the generation of noises.

We have therefore 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噪音污染防治法》) and other relevant national regulations, to reduce the impact of noises on the employees. For better management of noises, the Group has invited local environment monitoring institution to monitor the noise pollution annually according to the relevant national standards.

A.2. Use of Resources

The use of natural resources has always been the key issue for the Group's environmental concern. To effectively manage its resources consumption, the Group keeps improving its tracking of ESG related KPIs (Key Performance Indicators) and launches internal monitoring programme on the procurement and use of resources. In FY2018, the major resources consumed by the Group were electricity, water, paper, and diesel.

Table 2 The Group's Total Use of Resources by Category in FY2018

Use of Resources		Unit	Amount	Intensity* (Unit/'000 m^2)
Electricity		kWh	9,416,106.3	10,671.7
Diesel		L	1,757,474.8	1991.8
Gasoline		L	331,510.8	375.7
Natural gas		M^3	5040.0	5.7
Water		M^3	68,266	77.4
Packaging materials	By plastic	kg	4,440.0	5.0
	By paper	kg	3,510.0	4.0
	By wood	kg	19,685.0	22.3
Paper		kg	22,504.0	22.5

** Intensity is divided by the area of operating region in FY2018.*

Electricity

The Group's consumption of electricity came from the daily operation. To make sure that all subsidiaries and departments of the Group adhere to the electricity-saving principle, a detailed internal policy and guidelines have been formulated to guide all employees to promote sustainability. All subsidiaries of the Group must stringently comply with the Group's energy saving policy in FY2018.

During the Reporting Period, many eco-friendly measures were adopted by the Group to manage its electricity consumption, including but not limited to:

- Turning off vacant equipment, lighting and air conditioner;
- Clean office equipment such as refrigerator, air condition and shredder regularly to ensure their efficiency;
- Modify the set temperature of air conditioners in the offices based on the season; and
- Post banners with "Saving electricity, turn off the light when leaving" to encourage employees.

Also, as the refrigeration facilities contributed to most of the electricity consumption, the storage department has adjusted the operation time of such facilities, which significantly reduce electricity consumption. In FY2018, the Group has replaced 20% of the lights into energy-saving LED lights, saving a considerable amount of energy consumption.

Water

Water consumption by the Group is for domestic use by its staffs during working hours. In FY2018, the Group did not face any problems in sourcing water. To improve the utilization efficiency of water resources, the Group and all its employees have laid emphasis on water conservation and are dedicated to saving every drop of precious water resources by various efficacious ways. Specifically, to improve the utilisation efficiency of water resources, the Group requires employees to adhere to the water saving principles and posts banners in operating regions.

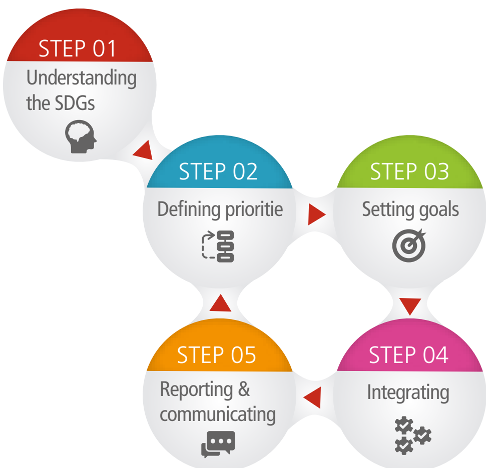
A.3. The Environment and Natural Resources

As a leading logistics group, we believe, in the logistics services operation, it is of vital 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 resources consumption and greenhouse gas emission.

As the one of the main natural resources consumed by the Group, paper has always been the cornerstone of the fulfilment of the Group's environmental responsibilities. In order to reduce the negative impacts that the life cycle of paper exerts on the environment, the Group realises that a highly efficient usage of paper such as double-sided printing and checking files before printing.

Sustainable Development Goals (SDGs) of United Nations defined the vision and priorities of global sustainability in 2030 and call on all enterprises to maximise their innovation capabilities for addressing the challenges of sustainability and to some degrees accomplishing the 17 sustainability goals together.

The Group is currently working on the establishment of sustainable development framework by environmental awareness building and SDGs evaluation under the context of industrial trend and business nature. Hence, the Group initially selected "Target 2: Zero Hunger", "Target 3: Good Health and Well-Being for People" and "Target 13: Climate Action", as its prioritised targets in the value chain management and proactively took corresponding measures to contribute to global sustainability.

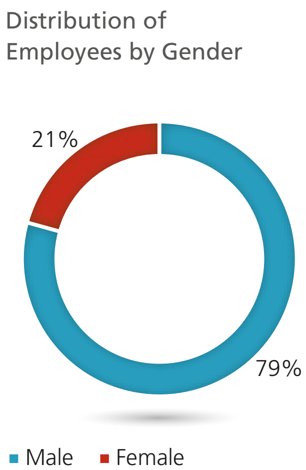


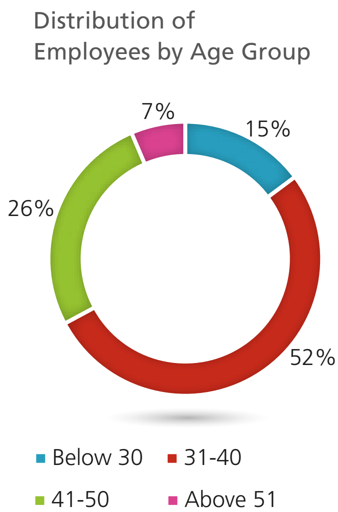
VI. SOCIAL SUSTAINABILITY

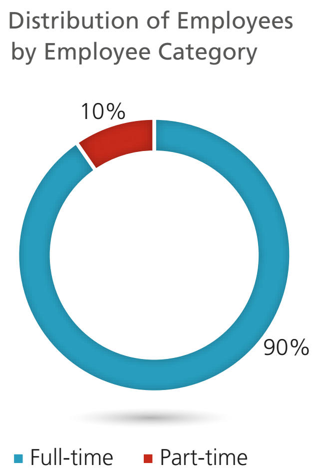
EMPLOYMENT AND LABOUR PRACTICES

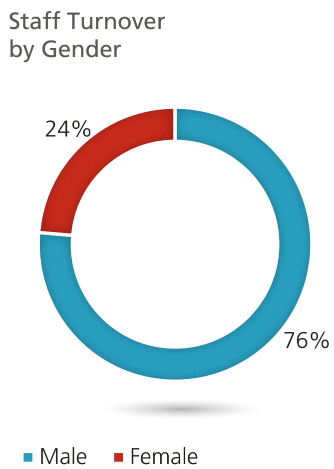
B.1. Employment

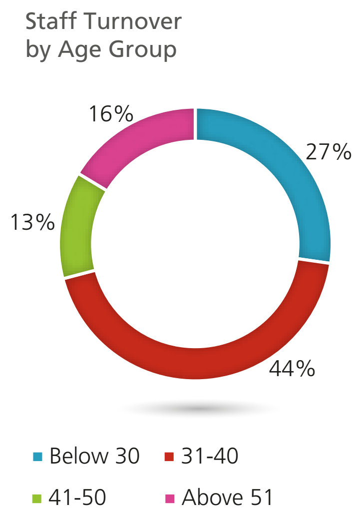
The Group views talents as its most valuable assets and the key driving factor in ensuring the success and sustainable development of the Group.











Law compliance

The Group's human resources policies fully align with the applicable employment laws and regulations in Hong Kong and the PRC, such as the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Law of the PRC (《中華人民共和國勞動法》), and Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). To make sure that the relevant internal policies are fully in line with the latest laws and regulations, the Group's human resources department reviews and updates corporate documents in talent management on a regular basis.

Recruitment and promotion

During the recruitment process, the Group strictly adheres to the principle of democracy, openness, impartiality and excellence, and values candidates' personal capability and innovative thinking.

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.

In order to attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits based on individuals' performance, personal attributes, job experiences and career aspiration. The Group believes that its continuous efforts will tremendously help attract the most suitable and outstanding personnel to join the Group.

Besides, the Group sets periodicity plans and budgets to run performance evaluation. When there is a vacancy, we will take proactive initiatives to promote our junior employees and cultivate them into management talents. We outline career development path for the junior staff, offering promotion and pay raise for outstanding employees who have served the Company for over three years.

Compensation and dismissal

The salary composition, in consistent with previous years, is divided into monthly fixed income, post salary, expense subsidy and monthly bonus. To motivate, reward, and recognize our existing employees who have made significant contributions to the Group, compensation reviews and salary adjustment are regularly conducted with reference to the overall market conditions, inflation rate, profitability of the Group and employees' past performance.

Meanwhile, any termination of employment contract would be strictly based on reasonable and lawful grounds. The Group prohibits any kinds of unlawful or unreasonable dismissals.

Working hours and rest period

The Group arranges reasonable working hours and rest periods for its employees. In addition to basic paid annual leave and statutory holidays stipulated by the local governments, employees are entitled to additional leave benefits such as marriage leave, paternity leave and compassionate leave.

Equal-opportunity and anti-discrimination

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions. We have developed the Guidance on Professional Conducts (《職業操守指引》) and prohibit employee from discriminating or insulting other staff. Training and promotion opportunities, dismissals and retirement policies are determined irrespective of employees' gender, race, age, disability, family status, marital status, sexual orientation, religion beliefs, nationality or any other non-job-related factors in all business units.

The Group's equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimization in accordance with the relevant government legislation, ordinances and regulations.

The human resources department is responsible for monitoring the implementation of the above regulations. Employees can report any discrimination and harassment during work. Also, the Group provides employees with fairness-related training, so that female employees are fully aware of their rights and interests and improve their self-protection awareness.

Other benefits and welfare

To cultivate employees' sense of belonging, the Group offers additional benefits to its employees including medical subsidy, physical examination, early leave on special holidays and so on. In FY2018, the Group hosted a series of corporate activities for its employees, and organised badminton sports games. Additional bonus and gifts are also given during traditional festivals. The Group considers these events as an essential part of its enterprise management, which could to help employees to relieve stress, and reflect the Group's corporate culture through reinforcing the spirit of solidarity and cohesion among employees.

During FY2018, the Group was in full compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2. Health and Safety

To provide and maintain a good working condition and a safe and healthy working environment, the Group's safety and health policies are in line with the workplace health and safety laws and regulations in Hong Kong and the PRC, namely the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), 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 Regulation on Work-Related Injury Insurance (《工傷保險條例》).

The Group has established a comprehensive mechanism and stringent safety and labour practice standards, namely Occupational Health Management System (《職業健康管理制度》), to ensure workplace to minimise the risk of accidents and enhance employees' health and safety awareness. 24-hour emergency hotline and published the Emergency Response Plan (《突發事件應急預案》), which cover a wide range of incidents and calamities, are also set to ensure the coordination among all departments when facing emergency.

We have established a internal health and safety management committee to ensure the occupational safety of employees. The internal health and safety management committee comprising the managers of various department is responsible for the prevention and control of occupational disease, managing work-related health issues, organising safety trainings and reporting to the director of the Group. Meanwhile, the Group obtained the OHSAS 18001 occupational health and safety management system certification and the ISO9001:2008 quality management system certification to ensure the safeness of operating region.

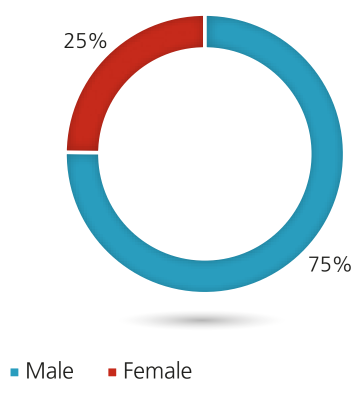
In addition, the Group prohibits smoking and drinking liquor in workplaces, carries out the air-conditioning systems cleaning and disinfection treatment of carpets, and conducts safety inspection regularly with an aim to protect employees from occupational hazards. The Group regularly inspects the fire protection facilities to ensure that the fire protection facilities are not damaged or expired and the fire exits are unblocked. The Group hosts emergency drill annually and set safety signs to enhance employees' safety awareness. The Group targets to achieve accident-free workplace environment. Regular occupational trainings are held by the Group to raise the safety awareness of employees.

During FY2018, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

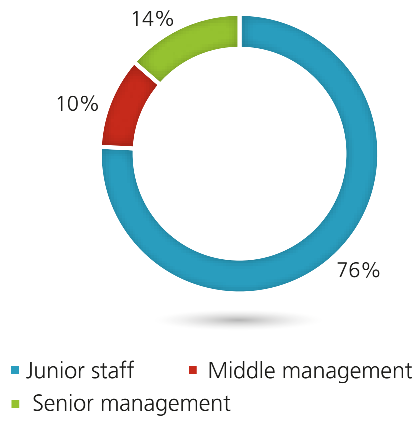
B.3. Development and Training

The Group actively provides training opportunities for employees. The Group believes that professional trainings are a fundamental step to foster the understanding of its business philosophy among employees and the cornerstone to ensure the service quality.

Total Training Hours
by Gender



Total Training Hours
by Employee Category



The Group provides comprehensive on-the-job training for newly hired employees to help them to understand the company's corporate culture, business processes, work health and safety measures, management systems and group development. For experienced employees, the Group also provides technical and operational trainings and functional related knowledge lectures. Except for traditional trainings, online trainings through mobile application are also available.

During FY2018, the Group arranged employees to attend external trainings, including secretarial training, financial management training, safety regulation training and licence training. Employees who have signed up for certification examinations may apply for a reimbursement upon the approval by the head of department.

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance, Labour Law of the PRC (《中華人民共和國勞動法》), Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child or forced labour employment.

To combat illegal employment on child labour, underage workers and forced labour, and to ensure that applicants are lawfully employable, all employees are required by the Group's human resources staff to provide valid identification document prior to the confirmation of employment. The human resources department is responsible for monitoring and ensuring compliance with the latest and relevant laws and regulations that prohibit child labour and forced labour. The Group has regular reviews on the human resources policies and the human resources department established reporting mechanism to monitor and ensure the compliance of all relevant laws and regulations.

During FY2018, the Group was not in violation of any relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

B.5. Supply Chain Management

As a socially responsible enterprise, it is critical and vital for the Group to maintain and manage a sustainable and reliable supply chain that makes minimal negative impacts on the environment and society. Each of the operating subsidiaries within the Group monitors the quality of its suppliers and ensures the supply chain practice on a strict and continuous basis.

When choosing suppliers, the Group has established the Supplier Conduct Code (《供應商行為準則》), requiring suppliers to abide to operate in an ethical manner, which includes fair treatment of employees, protection on environment, integrity. Social and environmental risks are also taken into consideration, such as operating license, product quality and environmental impact. The procurement department tracks potential supplier's product quality, experience, service quality, financial statement and operating stability for assessing suppliers.

We are dedicated to reducing the impact of supply chain on the environment and advocating green procurement. The Group refuses to use suppliers which cause environmental pollution and its tried to use environmentally-friendly products. In FY2018, the Group has meetings with suppliers to review if there is any significant environmental impact. Monitoring the environmental accidents and protection measures helps the Group to reduce and prevent pollution.

The Group has a qualified suppliers list and review the list annually through four main aspects, namely regulatory compliance, employee rights, health and safety and environmental protection. To reduce the social risk, the Group keeps close contact with suppliers to monitor the compliance of laws and regulations.

B.6. Product Responsibility

We have always been committed to becoming an expert in China's integrated logistics and supply chain, keeping abreast of market development needs, actively optimizing business layout, and innovating management service models. In FY2018, the Group found no disregard to the laws and regulations in the PRC relating to product/service quality, health and safety, advertisement, labelling and customer privacy.

Quality of service

Warehouse
Within the warehouse area, we have established a 24/7 security inspection system which aimed to ensure the safety and security of the goods. The Group also carries out special inspections on a seasonal basis.

The enhancement for the roof helps to prevent rainfall and snow leakage and protect the goods from sunlight exposure. Clean paths are kept at both ends of the goods racks to maintain smooth passage between the working area and the storage area, ensure the safe use of working trolleys and improve operation efficiency with the implementation of relevant management regulations.

In order to prevent goods from containing hazardous substances, at the time of storing the goods, we obtain written documents such as packing list and inspection report of the goods and carry out unpacking inspection as much as possible.

Logistics
As an integrated logistics service provider in China, we provide one stop integrated logistics services for the customers. We have strengthened the security of trains and vehicles to ensure safety of the drivers and goods and timely delivery.

Railway transportation
During the Reporting Period, we adopted a series of measures for improvement of rail safety. To ensure the safety of goods during transportation, we use video monitoring system to inspect the train's roof and use electric chain block to effectively prevent accidents that may occur due to manual operation of chain block. The Group also uses screw-thread steel to prevent skidding of the vehicle during snowy days in winter.

Vehicle 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 perform unscheduled maintenance every month and regular maintenance every quarter, so as to ensure that all vehicles are absolutely safe. We observe and analyse 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.

Cargo tracking

We have a cargo tracking system for clients to track their goods. By the use of the cargo tracking system, we are able to obtain instant information of cargo transport status with an aim to improve our logistics transportation services. Regarding automobile warehousing, we track the logistics status of the finished automobiles and components by using monitoring systems.

Complaints

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 and actively communicate with customers.

During the Reporting Period, the Group received no complaints about the service quality and the customer satisfaction was high according to the customer survey.

Advertising

Due to the special nature of our business, no public advertisement is conducted, yet many new customers have been referred to us by word-of-mouth, customers who are satisfied with our products and services share their experience with others around them.

Privacy matters

The Group complies with relevant laws and regulations to ensure that the rights and interests of customers are strictly protected. No information would be disclosed to a third party without permission from the customers. Information will only be used for the purposes that are already explained to the customers. Only specific staff can review the relevant information and data processing is guided by different departments. Through internal trainings and confidentiality contracts, the Group enforces the confidential obligation and consequences of data leakage.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, such as Law of the PRC on Anti-money Laundering (《中華人民共和國反洗錢法》).

The Group has no tolerance to any corruption and set whistle-blowing policy to report any corruption. Whistle-blowers can report verbally or in writing to the department or the senior management of the Group for any suspected misconduct with full details and supporting evidence. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation through security regimes.

During the Reporting Period, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

COMMUNITY

B.8. Community Investment

The Group understands the development is closely related to employees and local surroundings. Employees made contributions to the Group, hence deserve the share of Group's development with basic protection. The Group shows great condolence to employees. We always organise condolence visits to the hospital for sick employees and pays great attention on employees working under extreme weathers. Also, the Group ensures its operation has no impact on the surroundings and is responsible for environmental protection and safety near the operating regions. The Group actively monitors the emissions from contiguous companies to create a good environment to local residents and employees.

The Company believes that stringent corporate governance practices can 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, which was formulated in accordance with Rules 5.48 to 5.67 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 specific 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 adopted by the Company during the year.

THE BOARD

The Board comprises 9 Directors which includes 1 executive Director, 4 non-executive Directors and 4 independent non-executive Directors, among which, Yang Weihong is the Chairman and executive Director; Peng Bo, Tse, Theresa YY, Yang Xiaoping and Zheng Yuying are non-executive Directors; Cheng Xinsheng, Japhet Sebastian Law, Peng Zuowen 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 meetings, and to exercise the functions granted by the general meetings and the articles of association of the Company (the "Articles"). The major responsibilities of the Board include formulating the business plans and investment advices of the Company, convening general meetings and signing resolutions proposed at 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 operation 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 position 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 3 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 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 Year, the Board comprises 4 independent non-executive Directors, among 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 January 2019, the Company considered that each of the independent non-executive Directors has complied with all independence guidelines set out in Rule 5.09 of the GEM Listing Rules.

There is no family or material relationship among 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 be fully aware of his/her responsibilities and obligations as a Director. The Group provides briefings, 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 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 Directors			
Yang Weihong *(appointed on 11 May 2018)*	✓	✓	✓
Zhang Jian *(retired on 20 March 2018)*	✓	✓	✓
Zhang Wang *(re-designated from non-executive Director to executive Director on 20 March 2018, and resigned on 11 May 2018)*	✓	✓	✓
Non-executive Directors			
Cui Xuesong *(resigned on 9 July 2018)*	✓	✓	✓
Peng Bo *(appointed on 9 July 2018)*	✓	✓	✓
Tse, Theresa YY	✓	✓	✓
Yang Xiaoping	✓	✓	✓
Zheng Yuying *(appointed on 11 May 2018)*			
Independent Non-executive Directors			
Cheng Xinsheng	✓	✓	✓
Chia Pun Kok *(resigned on 15 June 2018)*	✓	✓	✓
Japhet Sebastian Law	✓	✓	✓
Peng Zuowen *(appointed on 12 November 2018)*	✓	✓	✓
Zhou Zisheng	✓	✓	✓

The Board held ten Board meetings in 2018 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/Number of meeting held during tenure (Attendance)				
Executive Directors					
Yang Weihong[Note 1] *(appointed on 11 May 2018)*	7/7(100%)	N/A	N/A	2/2(100%)	2/2(100%)
Zhang Jian[Note 2] *(retired on 20 March 2018)*	1/1(100%)	N/A	N/A	1/1(100%)	1/1(100%)
Zhang Wang[Note 3] *(re-designated from non-executive Director to executive Director on 20 March 2018, and resigned on 11 May 2018)*	3/3(100%)	N/A	N/A	1/1(100%)	1/2(50%)
Non-executive Directors					
Cui Xuesong[Note 4] *(resigned on 9 July 2018)*	6/7(86%)	N/A	N/A	N/A	0/3(0%)
Peng Bo[Note 5] *(appointed on 9 July 2018)*	3/3(100%)	N/A	N/A	N/A	1/1(100%)
Tse, Theresa YY[Note 6]	10/10(100%)	N/A	N/A	N/A	3/4(75%)
Yang Xiaoping[Note 7]	9/10(90%)	N/A	N/A	N/A	2/4(50%)
Zheng Yuying[Note 8] *(appointed on 11 May 2018)*	7/7(100%)	N/A	N/A	N/A	2/2(100%)
Independent Non-executive Directors					
Cheng Xinsheng	10/10(100%)	4/4(100%)	6/6(100%)	N/A	4/4(100%)
Chia Pun Kok[Note 9] *(resigned on 15 June 2018)*	5/6(83%)	N/A	4/4(100%)	3/3(100%)	2/2(100%)
Japhet Sebastian Law	10/10(100%)	4/4(100%)	6/6(100%)	4/4(100%)	4/4(100%)
Peng Zuowen[Note 10] *(appointed on 12 November 2018)*	2/2(100%)	N/A	1/1(100%)	0/0(0%)	0/0(0%)
Zhou Zisheng[Note 11]	9/10(90%)	3/4(75%)	N/A	N/A	4/4 (100%)

Notes:

1. Mr. Yang Weihong was appointed as an executive director at the 2017 annual general meeting held on 11 May 2018, and was appointed as the Chairman of the Board and the chairman of the nomination committee on the Board meeting held on 11 May 2018.

2. Mr. Zhang Jian retired from the position of executive Director and the chairman of the nomination committee upon the conclusion of the Board meeting held on 20 March 2018.

3. Mr. Zhang Wang was re-designated from non-executive Director to executive Director upon the conclusion of the Board meeting held on 20 March 2018, appointed as the Chairman of the Board and the chairman of the nomination committee upon the conclusion of the Board meeting held on 20 March 2018 and resigned the position of executive Director at the 2018 annual general meeting held on 11 May 2018. Mr. Zhang Wang appointed Mr. Zhang Jian to attend 1 extraordinary general meeting; the 1 attendance was not included in Mr. Zhang Wang's attendance. Mr. Zhang Wang did not attend the meeting in person due to his personal reasons, which is not in compliance with Code Provision A.6.7.

4. Mr. Cui Xuesong appointed Mr. Zhang Jian to attend 1 extraordinary general meeting, appointed Mr. Zhang Wang to attend 1 annual general meeting, appointed Mr. Yang Weihong to attend 1 extraordinary general meeting and appointed Mr. Zheng Yuying to attend 1 Board meeting; those 4 attendances were not included in Mr. Cui Xuesong's attendance. Mr. Cui Xuesong did not attend these meetings in person due to his personal reasons, which is not in compliance with Code Provision A.6.7. Mr. Cui Xuesong resigned the position of non-executive Director of the Company upon the conclusion of the extraordinary general meeting held on 9 July 2018.

5. Ms. Peng Bo was appointed as a non-executive Director upon the conclusion of the extraordinary general meeting held on 9 July 2018.

6. Miss Tse, Theresa YY appointed Mr. Zhang Jian to attend 1 extraordinary general meeting; the 1 attendance was not included in Miss Tse, Theresa YY's attendance. Miss Tse, Theresa YY did not attend the meeting in person due to her personal reasons, which is not in compliance with Code Provision A.6.7.

7. Mr. Yang Xiaoping appointed Mr. Zhang Jian to attend 1 extraordinary general meeting and 1 Board meeting and appointed Mr. Yang Weihong to attend 1 extraordinary general meeting; those 3 attendances were not included in Mr. Yang Xiaoping's attendance. Mr. Yang Xiaoping did not attend these meetings in person due to his personal reasons, which is not in compliance with Code Provision A.6.7.

8. Mr. Zheng Yuying was appointed as a non-executive Director upon the conclusion of the 2017 annual general meeting held on 11 May 2018.

9. Mr. Chia Pun Kok appointed Mr. Zhou Zisheng to attend 1 Board meeting; the 1 attendance was not included in Mr. Chia Pun Kok's attendance. Mr. Chia Pun Kok did not attend the meeting in person due to his personal reasons, which is not in compliance with Code Provision A.6.7. Mr. Chia Pun Kok resigned the position of independent non-executive Director of the Company and also resigned as a member of each of the remuneration committee and nomination committee on 15 June 2018 (please refer to the announcement of the Company dated 15 June 2018 for further details).

10. Mr. Peng Zuowen was appointed as an independent Director upon the conclusion of the extraordinary general meeting held on 12 November 2018 and was appointed as a member of each of the remuneration committee and nomination committee upon the conclusion of the Board meeting held on 12 November 2018.

11. Mr. Zhou Zisheng appointed Mr. Cheng Xinsheng to attend 1 Board meeting; the 1 attendance was not included in Mr. Zhou Zisheng's attendance. Mr. Zhou Zisheng did not attend the meeting in person due to his personal reasons, which is not in compliance with Code Provision 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.

Mr. Zhang Jian (being a former executive Director of the Company) retired as the Chairman and chief executive officer of the Company (the "General Manager") on 20 March 2018 as he had reached the age of 60. On the same day, the position of General Manager was assumed by Mr. Yang Weihong (who was appointed at the fourth meeting of the fourth session of the Board held on 20 March 2018) and the position of Chairman was assumed by Mr. Zhang Wang (then being an executive Director) (who was appointed at the fourth meeting of the fourth session of the Board held on 20 March 2018), details of which were set out in the announcement of the Company dated 20 March 2018.

As of 20 March 2018, Mr. Zhang Jian was both the Chairman and General Manager. The Board considered that the combination of the roles of Chairman and General Manager helps to effectively formulate and implement the Group's strategies as well as facilitate prompt response to the ever-changing markets.

From 20 March 2018 to 11 May 2018, the roles of Chairman and General Manager were assumed by Mr. Zhang Wang and Mr. Yang Weihong respectively, which complied with the Code Provision A.2.1.

On 25 April 2018, Mr. Zhang Wang tendered his letter of resignation to the Board due to his personal work and resigned as an executive Director and the Chairman, which was approved at the sixth (extraordinary) meeting of the fourth session of the Board of the Company held on 25 April 2018, with effect upon the conclusion of the Company's annual general meeting ("AGM") of 2017 convened on 11 May 2018, details of which were set out in the announcement of the Company dated 25 April 2018.

Having considered the need of the Company's business development, the Board is still of the opinion that the combination of the roles of Chairman and General Manager can effectively formulate and implement the strategies of the Group, and make appropriate decisions which are in the interest of the shareholders as a whole. Moreover, Mr. Yang Weihong has extensive experience in enterprise management and has been director of various companies responsible for the management issues. Therefore, the appointment of Mr. Yang Weihong as an executive Director was approved at the AGM and Mr. Yang Weihong was elected as the Chairman at the seventh meeting of the fourth session of the Board convened on the same day. From 11 May 2018 to the date of this report, the roles of Chairman and General Manager were assumed by Mr. Yang Weihong. The Board considers that, at this moment, it is not necessary to separate the roles of Chairman and General Manager. 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 Chairman and General Manager should be separated.

TERM OF OFFICE AND RE-ELECTION

The terms of office of the Directors (including independent non-executive Directors) are 3 years. All current Directors will hold office until the expiry of the fourth session of the Board. The Directors shall retire upon expiry of their terms of office and shall be eligible for 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 authorities and responsibilities of each committee clearly defined which have been published 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 2018 and recommended approval to the Board. In 2018, 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 2018, the Company complied with the requirements of Rule 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. Peng Zuowen (all being independent non-executive Directors). The remuneration committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors, supervisors of the Company (the "Supervisors") and senior management 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 2018, the remuneration committee held 6 meetings. For the year ended 31 December 2018, the Company has complied with the requirements of Rule 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. Yang Weihong being the chairman and Mr. Japhet Sebastian Law and Mr. Peng Zuowen being the members. A majority of the nomination committee members are independent non-executive Directors of the Company. In 2018, the nomination committee held 4 meetings in total and executed the provisions on the nomination of the Directors under the Articles and the policies, procedures and criteria of the Procedures for Shareholders to Propose a Person for Election as a Director.

The Board has adopted a nomination policy (the "Nomination Policy") on 26 March 2019, which sets out the selection criteria and procedure when considering candidates to be appointed or re-appointed as a Director (the "Directors"). The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorship:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Willingness to devote adequate time to discharge duties as a member of the Board;
- Board Diversity Policy and any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent directors in accordance with the GEM Listing Rules applicable to the Company and whether the candidates would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules;
- Other views that are appropriate to the Company's business or as suggested by the Board.

The procedure of nomination by the Nomination Committee is summarised as follows:

- The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board periodically and make recommendation on any proposed changes to the Board to complement the Company's corporate strategy;
- When it is necessary to fill a casual vacancy or appoint an additional director, the Nomination Committee identifies or selects candidates as recommended to the Committee, with or without assistance from external agencies or the Company, pursuant to the criteria set out above;
- If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);
- The Nomination Committee makes recommendation to the Board including the terms and conditions of the appointment;
- The Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee.

The procedure of re-appointment of Director at shareholders' general meeting is summarised as follows:–

- In accordance with the Articles, every director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election at the shareholders' general meeting;
- The Nomination Committee shall review the overall contribution and service to the Company of the retiring Director. The Nomination Committee shall also review the expertise and professional qualifications of the retiring Director, who offered himself/herself for re-appointment at the shareholders' general meeting, to determine whether such director continues to meet the criteria as set out above;
- Based on the review made by Nomination Committee, the Board shall make recommendations to shareholders on candidates standing for re-appointment at the shareholders' general meeting of the Company, and provide the available biographical information of the retiring Director in accordance with the GEM Listing Rules to enable shareholders to make the informed decision on the re-appointment of such candidates at shareholders' general meeting of the Company.

According to the Articles, shareholders who individually or in aggregate holding 5% or more of the total number voting shares issued by the Company may make a written proposal to the shareholders' general meeting to nominate the candidates for board of directors, but the number of the candidates shall comply with the Articles and shall not exceed the number of candidate to be selected.

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice.

BOARD DIVERSITY POLICY

In order to improve the efficiency of the Board and corporate governance, the Company recognises the diversification at the Board level as an important element in maintaining competitive advantage. The Board diversity policy of the Company is beneficial for enhancing the performance of the Company. According to the Board Diversity Policy of the Company ("Board Diversity Policy"), the selection of candidates for the Board will be based on a range of diversified categories, including but not limited to age, cultural and educational background, race, professional experience, skills and knowledge. All appointments to the Board shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board when considering the candidates.

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure its appropriateness and ascertain the progress made towards achieving those objectives. Current Board members have varied educational backgrounds and expertise, diverse perspectives and competencies in areas which are relevant and valuable to the Group, including accounting, strategic planning, business development and management.

LIABILITY INSURANCE FOR DIRECTORS AND SENIOR MANAGEMENT

The Company has arranged appropriate liability insurance coverage for the Directors and senior management since May 2018.

SUPERVISORY COMMITTEE

As of 31 December 2018, the supervisory committee of the Company (the "Supervisory Committee") comprised 6 members, of whom 3 are shareholder representative Supervisors, 1 is independent Supervisor 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 2018, 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 management 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 of 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 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 that 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) ("SFO") 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 2018, the Company has made announcements on inside information in accordance with the GEM Listing Rules and the applicable laws and regulations.

SHAREHOLDERS' RIGHTS

Procedures 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, provided that the motion shall reach the Company within ten 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% (included) 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 thirty days after having received the abovementioned 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.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "Dividend Policy"). The Company is endeavour to maintain sufficient operating capital to develop and operate the Group's business, and to provide stable and sustainable returns to its shareholders.

In deciding whether to recommend dividends and determining the amount of dividends, the Board will consider the performance, working capital, cash position of the Group and other factors that the Directors deem relevant at the time.

The declaration and payment of dividends of the Company are also subject to restrictions of the PRC Company Law and the Articles and any other applicable laws and regulations. The Board will also constantly review the Dividend Policy and reserve the discretion to update, revise, modify and/or cancel the Dividend Policy at any time. The Dividends Policy will not in any way constitute a legally binding commitment of the Group in relation to its future dividends and/or will not in any way render the Company obligated to declare dividends at any time or from time to time.

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 general 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 2018. Fees for audit service provided to the Group by the above-mentioned auditor for the year ended 31 December 2018 amounted to RMB1,760,000 and there was no non-audit service provided.

The Directors 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 International Financial Reporting Standards and the disclosure requirements of 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.

COMPANY SECRETARY

The Company engages an external service provider to provide secretarial service and has appointed Mr. Lo Tai On ("Mr. Lo") as company secretary. Mr. Lo has confirmed that for the Reporting Period, he has attended not less than 15 hours of relevant professional training, and will continue to perform and discharge the duties of a company secretary under the GEM Listing Rules.

CONSTITUTIONAL DOCUMENTS

According to the overall requirement by the Central Committee of the Communist Party of China on the incorporation of Party building work into the articles of association, the Company amended the Articles during the Year, and the relevant matters involved in relation to registration shall be changed altogether. Such amendments to the Articles were approved by the directors at the Board meeting held on 13 November 2017 and the shareholders of the Company at the extraordinary general meeting held on 15 January 2018.

The new Articles 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 4 general meetings were held in 2018. The Company convened an annual general meeting on 11 May 2018 to consider and approve the resolutions relating to Directors' Report for 2017 and Report of the Supervisory Committee for 2017. The chairman of the Board and the members of each committee attended the annual general meeting held in 2018, so as to answer questions raised by shareholders. In addition, chairman of the Independent Board Committee has attended the annual general meeting held in 2018 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 laid out provisions in respect of the rights of the shareholders including the rights to attend, to receive notices of, and to vote at 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 2018.

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 sections headed "Management Discussion and Analysis" and "Chairman's Statement". 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 is 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 11 to 15 of this annual report. The consolidated statement of comprehensive income is set out on page 67 of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2018 prepared in accordance with the International Financial Reporting Standards ("IFRSs") are set out on pages 67 to 71 of this annual report.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

As of 31 December 2018, profit attributable to the equity holders of the Company was approximately RMB4,759,000. The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (corresponding period of 2017: nil). The Board will consider dividend distribution in due course according to dividend policy.

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 2018 are set out in Note 22 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 22 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 14 to Note 16 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 the assets and liabilities 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 2018, the Company had no capitalised interest (2017: nil)

SHARE CAPITAL

During the Reporting Period, there was no change in the Company's share capital. Details are set out in Note 21 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 Directors	**Date of appointment**
Yang Weihong *(Chairman)*	11 May 2018
Zhang Jian *(Chairman) (retired on 20 March 2018)*	12 May 2017
Zhang Wang *(Chairman) (re-designated from non-executive Director to executive Director and Chairman on 20 March 2018, and resigned on 11 May 2018)*	20 March 2018
Non-executive Directors	
Cui Xuesong *(resigned on 9 July 2018)*	12 May 2017
Peng Bo	9 July 2018
Tse, Theresa YY	12 May 2017
Yang Xiaoping	12 May 2017
Zheng Yuying	11 May 2018
Zhang Wang *(re-designated from non-executive Director to executive Director on 20 March 2018, and resigned on 11 May 2018)*	12 May 2017
Independent Non-executive Directors	
Cheng Xinsheng	12 May 2017
Chia Pun Kok *(resigned on 15 June 2018)*	12 May 2017
Japhet Sebastian Law	12 May 2017
Peng Zuowen	12 November 2018
Zhou Zisheng	12 May 2017
Supervisors	
Xu Jianxin	12 May 2017
Han Wanjin	12 November 2018
Wang Rui *(resigned on 12 November 2018)*	12 May 2017
Wang Yonggan	12 May 2017
Wu Gang	12 May 2017
Fan Shuyu	12 May 2017
Wang Linlin	13 June 2017

CONFIRMATION OF INDEPENDENCE

The Company has received from each of its independent non-executive Directors the 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 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.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

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 2018 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 9 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 of 31 December 2018, 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 of 31 December 2018, 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 2018.

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 2018, 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%
Hong Kong 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 2018, 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 2018, 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 date of this report, 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)	32.8%
Tianjin Metallurgy Group Logistic Co., Ltd. (天津冶金集團物流有限公司)	15%
Tianjin Baocang Logistics Co., Ltd. (天津寶倉物流有限公司)	8.29%
Tianjin Baisen International Trade Co., Ltd. (天津百森國際貿易有限公司)	6.66%
Hebei Jizhong Tangneng Trade Co., Ltd. (河北冀中唐能貿易有限公司)	6.26%
Five largest customers in total	69.01%

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:

Hebei Logistics Group Energy Development Co., Ltd. (河北物流集團能源開發有限公司)	6.95%
Tangshan Fengnan Dongyu Commercial Trade Co., Ltd. (唐山市豐南區東煜商貿有限公司)	6.36%
Tangshan Wenfeng Shanchuan Wheel Hub Co., Ltd. (唐山文豐山川輪轂有限公司)	5.32%
Chengde JianLong Special Steel Co., Ltd. (承德建龍特殊鋼有限公司)	5.25%
Tianjin Guoji Dongtai Co., Ltd. (天津國機東泰有限公司)	5.18%
Five largest suppliers in total	29.06%

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 any 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 of 31 December 2018.

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

2. Tedahang is a non-wholly owned subsidiary of the Company. On 5 January 2017, Chia Tai Logistics Company Limited ("Chia Tai Logistics") held 40% of the equity interest in Tedahang and became a controlling shareholder of Tedahang. Therefore, the registered capital of Tedahang is owned as to 60% by the Company and 40% by Chia Tai Logistics. Chia Tai Logistics is a company wholly owned and controlled by Mr. Tse Ping, a connected person of the non-executive Director of the Company, Miss. Tse, Theresa YY. Therefore, Tedahang is a connected person of the Company under the GEM Listing Rules.

Details in relation to the connected transactions and continuing connected transactions for the year ended 31 December 2018 are as follows:

Continuing connected transactions

On 26 September 2016, Tianjin Fengtian Logistics entered into a logistics service agreement (the "Logistics Service Agreement") with Toyota Tsusho Corporation, pursuant to which Tianjin Fengtian Logistics agreed to provide logistics services and supply chain solutions for automobiles and car components to Toyota Tsusho Corporation, for a term of three years from 1 January 2017 to 31 December 2019. The Logistics Service Agreement and the transactions contemplated thereunder were in compliance with the requirements under Chapter 20 of the GEM Listing Rules, and were exempted from the circular, independent financial advice and the shareholders' approval requirements. For details, please refer to the Company's announcement dated 26 September 2016.

On 12 May 2017, the Company and Tedahang entered into the business cooperation framework agreement (the "Meat Sales and Purchase Agreement"), pursuant to which Tedahang would sell various frozen meat and provide related storage, logistics and logistics supporting services to the Company, for a term of three years from 1 January 2017 to 31 December 2019. The continuing connected transactions are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. For details, please refer to the Company's announcement dated 12 May 2017 and the Company's circular dated 6 July 2017 .

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

Description of transaction	Annual Cap for 2018 RMB'000	Actual Figure for 2018 RMB'000
Logistics Service Agreement	32,000	17,839
Meat Sale and Purchase Agreement	100,000	30,716

The independent non-executive Directors, Cheng Xinsheng, Japhet Sebastian Law and Zhou Zisheng, have reviewed the above continuing connected transactions and confirmed that they have 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 agreements 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 transactions disclosed by the Group on pages 52 to 53 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 36 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 GEM 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 2018, the Company and its subsidiaries were engaged in litigation or arbitration of material importance and litigation or claim of material importance was pending or threatened against the Company and its subsidiaries. Details are as follows:

Litigation in relation to suppliers and guarantors

1. On 30 May 2018, the case of contractual disputes between the Company (as the plaintiff), Leimeng (Tianjin) Enterprise Company Limited ("Leimeng (Tianjin)", the mobile phone materials provider of the Company), Tianjin Tongguang Group Digital Communication Co., Ltd.(天津通廣集團數位通信有限公司) (the customer of mobile phone materials of the Company and the guarantor), Tianjin Exhibition Rongtong Broadcom Technology Co., Ltd. (天津展融博通科技有限公司) (as the guarantor) (collectively the "Defendants") was accepted by the Second Intermediate People's Court of Tianjin. The Company required the Defendants to return the payment of approximately RMB146 million and interest to the Company. On 27 November 2018, the Second Intermediate People's Court of Tianjin issued a civil judgment to dismiss the Company's claims. The Company lodged an appeal with the Higher People's Court of Tianjin for second instance on 9 January 2019, and is pending notification of commencement of second instance proceedings from the court. Leimeng (Tianjin) has mortgaged the property which is located at UG 1/F and G 1-7/F, Yaxin Mansion, 35 Nanjing Road, Hexi District, Tianjin City (the "Mortgaged Property") to the Company. The Company will take further action regarding the Mortgaged Property according to the judgment and implementation. As the fair value of the mortgaged property as at the reporting date is sufficient to cover the amount of the Company's litigation claims, the Company will not make provision for impairment for the time being.

2. On 1 February 2018, the case of contractual disputes between the Company (as the plaintiff), Tianjin Tiangang United Special Steel Co., Ltd. (the steel supplier of the Company), Tianjin Tiangang Group Co., Ltd. (as the guarantor) (collectively the "Defendants") was accepted by the Second Intermediate People's Court of Tianjin. On 21 June 2018, the Second Intermediate People's Court of Tianjin issued a civil judgment, requiring the Defendants to return the payment and other expenses totalling approximately RMB54.29 million to the Company. As the above Defendants have now entered into reorganizing process, the Company has claimed its rights of debt of RMB54.29 million against the Defendants, and the total amount has been confirmed. On 31 January 2019, the Higher People's Court of Tianjin and the Second Intermediate People's Court of Tianjin ruled in favour of the approval of the reorganization plan, the judicial reorganization of Bogang Group Enterprises (渤鋼系企業), including the Defendants, formally entered into the implementation stage. The Company made provision for impairment according to the reorganizing plan, details of which are set out in note 19.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, 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 2018, 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 who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

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
Yang Weihong

Tianjin, the PRC, 26 March 2019

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, 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 2018, 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 and effective 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 2018, the Supervisory Committee considered that the members of the Board, the general manager and other senior management of the Company, during the course of business operation and management, 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. 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 was 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 2018, 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, fulfil 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, 26 March 2019

EXECUTIVE DIRECTOR

Mr. Yang Weihong (楊衛紅), aged 50, was appointed as the General Manager of the Company on 20 March 2018 and was appointed as the executive director and chairman of the Company on 11 May 2018. He graduated from the Department of Computing Mathematics and its Application Software of the Faculty of Mathematics of School of Law of Nankai University in July 1990 with a science bachelor degree, and graduated with a master's degree in public management from Renmin University of China in 2005 and graduated from Nankai University with a master's degree in law (civil law and business law) in 2008. He served as a staff at the planning department of Tianjin Dynamic Factory (天津動力機廠計劃處) from July 1990 to October 1992, a clerk at Tianjin Talent Exchange and Service Center (天津市人才交流服務中心) from October 1992 to June 1995, and worked at the Labor Personnel Bureau of Tianjin Economic and Technological Development Area from June 1995 to June 2002, where he held various positions including a clerk at the Employment Agency (職業介紹所), deputy director of the General Office (presiding), head of the Labor Protection Supervision Department (勞動保護監察科), head of the Special Equipment Inspection and Management Station (特種設備檢測管理站), head of the Social Security Division (社會保障科), etc. From 2002 to March 2018, he worked for TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), and held various positions including deputy manager of the Human Resources Department (presiding), the manager, director of the General Office and the head of the Party Committee office, etc. Currently, he serves as the Secretary of the Party General Branch, Chairman and General Manager of the Company, the director and a member of the appraisal and remuneration committee of the board of directors of TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), the director of He Guang Trade and Business Co., Ltd., and the chairman of Tedahang Cold Chain Logistics Co., Ltd., Tianjin Fengtian Logistics Co., Ltd., Tianjin Alps Teda Logistics Co., Ltd. and Dalian Alps Teda Logistics Co., Ltd. (all being member companies of the Group). He also acts as the director of Binhai Investment (Tianjin) Co., Ltd. (濱海投資(天津)有限公司) and Tianjin Teda Football Club Co., Ltd. (天津泰達 足球俱樂部有限公司), and the supervisor of Tianjin Teda Landscape Group Co., Ltd. (天津泰達綠化集團有限公司) and Tianjin Eco-city Teda Greening Works Management Co., Ltd. (天津生態城泰達綠化工程管理有限公司).

NON-EXECUTIVE DIRECTORS

Ms. Peng Bo (彭渤), aged 47, joined the Company as a non-executive Director in July 2018, International Certified Public Accountant, Tax Accountant and Intermediate Accountant. She graduated from Tianjin Tanggu Workers' University (天津塘沽職工大學) with major in financial accounting in 1998; in 2006, she graduated from Party School of the Central Committee of CPC (中共中央黨校) with major in economics and management. She served as the manager in the finance department of Tianjin Teda Gas Co., Ltd. (天津泰達燃氣有限責任公司) and the deputy head of assets and capital verification task force at TEDA Holding. She served as the director of Tianjin Teda Gas Co., Ltd. Currently, she serves as the manager in the asset management department of TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) and director of Tianjin Beacon Paint & Coatings Co., Ltd. (天津燈塔塗料有限 公司), Tianjin Teda Assets Operation Management Co., Ltd. (天津泰達資產運營管理有限公司), Tianjin Yixian International Co., Ltd. (天津逸仙科學工業園國際有限公司), Tianjin Jinbin Development Co., Ltd. (天津津濱發展股份有限公司) (Shenzhen Stock Exchange Stock code: 000897), Tianjin Teda Urban Rail Investment and Development Co., Ltd. and Tianjin Taifeng Industrial Park Investment (Group) Co., Ltd..

Miss Tse, Theresa YY (謝其潤), aged 26, joined the Company as a non-executive Director in May 2017. She holds a Bachelor's degree in Science from the Department of Economics of Wharton School at the University of Pennsylvania. She majored in finance and medical management at the school. She once worked with the investment, finance and corporate development departments of various companies. She has been an executive director, chairlady of the board of directors, chairlady of the executive board committee and nomination committee of Sino Biopharmaceutical Limited (Stock Code: 01177, Hong Kong Stock Exchange) since June 2015.

Mr. Yang Xiaoping (楊小平), aged 55, joined the Company as a non-executive Director in December 2012. He is currently the senior vice president of Charoen Pokphand Group (Charoen Pokphand Group), executive director and vice chairman of C.P. Lotus Corporation, chief executive officer of CT Bright Holdings Limited and the vice chairman of CT Bright Corporate Godo Kaisha (Japan) (日本正大光明企業合同會社), chairman of CPF Japan Co., Ltd. (CPF日本株式會社), non-executive director of Ping An Insurance (Group) Company of China, Ltd., non-executive director of CITIC Limited, non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited and non-executive director of Honma Golf Limited. 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, deputy dean of China Institute for Rural Studies, Tsinghua University, deputy dean of the Institute of Global Development of Tsinghua University, chairman of the Connected Transaction Committee under the Board of China Minsheng Investment Corp. Ltd, president of Beijing Association of Enterprises with Foreign Investment (北京市外商投資企業協會). 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.

Mr. Zheng Yuying (鄭宇嬰), aged 40, joined the Company as a non-executive Director in May 2018, a doctor and a senior economist, graduated from the School of Economics of Fudan University (復旦大學經濟學院) with a major in Finance. Mr. Zheng holds a Doctor's degree from the School of Economics of Fudan University, Master's degree from the School of Management and a Bachelor's degree of Engineering of Tongji University. Currently, he serves as 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 director of Tianjin TEDA Group and Tianjin Binhai Teda Aircraft Carrier Tourism Group Co., Ltd.. Mr. Zheng is an FRM certification holder and also the member of Global Association of Risk Professionals (GARP).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Xinsheng (程新生), aged 56, 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. 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 67, joined the Company 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, Hong Kong 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, Hong Kong Stock Exchange). Mr. Law is currently an independent nonexecutive 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. Peng Zuowen (彭作文), aged 41, joined the Company as an independent non-executive Director in November 2018, graduated in Information Management from Beijing Forestry University (北京林業大學) in July 2000. He is now the General Manager of Zhongke Dianji (Beijing) Technology Company Limited (中科點擊(北京)科技有限公司), the Chief Executive Officer and the Chief Product Officer of Guoxin Youe Data Company Limited (國信優易資料有限公司), the Secretary of Big Data Applications Specialty Association of China Software Industry Association (中國軟件協會大資料分會), the Specially-employed Expert of Beijing Forestry University Big Data Application Engineering Laboratory (中國傳媒大學網絡輿情專業) and the Guest Professor of Internet Public Sentiment of Communication University Of China. He had worked as the Deputy Director of the Information Center of China Flower and Gardening News (《中國花卉報》信息中心), a newspaper affiliated to the Economic Daily Newspaper Group (經濟日報報業集團). He is dedicated to the management and the practical application of big data in various industries; he is the author of the book "Big Data Industry Analysis" ("《大數據分行業大解析》") and the special guest interviewee to Lu Yiming, host of the CCTV China National Innovation Brand Project Program "Beyond" (CCTV中國國家創新品牌工程《超越》欄目). He was awarded with the title "China Outstanding Innovative Entrepreneur of the year 2017".

Mr. Zhou Zisheng (周自盛), aged 69, 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 Supervisors

Ms. Xu Jianxin (徐建新), aged 54, was the solicitor of Tianjin Teda Law Firm, the legal advisor of Tianjin Teda Investment Holding Co., Ltd. and 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. She was the supervisor of Tianjin Seamless Steel Pipe (Group) Corporation Limited (天津無縫鋼管集團有限公司), the supervisor of Tianjin Binhai Energy & Development Co., Ltd. (天津濱海能源發展股份有限公司), the head of the Legal Affairs and Internal Audit Department and the secretary to the board of directors of Tianjin Teda Investment Holding Co., Ltd, deputy secretary of the commission for discipline and director of discipline inspection office of Tianjin TEDA Investment Holding Co., Ltd.. She is now the deputy secretary to the discipline committee and the secretary to the disciplinary committee of audit centre of Tianjin TEDA Investment Holding Co., Ltd. and chairman of supervisory committee of Tianjin TEDA Co., Ltd.(stock code: 000652, Shenzhen Stock Exchange), director of Bohai Industrial Investment Fund Management Co., Ltd..

Mr. Han Wanjin (韓萬金), aged 53, joined the Company as a supervisor in November 2018, a postgraduate, senior economist. He was the office secretary and deputy director of Tianjin Harbour Second Stevedoring Company Limited, head of office department of Tianjin Port (Group) Company Limited, deputy director of the chairman's office of Tianjin Port Holdings Company Limited (Stock code: 600717, Shanghai Stock Exchange). He is currently a director at the Tianjin Representative Office of Tianjin Port Development Holdings Limited (Stock code: 03382, the Stock Exchange).

Mr. Wang Yonggan (王永干), aged 41, joined the Company as a supervisor in May 2017, is a certified public accountant registered in China and a tax accountant registered in China. He graduated from Dalian University of Technology with a Master's degree in Business Administration. He was the assistant director and deputy director of the finance department of Jiangsu Chia Tai Tian Qing Pharmaceutical Co., Ltd, finance manager and assistant finance director of Chia Tai Pharmaceutical Group, deputy general manager, general manager and director of Chia Tai Energy Materials (Dalian) Co., Ltd, general manager of the risk audit department of Chia Tai Pharmaceutical Group, executive deputy general manager of Tedahang Cold Chain Logistics Co., Ltd. Currently, he is executive deputy general manager and a director of Tedahang Cold Chain Logistics Co., Ltd..

Independent Supervisors

Mr. Wu Gang (巫鋼), aged 53, joined the Company as a supervisor in May 2017, graduated from Tianjin University of Technology and obtained a Doctor's degree from the Business School of Tianjin University of Finance and Economics. Mr. Wu has extensive experience in corporate management and capital market operations with involvement in listing and refinancing of various onshore and offshore companies. He was deputy director of the Office of Tianjin Li Da Group Co., Ltd, secretary of the board and deputy general manager of Tianjin Jinbin Development Co., Ltd. (SZSE: 000897), chairman of Tianjin Jinbin New Materials Co., Ltd., chairman and general manager of Tianjin Jinbin Yadu Real Estate Development Co., Ltd, chairman and general manager of Tianjin Jinbin Science and Technology Industrial Park Investment Co., Ltd, assistant general manager of Tsinlien Group and Tianjin Development Holdings Limited (Stock Code: 00882, Hong Kong Stock Exchange) and secretary of the board of Tianjin Tsinlien Investment Holdings Co., Ltd. Currently, he is a teacher at the Business School of Hainan Tropical Ocean University.

Staff Representative Supervisors

Ms. Fan Shuyu (范淑玉), aged 39, became a staff supervisor in May 2017, graduated from Tianjin University of Finance and Economics in 2001 and 2004 with a Bachelor of Science degree and a master's degree in management respectively. She joined Chia Tai Group in January 2004 and joined the Company in January 2013. She served as a deputy general manager of the Company's finance department and deputy general manager of internal audit of risk management department successively. She is now the deputy general manager of the Company's Office of the Board and responsible for internal auditing function of the Company.

Ms. Wang Linlin (王琳琳), aged 35, became a staff supervisor in June 2017. She graduated from the Zhongnan University of Economics and Law in 2007 with a bachelor's degree (major in law); she also obtained a bachelor's degree (major in psychology) from the Central China Normal University. Ms. Wang passed the National Judicial Exams of the People's Republic of China (the "PRC") in 2009, and joined the Company in 2010 as a specialist of the risk management department. She is now the legal supervisor of the President's Office.

SENIOR MANAGEMENT

Mr. Yang Weihong (楊衛紅), aged 50, the 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 Directors" above.

Mr. Li Yangqian (李仰乾), aged 52, 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). After joining the Group in May 2006, 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 Port Gangwan International Automobile Logistics Co., Ltd., 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.. He is currently the executive vice president of the Company and general manager of the headquarters of automobile logistics in charge of the headquarters of automobile logistics and asset management department. He is also the director of Tianjin Fengtian Logistics Co., Ltd. and Tianjin Tianxin Automobile Inspection Services Co., Ltd., vice chairman of Tianjin Port Gangwan International Automobile Logistics Co., Ltd., and chairman and general manager of Tianjin Yuan Da Xian Dai Logistics Co., Ltd. and TEDA General Bonded Warehouse Co., Ltd..

Mr. Tang Zhizhong (唐志忠), aged 49, 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 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 successively. 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..In May 2012, he joined the Company as the general manager of the comprehensive management department. From 2012 to 2017, he served as the vice president of the Company and the general manager of the comprehensive management department. He is currently the vice president of the Company, and the general manager of the headquarters of planning and development and security and technique department of the Company. He is also the director of Tianjin Alps Teda Logistics Co., Ltd. and Dalian Alps Teda Logistics Co., Ltd.

Mr. Yu Fukang (俞富康), aged 47, graduated from the Accounting Department of Tianjin University of Finance and Economics (天津財經學院會計專業) and is a senior accountant. He was finance manager of Tianjin Feiyan Garment Co., Ltd. (天津飛燕製衣有限公司) from 1997 to 2003 and manager of finance department of Tianjin Anzhong Electronics Co., Ltd. (天津安中電子有限公司) from 2003 to 2007. After joining the Group in 2007, he served as finance manager of Tianjin Yuan Da Xian Dai Logistics Co., Ltd., as well as accounting officer, deputy general manager of the finance department and assistant to president of the Company successively. He is currently the vice president of the Company and general manager of the headquarters of procurement and logistics in charge of finance department, the headquarters of procurement and logistics and procurement and logistics management department of the Company. He is also chairman of Tianjin TEDA International Freight Forwarding Co., Ltd., vice chairman of Tianjin Ferroalloy Exchange Co., Ltd., director of Tedahang Cold Chain Logistics Co., Ltd. and He Guang Trade and Business Co., Ltd. and supervisor of Tianjin Fengtian Logistics Co., Ltd..

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

TO THE SHAREHOLDERS OF
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 67 to 164, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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* section of our report. We are independent of the Group in accordance with the *HKICPA's Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 of Trade receivables Refer to note 2 and note 19 to the consolidated financial statements. As at 31 December 2018, the Group had gross trade receivables of approximately RMB664,063,000 (2017: RMB660,479,000) and provision for impairment of approximately RMB26,400,000. In general, the credit terms granted by the Group to the customers ranged between 90 to 180 days (2017: 90 to 180 days). Management applied judgement in assessing the expected credit losses ("ECL"). Trade receivables relating to customers with known financial difficulties or significant doubt on collection of trade receivables are assessed individually for provision for impairment allowance. ECL are also estimated by grouping the remaining trade receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its business and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the trade receivables. The ECL rates are determined based on historical credit losses experienced up to 3 years and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the trade receivables. We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to independent professional valuer's ECL assessment on trade receivables included: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis; • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2018 to the underlying financial records and post year-end settlements to bank receipts; • Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Assessing the appropriateness of the ECL provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to note 2 and note 16 to the consolidated financial statements.	
Management has estimated the fair value of the Group's investment properties to be approximately RMB306,700,000 as at 31 December 2018 (2017: RMB302,600,000), with net gain in fair value for the year ended 31 December 2018 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately RMB4,100,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including market selling price, market rental and plot ratio of land use right.	Our procedures in relation to management's valuation of investment properties included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our valuation experts; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence. We found the key assumptions were supported by the available evidence.

OTHER INFORMATION

The directors 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, 26 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000 (Restated)
Revenue	6	**2,613,904**	2,397,084
Cost of sales		**(2,480,110)**	(2,292,028)
Gross profit		**133,794**	105,056
Administrative expenses		**(49,039)**	(47,566)
Other gains – net	7	**14,721**	8,309
Gain on change in fair value of investment properties	16	**4,100**	16,400
Impairment loss of trade and other receivables		**(41,028)**	–
Operating profit		**62,548**	82,199
Finance costs	10	**(32,134)**	(17,631)
Share of profit of investments accounted for using the equity method	11b	**17,324**	17,934
Profit before income tax	8	**47,738**	82,502
Income tax expense	12	**(20,130)**	(19,751)
Profit for the year		**27,608**	62,751
Other Comprehensive Income			
Item that will not be reclassified subsequently to profit or loss:			
Equity instruments at fair value through other comprehensive income		**2,190**	–
Total comprehensive income for the year		**29,798**	62,751
Profit and total comprehensive income attributable to:			
Owners of the Company		**4,759**	41,532
Non-controlling interests		**25,039**	21,219
		29,798	62,751
Earnings per share (RMB cents)			
– Basic and diluted	13	**1**	12
Dividends	30	**–**	–

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
ASSETS				
Non-current assets				
Land use rights	14	**18,917**	19,448	19,979
Property, plant and equipment	15	**161,142**	169,845	183,492
Investment properties	16	**306,700**	302,600	286,200
Investments accounted for using the equity method	11b	**239,151**	249,228	253,794
Equity instruments at fair value through other comprehensive income	11d	**18,500**	–	–
Available-for-sale financial assets	11c	**–**	16,310	16,310
		744,410	757,431	759,775
Current assets				
Inventories	18	**1,533**	25,138	54,863
Trade and other receivables	19	**1,296,654**	1,296,687	1,375,227
Pledged bank deposits	20	**172,591**	165,337	144,423
Cash and cash equivalents	20	**387,273**	552,990	327,598
		1,858,051	2,040,152	1,902,111
Total assets		**2,602,461**	2,797,583	2,661,886
EQUITY AND LIABILITIES				
Equity attributable to owners of the company				
Share capital	21	**354,312**	354,312	354,312
Other reserves	22	**107,916**	100,662	97,564
Retained earnings	23	**494,849**	503,846	475,996
		957,077	958,820	927,872
Non-controlling interests		**108,859**	103,280	94,493
Total equity		**1,065,936**	1,062,100	1,022,365

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
LIABILITIES				
Non-current liabilities				
Deferred income	27	**5,177**	5,531	5,887
Obligations under finance lease	28	**7,304**	52,336	56,875
Deferred tax liabilities	29	**57,923**	56,899	52,798
		70,404	114,766	115,560
Current liabilities				
Trade and other payables	24	**708,353**	1,244,900	1,293,547
Contract liabilities	25	**202,042**	–	–
Current income tax liabilities		**6,072**	8,886	6,247
Borrowings	26	**504,520**	319,995	193,834
Obligations under finance lease	28	**45,134**	46,936	30,333
		1,466,121	1,620,717	1,523,961
Total liabilities		**1,536,525**	1,735,483	1,639,521
Total equity and liabilities		**2,602,461**	2,797,583	2,661,886
Net current assets		**391,930**	419,435	378,150
Total assets less current liabilities		**1,136,340**	1,176,866	1,137,925

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 March 2019 and were signed on its behalf by:

Yang Weihong
Director

Zheng Yuying
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 2018

	Attributable to owners of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	354,312	97,564	387,156	839,032	94,493	933,525
Change in accounting policy	–	–	88,840	88,840	–	88,840
Balance at 1 January 2017 (Restated)	354,312	97,564	475,996	927,872	94,493	1,022,365
Profit and total comprehensive income for the year	–	–	41,532	41,532	21,219	62,751
Transfer from retained earnings	–	3,098	(3,098)	–	–	–
Dividends paid	–	–	(10,584)	(10,584)	(12,432)	(23,016)
Balance at 31 December 2017 and 1 January 2018 (Restated)	**354,312**	**100,662**	**503,846**	**958,820**	**103,280**	**1,062,100**
Adjustment on initial application of IFRS 9	**–**	**–**	**(6,502)**	**(6,502)**	**–**	**(6,502)**
Restated balance at 1 January 2018	**354,312**	**100,662**	**497,344**	**952,318**	**103,280**	**1,055,598**
Profit for the year	**–**	**–**	**2,569**	**2,569**	**25,039**	**27,608**
Other comprehensive income for the year	**–**	**2,190**	**–**	**2,190**	**–**	**2,190**
Profit and total comprehensive income for the year	**–**	**2,190**	**2,569**	**4,759**	**25,039**	**29,798**
Transfer from retained earnings	**–**	**5,064**	**(5,064)**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**(19,460)**	**(19,460)**
Balance at 31 December 2018	**354,312**	**107,916**	**494,849**	**957,077**	**108,859**	**1,065,936**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**(256,874)**	140,275
Interest received		**13,570**	3,962
Interest paid		**(32,134)**	(17,631)
Income tax paid		**(21,920)**	(13,011)
Net cash (used in)/generated from operating activities		**(297,358)**	113,595
Cash flows from investing activities			
Decrease in pledged bank deposits		**(7,254)**	(20,914)
Purchase of property, plant and equipment		**(12,668)**	(5,589)
Proceeds from disposal of property, plant and equipment		**5,931**	591
Dividends received from investments accounted for the using equity method		**27,401**	22,500
Net cash generated from/(used in) investing activities		**13,410**	(3,412)
Cash flows from financing activities			
Proceeds from borrowings		**1,278,018**	352,321
Repayments of borrowings		**(1,093,493)**	(226,160)
Proceeds from loan arrangement		**–**	55,000
Repayment of obligations under finance lease		**(46,834)**	(42,936)
Dividends paid to owners of the Company		**–**	(10,584)
Dividends paid to non-controlling interests		**(19,460)**	(12,432)
Net cash generated from financing activities		**118,231**	115,209
Net (decrease)/increase in cash and cash equivalents		**(165,717)**	225,392
Cash and cash equivalents at 1 January		**552,990**	327,598
Cash and cash equivalents at 31 December		**387,273**	552,990

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

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 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 2018, the directors of the Company (the "Directors") 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.

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. 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 and investment properties that are measured 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 realisable value in IAS 2 or value in use in IAS 36.

2. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement *(Continued)*

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.

(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 Group's functional and presentation currency.

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

Application of new and revised IFRSs – effective on 1 January 2018

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the "new and revised IFRSs") issued by the International Financial Reporting Standards which are effective for the Group's financial year beginning from 1 January 2018. A summary of the new and revised IFRSs applied by the Group is set out as follows:

2. BASIS OF PREPARATION *(Continued)*

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

***Application of new and revised IFRSs – effective on 1 January 2018** (Continued)*

IAS 28 (Amendments)	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
IAS 40 (Amendments)	Transfers of Investment Property
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the Consolidated Financial Statements.

The above new IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impact on the consolidated financial statements

Impacts on opening consolidated statement of financial position arising from the application of all new standards. As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the individual line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (audited)	**IFRS 15**	**IFRS 9**	**1 January 2018 (Restated)**
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets				
Financial assets at FVTOCI	–	–	16,310	16,310
AFS financial assets	16,310	–	(16,310)	–
Current Assets				
Trade and other receivables	1,296,687	–	(6,502)	1,290,185
Current Liabilities				
Trade and other payables	1,244,900	(270,073)	–	974,827
Contract liabilities	–	270,073	–	270,073

2. BASIS OF PREPARATION *(Continued)*

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

Application of new and revised IFRSs – effective on 1 January 2018 *(Continued)*

IFRS 9 Financial instruments ("IFRS 9")

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).

Accounting policies resulting from application of IFRS 9 are disclosed in note to consolidated financial statement.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

2. BASIS OF PREPARATION *(Continued)*

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

Application of new and revised IFRSs – effective on 1 January 2018 *(Continued)*

Summary of effects arising from initial application of IFRS 9 *(Continued)*

(i) Classification and measurement

	Available for-sale ("AFS") financial assets	**Financial assets at fair value through other comprehensive income ("FVTOCI") required by IFRS 9**
	RMB'000	RMB'000
Closing balance at 31 December 2017 – IAS 39	16,310	
Effect arising from initial application of IFRS 9:		
Reclassification from available-for-sale financial assets (Note (a))	(16,310)	16,310
Opening balance at 1 January 2018	–	16,310

Note (a):

The Group elected to present in other comprehensive income for the fair value changes of all its unlisted equity investments previously classified as available-for-sale financial assets. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, available-for-sale financial assets of approximately RMB16,310,000 which is related to unquoted equity investments under IAS 39 were reclassified to financial assets designated at FVTOCI. There is no impact of transition to IFRS 9 on reserve at 1 January 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

2. BASIS OF PREPARATION *(Continued)*

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

Application of new and revised IFRSs – effective on 1 January 2018 *(Continued)*

Summary of effects arising from initial application of IFRS 9 *(Continued)*

(ii) Impairment under expected credit loss model ('ECL')

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

ECL for other financial assets at amortised cost, including bills receivables, deposit and other receivables, bank deposits and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

All loss allowances, including trade receivables, other financial assets at amortised cost, as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables RMB'000	Deposit and other receivable RMB'000	Prepayment to suppliers RMB'000
At 31 December 2017-IAS39	930	1,370	787
Written off for the year	(930)	(1,370)	(787)
Amounts re-measured through opening			
– retained profits	6,451	51	–
At 1 January 2018-IFRS9	6,451	51	–

The reserve movement as at 31 December 2017 reconciled to the opening balances as at 1 January 2018 are as follows:

	Retained earnings RMB'000
Balance as at 31 December 2017, as restated (after IAS 40 effect)	958,820
Increase in provision for	
– trade receivables	(6,451)
– deposit and other receivables	(51)
– prepayment to suppliers	–
At 1 January 2018, as restated	952,318

2. BASIS OF PREPARATION *(Continued)*

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

Application of new and revised IFRSs – effective on 1 January 2018 *(Continued)*

IFRS 15 Revenue from Contracts with Customers and the related amendments

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

- Provision of logistics services and supply chain management

- Sales of raw materials to customers and provision of related services of transportation management, storage, warehouse supervising and management

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in note to the audited consolidated financial statement.

2. BASIS OF PREPARATION *(Continued)*

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

Application of new and revised IFRSs – effective on 1 January 2018 *(Continued)*

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 1 January 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
	RMB'000	RMB'000 (Note)	RMB'000
Current Liabilities			
Trade and other payables	1,244,900	(270,073)	974,827
Contract liabilities		270,073	270,073

Note: As at 1 January 2018, receipts in advance from logistics and supply chain solutions services and trading of RMB270,073,000 previously included in trade and other payables were reclassified to contract liabilities.

Significant Financing Component

As permitted by practical expedient under IFRS 15, the Group need not adjust the promised amount of consideration for the effects of a significant financing component as the director expected that, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the Group's customer pays for that good or service will be one year or less.

2. BASIS OF PREPARATION *(Continued)*

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

Summary of effects arising from changed in accounting policy – IAS 40

The Company changed accounting policy for investment properties from cost model to fair value model. Management takes this view that this policy provides reliable information because it deals more accurately with investments properties to market value. Retrospective adjustments will be made at the earliest practicable date.

The table below illustrates the measurement of investment properties from cost model to fair value model with retrospective adjustment made on 1 January 2017 and 31 December 2017.

	Investment properties RMB'000	**Deferred tax liabilities** RMB'000	**Equity attributed to the owner of Company** RMB'000
Opening balances – as at 1 January 2017	70,564	–	387,156
Effect arising from changing investment properties from cost model to fair value model	215,636	52,798	88,840
Balance as at 1 January 2017 (Restated)	286,200	52,798	475,996
Effect arising from changing Investment properties from cost model to fair value model	16,400	4,101	27,850
Balances as at 31 December 2017 (Restated)	302,600	56,899	503,846

2. BASIS OF PREPARATION *(Continued)*

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

Summary of effects arising from changed in accounting policy – IAS 40 *(Continued)*

The table below illustrates the reclassification of land use rights to investment properties with retrospective adjustment made on 1 January 2017.

	Land use rights RMB'000
Opening balances – as at 1 January 2017	93,976
Less: Reclassification to investment properties	(73,997)
Balances as at 1 January 2017 (Restated)	19,979
Less: Amortisation during the year	(531)
Balance as at 31 December 2017 (Restated)	19,448

Significant Financing Component

The impact of the restatement of consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2017:

	As previously Reported RMB'000	**Increase/ (decrease) RMB'000**	**2017 As restated RMB'000**
Administrative expenses			
– Deprecation	21,999	**(4,444)**	17,555
– Amortisation	2,587	**(2,056)**	531
Gain on change in fair value of investment properties	–	**16,400**	16,400
Operating profit	59,299	**22,900**	82,199
Profit before income tax	59,602	**22,900**	82,502
Income tax expenses	15,651	**4,100**	19,751
Profit for the year	43,951	**18,800**	62,751
Profit and total comprehensive income attributable to:			
– Owners of the Company	22,732	**18,800**	41,532

	RMB	**RMB**	RMB
Earnings per share (cents)	6	**6**	12

2. BASIS OF PREPARATION *(Continued)*

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

Summary of effects arising from changed in accounting policy – IAS 40 *(Continued)*

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

Management applied judgement in assessing the expected credit losses ("ECL"). Trade receivables relating to customers with known financial difficulties or significant doubt on collection of trade receivables are assessed individually for provision for impairment allowance. ECL are also estimated by grouping the remaining trade receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its business and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the trade receivables. The ECL rates are determined based on historical credit losses experienced up to 3 years and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the trade receivables.

2. BASIS OF PREPARATION *(Continued)*

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

New and revised IFRSs that have been issued but are not yet effective

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

IAS 1 and IAS 8 (Amendments)	Definition of Material[3]
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
IAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures[1]
IFRS (Amendments)	Annual Improvements to IFRSs 2015-2017 Cycle[1]
IFRS 3 (Amendments)	Definition of a business[2]
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[4]
IFRIC – Int 23	Uncertainty over Income Tax Treatments[1]

1. Effective for annual periods beginning on or after 1 January 2019.
2. Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3. Effective for annual periods beginning on or after 1 January 2020.
4. Effective for annual periods beginning on or after 1 January 2021.
5. Effective for annual periods beginning on or after a date to be determined.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. BASIS OF PREPARATION *(Continued)*

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

New and revised IFRSs that have been issued but are not yet effective *(Continued)*

IFRS 16 Leases *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by IFRS 16.

At 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB3,420,000 as disclosed in note 34 to the financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the directors of the Company do not anticipate that the application of other new and revised IFRSs will have a material impact on the Group's financial performance and financial positions.

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.

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.

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

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

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.

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

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

(d) Foreign currencies *(Continued)*

- 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 measured at fair value gain and losses arising from changes in the fair value of investment property are included in profit or loss in the period which they arise.

An investment property is derecognised upon disposed or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period which the property is derecognised.

(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 instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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 at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

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

(h) Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

(h) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9) *(Continued)*

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other revenue and other income" line item.

Impairment of financial assets (upon application of IFRS 9)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, and other receivables. The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

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

(h) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9) *(Continued)*

Impairment of financial assets (upon application of IFRS 9) *(Continued)*

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(h) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9) *(Continued)*

Significant increase in credit risk *(Continued)*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

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

(h) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9) *(Continued)*

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

(h) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9) *(Continued)*

Measurement and recognition of ECL *(continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial asset FVTPL, 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 recognized and derecognised on a trade date basis. Regular way purchase 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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

(h) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) *(Continued)*

Financial assets at FVTPL *(continued)*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in the consolidated income statements excludes any dividend or interest earned on the financial assets and is included in the other revenue line item. Fair value is determined in the manner described in note 5 to the financial statements.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or financial assets at FVTPL.

AFS debt security that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

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

(h) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) *(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. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits paid, other receivables, loan receivables, time deposits and cash and bank balances) 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 (before application of IFRS 9 on 1 January 2018)

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 financial assets have been affected.

For all 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
- disappearance of an active market for that financial asset because of financial difficulties.

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 the average credit period of 90 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets 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 the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

(h) Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

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.

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. Changes in the carrying amount of the allowance account are recognised in the consolidated income statements. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the 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.

In respect of AFS debt security, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as financial liabilities or equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with 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 the Company are recognised at the proceeds received, net of direct issue costs.

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

(h) Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

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 expense is recognised on an effective interest basis.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including bank borrowings, promissory note, obligations under finance leases, trade payables, deposits received, accruals and other payables (excluding receipt in advance) and amounts due to non-controlling interests) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

(h) Financial instruments *(continued)*

Derecognition (continued)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss.

(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.

(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.

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

(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);

(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); and

(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.

Close family members of an individual are those family members who may be expected to influence, or he influence by, that person in their dealing with the entity.

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.

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

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

(ii) Deferred income tax (Continued)

Outside basis differences *(Continued)*

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.

(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 statement of profit or loss and other comprehensive income 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 statement of profit or loss and other comprehensive income on a straight-line basis over the expected lives of the related assets.

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

(s) Revenue and other income

Revenue from contracts with customers (upon application of IFRS 15)

Under IFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

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

(s) Revenue and other income *(continued)*

(i) Sale of goods

Revenue from the sale of raw materials is recognised when control of the products has transferred, being at the point the products are delivered to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from these sales is recognised based on the price specified in the contract, net of discounts, returns and value added taxes.

A receivable is recognised when the products are delivered and the customers accept the products, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

In the comparative period, revenue from sales of goods was recognised when the customer has accepted the related risks and rewards of ownership.

(ii) Sale 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) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For creditimpaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

In comparative period, 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.

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

(s) Revenue and other income *(continued)*

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised in profit or loss upon on a systematic basis over the useful life of the asset by way of reduced depreciation expense.

(v) Dividends income from equity instruments

Dividend income from unlisted equity investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed equity investments is recognised when the share price of the investment goes ex-dividend.

(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.

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.

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

(t) Leases *(continued)*

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.

4. FINFNCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's major financial assets and liabilities include trade and other receivables, bank balances and cash, trade and other payables, borrowings and obligations under finance lease. 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 Euro Dollars ("EUD"). 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 2018, 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 RMB1,315,000 (2017: RMB587,000) higher/lower.

4. FINFNCIAL 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 (2017: 100 basis points) higher/lower and all other variables were held constant, post-tax profit for the year will increase/decrease by about RMB4,950,000 (2017: RMB3,000,000).

(b) Credit risk

The credit risk of the Group mainly arises from bank balances and deposits, trade receivables, deposit and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2018.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss and general model provision for all trade receivables. To measure the expected credit losses by applied simplified approach, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. For the trade receivables due from state-owned enterprises, the Group assessed the expected loss rate by applying general model. The expected credit loss rate under general model was determined by referencing of the market credit rating data and the probability of default rate of Chinese government. It considers available reasonable and supportive forwarding-looking information.

As at 31 December 2018, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

4. FINFNCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(b) *Credit risk* *(Continued)*

Majority of the Group's revenue is received from individual customers in relation to logistics and supply chain service for finished automobiles and materials procurement and related logistic services and are transacted in cash or credit. The Group's trade receivables arise from logistics and supply chain service for finished automobiles and materials procurement and related logistic services. As at the end of the year, the top ten debtors approximately of 93% (2017: 89%) of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 to 180 days from the date of billing.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

4. FINFNCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(b) *Credit risk* *(Continued)*

(i) Provision of trade receivables

On that basis, the provision of trade receivables as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows:

31 December 2018	General model	Simplified approach No past due	Simplified approach More than 1 day but less than 1 year past due	Simplified approach More than 1 year but less than 2 years past due	Total
Expected credit loss rate	0.04%	0.20%	14.12%	31.39%	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount – Trade receivables	192,546	308,208	147,896	15,413	664,063
Provision	71	612	20,879	4,838	26,400

1 January 2018	General model	Simplified approach No past due	Simplified approach More than 1 day but less than 1 year past due	Simplified approach More than 1 year but less than 2 years past due	Total
Expected credit loss rate	0.04%	0.20%	13.89%	30.88%	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount – Trade receivables	214,508	405,793	40,178	–	660,479
Provision	78	793	5,580	–	6,451

4. FINFNCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(i) Provision of trade receivables *(Continued)*

The reconciliation of provision of trade receivables as at 31 December 2018 was as follows:

	RMB'000
As at 31 December 2017	930
Adjustment – initial application of IFRS 9	6,451
As at 1 January 2018	7,381
Provision for the year	19,949
Written off for the year	(930)
As at 31 December 2018	26,400

(ii) Provision of deposit and other receivables

Deposit and other receivables

The provision for deposit and other receivables as at 31 December 2017 reconciles to the opening provision on 1 January 2018 and to the closing provision as at 31 December 2018

	RMB'000
As at 31 December 2017	1,370
Adjustment – initial application of IFRS 9	51
As at 1 January 2018	1,421
Provision for the year	476
Written off for the year	(1,370)
As at 31 December 2018	527

4. FINFNCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(iii) Provision of prepayment

Prepayment

The provision for prepayment as at 31 December 2017 reconciles to the opening provision on 1 January 2018 and to the closing provision as at 31 December 2018

	RMB'000
As at 31 December 2017	**787**
Adjustment – initial application of IFRS 9	**–**
As at 1 January 2018	**787**
Provision for the year	**20,603**
Written off for the year	**(787)**
As at 31 December 2018	**20,603**

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

	Maximum exposure	
	2018	2017
	RMB'000	RMB'000
Credit risk exposure relating to off-balance sheet items		
– Financial guarantees	**45,576**	104,712
At 31 December	**45,576**	104,712

4. FINFNCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(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.

The Group

	Weighted average interest rate	Less than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
As at 31 December 2018							
Trade and other payables		255,343	381,938	68,246	–	705,527	705,527
Borrowings	5.228%	136,059	94,251	287,447	–	517,757	504,520
Obligations under finance lease	5.225%	13,343	13,241	26,202	54,905	107,691	52,438
Financial guarantees		–	–	11,394	34,182	45,576	–
		404,745	489,430	393,289	89,087	1,376,551	1,262,485

	Weighted average interest rate	Less than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
As at 31 December 2017							
Trade and other payables		521,319	381,938	68,246	–	971,503	971,503
Borrowings	4.721%	113,239	181,658	30,566	–	325,463	319,995
Obligations under finance lease	5.225%	13,413	13,313	26,349	55,231	108,306	99,272
Financial guarantees		5,995	20,051	26,275	52,391	104,712	–
		653,966	596,960	151,436	107,622	1,509,984	1,390,770

4. FINFNCIAL 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 of 52% (2017: 39%). There were no changes in the Group's approach to capital management during the year.

(d) Fair value of financial instrument

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 December 2018 and 2017.

4. FINFNCIAL RISK MANAGEMENT *(Continued)*

4.2 Capital risk management *(Continued)*

(d) Fair value of financial instrument *(Continued)*

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Equity instruments at fair value through other comprehensive income	–	–	18,500	18,500

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Key sources of estimation uncertainty

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

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

Critical accounting estimates and assumptions *(Continued)*

(a) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 19.

(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.

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

Critical accounting estimates and assumptions *(Continued)*

(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.

(f) *Valuation of certain financial assets*

The fair value of financial instruments that are not traded in an active market is determining using valuation techniques. The financial instruments are assessed by independent qualified valuer annually after taking into consideration all readily available information and current market environment.

(g) *Valuation of investment properties*

Investment properties are included in the statement of financial position at their fair value, which is assessed annually by independent qualified valuers, after taking into consideration all readily available information and current market environment. The methodology and assumptions adopted in the property valuation are mentioned in note 16.

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 2018				
	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	996,834	1,565,943	2,562,777	104,023	2,666,800
Inter-segment revenue	–	(12,419)	(12,419)	(40,477)	(52,896)
Revenue from external customers	996,834	1,553,524	2,550,358	63,546	2,613,904
Timing of revenue recognition					
At a point in time	996,834	1,553,524	2,550,358	63,546	2,613,904
Segment results	70,542	10,788	81,330	(25,425)	55,905
Share of results of investments accounted for using the equity method					17,324
Unallocated other income					13,570
Unallocated corporate expenses					(6,927)
Finance costs					(32,134)
Profit before income tax					47,738
Income tax expense					(20,130)
Profit for the year					27,608
Other information:					
Depreciation and amortisation	(8,771)	(340)	(9,111)	(11,050)	(20,161)
Income tax expense	(18,475)	(276)	(18,751)	(1,379)	(20,130)

All of the Group's revenue from contracts with customers is generated in the several locations based on where goods are sold. All revenue contracts are for period of one year or less, as permitted by practical expedient under IFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed.

6. SEGMENT INFORMATION *(Continued)*

	For the year ended 31 December 2017 (Restated)				
	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	997,918	1,348,408	2,346,326	63,498	2,409,824
Inter-segment revenue	–	(5,570)	(5,570)	(7,170)	(12,740)
Revenue from external customers	997,918	1,342,838	2,340,756	56,328	2,397,084
Segment results	55,949	(4,520)	51,429	30,938	82,367
Share of results of investments accounted for using the equity method					17,934
Unallocated other income					3,962
Unallocated corporate expenses					(4,130)
Finance costs					(17,631)
Profit before income tax					82,502
Income tax expense					(19,751)
Profit for the year					62,751
Other information:					
Depreciation and amortisation	(10,872)	(341)	(11,213)	(6,873)	(18,086)
Income tax expense	(15,568)	(4,032)	(19,600)	(151)	(19,751)

6. SEGMENT INFORMATION *(Continued)*

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 consolidated statement of profit or loss and other 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.

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 2018 and 2017.

Information about major customer

	2018 **RMB'000**	2017 RMB'000
Customer A	**875,262**	837,454
Customer B	**391,878**	291,602

7. OTHER GAIN – NET

	2018 **RMB'000**	2017 RMB'000
Government grant (note)	**125**	5,431
Interest income from bank deposits	**13,570**	3,962
Net foreign exchange gains/(loss)	**932**	(103)
Net loss on disposal of property, plant and equipment	**(253)**	(1,090)
Others	**347**	109
	14,721	8,309

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

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Auditors' remuneration	**1,760**	1,760
Cost of materials purchased	**1,546,845**	1,337,863
Subcontracting charges	**706,940**	705,158
Employee benefits expenses	**138,063**	144,272
Depreciation	**15,187**	17,555
Transportation	**9,198**	10,118
Fuel	**10,990**	10,385
Operating lease charges	**3,133**	3,016
Business tax	**8,731**	5,134
Amortisation	**531**	531
Others	**87,771**	103,802
Total cost of sales and administrative expenses	**2,529,149**	2,339,594

9. EMPLOYEE BENEFIT EXPENSE

	2018 **RMB'000**	2017 RMB'000
Wages and salaries	**91,475**	97,315
Employer's contribution to pension scheme	**43,597**	42,120
Others	**2,991**	4,837
Total employee benefit expense	**138,063**	144,272

(a) Directors' and chief executive's emoluments

	2018 **RMB'000**	2017 RMB'000
Director's fee	**589**	595
Other emoluments:		
– Salaries and allowances	**868**	994
– Performance related bonuses	**–**	–
– Retirement benefit scheme contributions	**–**	59
	1,457	1,648

9. 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 2018 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					
(retired on 20/3/2018) (Note d)	–	332	–	–	332
Yang Weihong (Note d)	–	536	–	–	536
Non-executive directors:					
Yang Xiaoping	50	–	–	–	50
Cui Xuesong (resigned on 9/1/2018)	26	–	–	–	26
Zhang Wang (note e)	18	–	–	–	18
Tse, Therese YY	50	–	–	–	50
Zheng Yu Ying (appointed on 11/5/2018)	32	–	–	–	32
Peng Bo (appointed on 9/7/2018)	24	–	–	–	24
Independent non-executive directors:					
Japhet Sebastian Law	150	–	–	–	150
Cheng Xinsheng	150	–	–	–	150
Zhou Zisheng	–	–	–	–	–
Chia Pun Kok					
(resigned on 15/6/2018)	69	–	–	–	69
Peng Zuowen (appointed on 12/11/2018)	20	–	–	–	20
	589	868	–	–	1,457

9. 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 2017 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					
(retired on 20/3/2018) (Note d)	–	994	–	59	1,053
Non-executive directors:					
Tse Ping					
(resigned on 12/5/2017)	18	–	–	–	18
Yang Xiaoping	50	–	–	–	50
Cui Xuesong	50	–	–	–	50
Zhang Wang					
(appointed on 11/11/2016) (Note e)	50	–	–	–	50
Tse, Theresa YY					
(appointed on 12/5/2017)	32	–	–	–	32
Independent non-executive directors:					
Japhet Sebastian Law	150	–	–	–	150
Cheng Xinsheng	150	–	–	–	150
Zhou Zisheng	–	–	–	–	–
Chia Pun Kok					
(appointed on 12/5/2017)	95	–	–	–	95
	595	994	–	59	1,648

9. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 include one (2017: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2017: four) individuals during the year ended 31 December 2018 are as follows:

	2018 **RMB'000**	2017 RMB'000
Employees		
– salaries and allowances	**3,126**	2,871
– performance related bonus	**–**	–
– retirement benefit scheme contribution	**–**	122
	3,126	2,993

(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 2018.

(d) Zhang Jian was the chief executive and also the executive director of the Company during the year ended 31 December 2017. He had retired on 20 March 2018.

Yang Weihong was chief executive and also the executive director of the Company during the year ended 31 December 2018. He had been appointed as chief executive on 20 March 2018 and as executive director and chairman on 11 May 2018.

(e) Zhang Wang is re-designated from non-executive director to executive director and Chairman on 20 March 2018 and resigned on 11 May 2018.

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

	Number of individuals	
	2018	2017
Emolument bands		
Approximately HK$380,000 – HK$1,000,000	**3**	4
Approximately HK$1,000,001 – HK2,000,000	**1**	–

10. FINANCE COSTS

	2018 **RMB'000**	2017 RMB'000
Interest on borrowings wholly repayable within five years	**25,897**	9,527
Interest on finance lease	**6,237**	8,104
	32,134	17,631

11a. INVESTMENTS IN SUBSIDIARIES

(a) Subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2018:

Name of Company	Place of Incorporation and operation 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%

11a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(b) Material non-controlling interests

The total non-controlling interest as at 31 December 2018 is approximately RMB108,859,000 (2017: RMB103,280,000) of which approximately RMB109,309,000 (2017: RMB102,534,000) 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

	2018	2017
	RMB'000	RMB'000
Current		
Assets	**334,134**	379,206
Liabilities	**(172,694)**	(234,869)
Net current assets	**161,440**	144,337
Non-current assets	**66,288**	69,276
Net assets	**227,728**	213,613

11a. 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

	2018 RMB'000	2017 RMB'000
Revenue	**978,249**	991,312
Profit before income tax	**73,133**	60,658
Income tax expense	**(18,475)**	(15,568)
Profit and total comprehensive income for the year	**54,658**	45,090
Total comprehensive income allocated to non-controlling interests	**26,236**	21,643
Dividends paid to non-controlling interests	**19,460**	12,432

Summarised statement of cash flows

	2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
Cash generated from operations	**19,905**	207,424
Income tax paid	**(21,067)**	(14,364)
Net cash (used in)/generated from operating activities	**(1,162)**	193,060
Net cash used in investing activities	**(5,783)**	(2,358)
Net cash used in financing activities	**(40,542)**	(25,900)
Net increase in cash and cash equivalents	**(47,487)**	164,802
Cash and cash equivalents at beginning of year	**265,915**	101,113
Cash and cash equivalents at end of year	**218,428**	265,915

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

11b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

The Group	2018 RMB'000	2017 RMB'000
Associates	**37,569**	35,923
Joint ventures	**201,582**	213,305
At 31 December	**239,151**	249,228

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

	2018 RMB'000	2017 RMB'000
Associates	**10,047**	7,661
Joint ventures	**7,277**	10,273
For the year ended 31 December	**17,324**	17,934

(a) Investment in associates

	2018 RMB'000	2017 RMB'000
At 1 January	**35,923**	29,162
Share of results of associates	**10,047**	7,661
Dividends received	**(8,401)**	(900)
At 31 December	**37,569**	35,923

11b. 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 2018, 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 2018

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.

11b. 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	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Cash and cash equivalents	**85,743**	66,442	**13,138**	24,889
Other current assets	**1,082**	1,082	**587**	547
Total current assets	**86,825**	67,524	**13,725**	25,436
Current liabilities	**(5,895)**	(6,139)	**(8,514)**	(1,473)
Total current net assets	**80,930**	61,385	**5,211**	23,963
Non-current assets	**3,627**	3,659	**7,277**	9,053
Net assets	**84,557**	65,044	**12,488**	33,016

Summarised statement of profit or loss and other comprehensive income

	Gangwan Automobile		Tianxin	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**85,248**	83,007	**24,385**	25,303
Depreciation and amortisation	**(614)**	(793)	**(1,416)**	(1,079)
Interest income	**1,033**	740	**82**	82
Profit before income tax	**26,130**	17,880	**9,878**	10,381
Income tax expense	**(6,617)**	(4,567)	**(2,404)**	(2,595)
Profit and total comprehensive income for the year	**19,513**	13,313	**7,474**	7,786
Dividends received from associates	**–**	–	**8,401**	900

11b. 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	
	2018 **RMB'000**	2017 RMB'000	**2018** **RMB'000**	2017 RMB'000
Opening net assets at 1 January	**65,044**	51,731	**33,016**	28,230
Profit and total comprehensive income for the year	**19,513**	13,313	**7,474**	7,786
Dividend	**–**	–	**(28,002)**	(3,000)
Closing net assets at 31 December	**84,557**	65,044	**12,488**	33,016
Interest in associates	**33,823**	26,018	**3,746**	9,905

(b) Investment in joint ventures

	2018 **RMB'000**	2017 RMB'000
At 1 January	**213,305**	224,632
Share of profits of joint ventures	**7,277**	10,273
Dividend received	**(19,000)**	(21,600)
At 31 December	**201,582**	213,305

11b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(Continued)

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

Nature of investment in joint ventures as at 31 December 2018

Name of company	Registered capital	Place of business/ country of incorporation	% of ownership interest	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.

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.

11b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

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

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	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Current						
Cash and cash equivalents	**2,865**	5,045	**170,430**	187,142	**44,197**	39,986
Other current assets	**16,624**	53,626	**104,814**	94,436	**84,710**	78,899
Total current assets	**19,489**	58,671	**275,244**	281,578	**128,907**	118,885
Borrowings	**(11,394)**	(52,322)	**–**	–	**(4,118)**	(3,921)
Other current liabilities	**(166,442)**	(140,535)	**(55,582)**	(63,344)	**(59,436)**	(52,373)
Total current liabilities	**(177,836)**	(192,857)	**(55,582)**	(63,344)	**(63,554)**	(56,294)
Net current (liabilities)/assets	**(158,347)**	(134,186)	**219,662**	218,234	**65,353**	62,591
Non-current						
Total non-current assets	**294,563**	305,857	**33,451**	32,698	**8,575**	9,391
Borrowings	**(40,996)**	(52,390)	**(1,049)**	(454)	**–**	–
Other non-current liabilities	**(13,145)**	(14,724)	**–**	–	**–**	–
Total non-current liabilities	**(54,141)**	(67,114)	**(1,049)**	(454)	**–**	–
Net non-current assets	**240,422**	238,743	**32,402**	32,244	**8,575**	9,391
Net assets	**82,075**	104,557	**252,064**	250,478	**73,928**	71,982

11b. 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	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Revenue	**118,591**	86,882	**497,981**	531,697	**253,405**	269,140
Depreciation and amortisation	**(13,921)**	(15,273)	**(2,204)**	(5,357)	**(1,254)**	(1,423)
Interest income	**67**	72	**1,049**	710	**–**	–
Interest expense	**(10,563)**	(9,686)	**–**	–	**(65)**	(116)
(Loss)/profit before income tax	**(22,482)**	(16,217)	**45,153**	45,857	**11,468**	7,737
Income tax expense	**–**	–	**(11,567)**	(11,529)	**(3,522)**	(2,058)
(Loss)/profit and total comprehensive (loss)/income for the year	**(22,482)**	(16,217)	**33,586**	34,328	**7,946**	5,679
Dividends received from joint ventures	**–**	–	**16,000**	19,500	**3,000**	2,100

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:

11b. 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	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
At 1 January	**104,557**	120,774	**250,478**	255,150	**71,982**	70,503
(Loss)/profit for the year	**(22,482)**	(16,217)	**33,586**	34,328	**7,946**	5,679
Dividend	**–**	–	**(32,000)**	(39,000)	**(6,000)**	(4,200)
At 31 December	**82,075**	104,557	**252,064**	250,478	**73,928**	71,982
Interest in joint ventures	**49,245**	62,734	**126,032**	125,239	**36,964**	35,991
Fair value adjustments on land use rights,property, plant and equipment	**(10,659)**	(10,659)	**–**	–	**–**	–
Carrying value	**38,586**	52,075	**126,032**	125,239	**36,964**	35,991

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

11c. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 RMB'000	2017 RMB'000
Non-current		
Unlisted equity investment at cost (note)	**–**	16,310

Note:

As at 31 December 2017, the unlisted equity investment was stated at cost less impairment. At the initial application of IFRS 9 on 1 January 2018, available-for-sale financial assets are reclassified as financial assets at fair value through OCI and available-for-sale financial assets are no longer exist.

11d. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Non- current assets		
Unlisted equity investment (Note (a))	**18,500**	–
Total	**18,500**	–

Note:

(a) Upon application of IFRS 9 on 1 January 2018, the unlisted equity investment are reclassified from AFS financial assets. As at 1 January 2018 and 31 December 2018, the fair value of the unlisted equity investment is arrived on the basis of a valuation carried out by an independent professional.

12. INCOME TAX EXPENSE

Taxation in the Consolidated Statement of profit or loss and other comprehensive income as below:

	2018	2017
	RMB'000	RMB'000
		(Restated)
Deferred tax:	**1,025**	4,100
Current tax: PRC Enterprise Income Tax		
Provision for the year	**18,937**	15,456
Under-provision in prior years	**168**	195
	20,130	19,751

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

The Group is subjected to Hong Kong Profits Tax at a rate of 16.5% for the year ended 31 December 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

12. INCOME TAX EXPENSE *(Continued)*

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

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:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Profit before income tax	**47,738**	82,502
Tax at the official income tax rate of 25% and 16.5% (2017: 25% and 16.5%)	**11,446**	20,741
Tax effect of:		
– Associates' and joint ventures' results reported, net of tax	**(4,331)**	(4,484)
– Expenses and income not deductible or taxable for taxation purpose	**8,210**	(4,878)
– Tax effect of tax losses not recognised	**3,612**	4,077
– Unrecognised temporary differences	**1,025**	4,100
– Under-provision in respect of prior years	**168**	195
Income tax expense	**20,130**	19,751

13. 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.

	2018	2017
	RMB'000	RMB'000
		(Restated)
Earnings		
Profit attributable to owners of the Company	**4,759**	41,532
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 2018 and 2017, 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 2018 and 2017.

14. 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:

	31 December	
	2018	2017
	RMB'000	RMB'000
		(Restated)
At beginning of the year	**19,448**	19,979
Amortisation charge for the year	**(531)**	(531)
At the end of the year	**18,917**	19,448

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 2018, the land use rights have remaining lease periods ranging from 28 to 39 years (2017: 29 to 40 years).

15. 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
The Group						
Cost						
At 1 January 2017	221,458	32,347	26,485	69,125	–	349,415
Additions	2,572	132	1,346	298	1,241	5,589
Disposals	(74)	(5,127)	(868)	(10,766)	–	(16,835)
At 31 December 2017 and 1 January 2018	223,956	27,352	26,963	58,657	1,241	338,169
Additions	3,853	35	2,329	1,840	4,611	12,668
Disposals	(206)	(2,752)	(2,088)	(3,880)	(4,995)	(13,921)
At 31 December 2018	227,603	24,635	27,204	56,617	857	336,916
Accumulated depreciation						
At 1 January 2017	73,936	24,898	20,226	46,863	–	165,923
Charge for the year	9,805	1,223	982	5,545	–	17,555
Disposals	(28)	(4,620)	(804)	(9,702)	–	(15,154)
At 31 December 2017 and 1 January 2018	83,713	21,501	20,404	42,706	–	168,324
Charge for the year	9,622	633	1,328	3,604	–	15,187
Disposals	(69)	(2,477)	(1,872)	(3,319)	–	(7,737)
At 31 December 2018	93,266	19,657	19,860	42,991	–	175,774
Net book values						
At 31 December 2018	134,337	4,978	7,344	13,626	857	161,142
At 31 December 2017	140,243	5,851	6,559	15,951	1,241	169,845

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

Note:

During the year ended 31 December 2018, depreciation expense of approximately RMB15,000,000 (2017: RMB15,000,000) has been charged in 'Cost of sales' and approximately RMB Nil (2017: RMB3,000,000) in 'administrative expenses'.

As at 31 December 2018, the Group has leased buildings under finance leases with net book value of approximately RMB86,008,000 (2017: RMB89,781,000), machinery under finance leases with net book value of approximately RMB1,368,000 (2017: RMB1,582,000), furniture and office equipment under finance leases with net book value of approximately 1,186,000 (2017: RMB1,268,000) and motor vehicles under finance leases with net book value of approximately 3,632,000 (2017: RMB4,027,000).

16. INVESTMENT PROPERTIES

	As at 31 December		As at
	2018	2017	1 January 2017
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Balance at beginning of year	**302,600**	286,200	75,010
Net gain arising from change in fair value of investment properties	**4,100**	16,400	211,190
Balance at end of year	**306,700**	302,600	286,200

Fair value

As at 31 December 2018, the Group had no unprovided contractual obligations for future repairs and maintenance (2017: 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 2018 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 2018, the Group has lease investment properties under finance leases with net book value of approximately RMB9,056,000 (2017: RMB9,521,000).

16. INVESTMENT PROPERTIES *(Continued)*

Fair value *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 and 2017 are as follows:

	Fair value of investment properties 2018 RMB'000	2017 RMB'000	Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties in PRC	**306,700**	302,600	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 RMB1.9 sq. m. per day (2017: RMB0.2 sq. m. to RMB1.8 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 9.5% (2017: 9.0%).	Assuming that the market value stand, the increase in the reversionary yield would result in a decrease in fair value.

17. FINANCIAL INSTRUMENTS

By Category

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets measured at amortised cost:		
– Trade and other receivables, excluding prepayment to suppliers	**807,797**	829,271
– Pledged bank deposits	**172,591**	165,337
– Cash and cash equivalents	**387,273**	552,990
Total	**1,367,661**	1,547,598
Equity Instruments at fair value through other comprehensive income	**18,500**	–
Available-for-sale financial assets	**–**	16,310

	2018 RMB'000	2017 RMB'000
Financial liabilities		
Financial liabilities measured at amortised cost:		
– Borrowings	**504,520**	319,995
– Obligations under finance lease	**52,438**	99,272
– Deferred tax liabilities	**57,923**	56,899
– Trade and other payables, excluding deposits from customer and statutory liabilities	**705,527**	971,503
Total	**1,320,408**	1,447,669

18. INVENTORIES

	2018 RMB'000	2017 RMB'000
Pet resin bottle grade	**–**	21,766
Others	**1,533**	3,372
	1,533	25,138

No significant inventory is stated at net realisable value as at 31 December 2018 (2017: Nil).

19. TRADE AND OTHER RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Trade receivables	**664,063**	660,479
Less: allowance for credit loss/doubtful debts	**(26,400)**	(930)
	637,663	659,549
Bills receivables (note (b))	**1,950**	143,665
	639,613	803,214
Other receivables, deposits and prepayments	**168,711**	27,427
Less: allowance for credit loss/doubtful debts	**(527)**	(1,370)
	807,797	829,271
Prepayment to suppliers	**509,460**	468,203
Less: allowance for credit loss/doubtful debts	**(20,603)**	(787)
Net-Prepayment to suppliers	**488,857**	467,416
	1,296,654	1,296,687

Notes:

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

(b) The bills are non-interest bearing bank acceptance bills with a maximum maturity period of 180 days (2017: 180 days).

(c) The Group allows an average credit period ranging from 90 to 180 days (2017: 90 to 180 days) to its trade customers.

The following is an aging analysis of trade and bills receivables based on invoice date or date of revenue recognition at the end of reporting period:

	2018 **RMB'000**	2017 RMB'000
0 - 90 days	**359,818**	627,490
91 - 180 days	**32,792**	119,133
181 - 365 days	**62,829**	38,666
Over 365 days	**210,574**	18,855
	666,013	804,144

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

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2018 **RMB'000**	2017 RMB'000
Cash at bank and on hand	**387,273**	552,990
Pledged bank deposits (note (c))	**172,591**	165,337

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

	2018 **RMB'000**	2017 RMB'000
Currency:		
– US Dollars	**13,152**	7,712
– Hong Kong Dollars	**–**	491
– Australian Dollars	**–**	1
– Japanese Yen	**5**	5
– Euro Dollars	**290**	–

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

	2018 **RMB'000**	2017 RMB'000
Effective interest rate (per annum)	**0.39%-1.5%**	0.35%-1.30%

(c) Pledged bank deposits represents pledge to banks to secure bills payable of approximately RMB445,012,000 (2017: RMB675,608,000) issued by the Group.

As at 31 December 2018, the pledged bank deposits carry fixed interest rate of 1.5% (2017: fixed interest rate of 1.30%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills 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.

21. SHARE CAPITAL

	2018			2017		
	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

22. OTHER RESERVES

	Share premium	Statutory reserves (Note a)	Other reserves (Note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	55,244	82,934	(40,614)	97,564
Transfer from retained earnings	–	3,098	–	3,098
At 31 December 2017 and 1 January 2018	55,244	86,032	(40,614)	100,662
Transfer from retained earnings	–	5,064	–	5,064
Other Comprehensive income	–	–	2,190	2,190
At 31 December 2018	55,244	91,096	(38,424)	107,916

Notes:

(a) Statutory reserves

Reserve fund and Enterprise expansion find

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 2018 and 2017 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.

Upon application of IFRS 9 on 1 January 2018, the unlisted equity investment are reclassified from AFS financial assets to Equity Instruments at fair value through other comprehensive income. The fair value of the unlisted equity investment is arrived on the basis of a valuation carried out by a independent professional.

23. RETAINED EARNINGS

	RMB'000
Balance at 1 January 2017	387,156
Change in accounting policies	88,840
Balance at 1 January 2017 (Restated)	475,996
Profit and total comprehensive income for the year	41,532
Dividends paid	(10,584)
Transfer to statutory reserves	(3,098)
Balance at 31 December 2017 (Restated)	503,846
Adjustment on initial application on IFRS 9	(6,502)
Restate balance at 1 January 2018	497,344
Profit and total comprehensive income for the year	2,569
Transfer to statutory reserves	(5,064)
At 31 December 2018	494,849

24. TRADE AND OTHER PAYABLES

	2018 **RMB'000**	2017 RMB'000
Trade payables	**209,477**	242,741
Bills payables (note a)	**445,012**	675,608
	654,489	918,349
Deposits from customers	**–**	270,073
Other tax payables	**2,826**	3,324
Other payables and accruals	**51,038**	53,154
	708,353	1,244,900

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 bills payables at the end of the reporting period based on invoice date is as follows:

	2018 **RMB'000**	2017 RMB'000
0 – 90 days	**483,814**	646,675
91 – 180 days	**140,937**	256,737
181 – 365 days	**19,130**	7,266
Over 365 days	**10,608**	7,671
	654,489	918,349

25. CONTRACT LIABILITIES

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Billings in advance of performance (Note)	**202,042**	–

Note: Upon the adoption of HKFRS 15, amounts previously included as "Receipts in advance" under "Trade and other payables" (note 24) were reclassified to contract liabilities.

26. BORROWINGS

	2018	2017
	RMB'000	RMB'000
Current		
Short term bank borrowings		
– Unsecured	**504,520**	319,995
Carrying amounts repayable (note d)		
– within 1 year	**504,520**	319,995
– more than 1 year but within 2 years	**–**	–
– more than 2 years but within 5 years	**–**	–
– over 5 years	**–**	–
	504,520	319,995
Less: Amounts classified as current liabilities due within 1 year or contain a repayment on demand clause	**504,520**	(319,995)
	–	–
Analysed into:		
– Unsecured	**504,520**	319,995

26. BORROWINGS *(Continued)*

Notes:

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

	2018 RMB'000	2017 RMB'000
Effective rate	**5.18%**	4.738%

(b) The carrying amounts of the borrowings approximate their fair values as at 31 December 2018 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:

	2018 RMB'000	2017 RMB'000
RMB	**504,520**	319,995
US dollar	**–**	–
	504,520	319,995

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

27. DEFERRED INCOME

	2018 RMB'000	2017 RMB'000
Government grants received	**5,177**	5,531

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 2017, the Group leased certain of its buildings and machinery, furniture and office equipment and motor vehicles 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, buildings and machinery at a nominal purchase price of RMB100. No arrangement has been entered into for contingent rental payments.

During the year ended 31 December 2018, the Group leased certain of its land use rights, buildings and machinery 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, buildings and machinery at a nominal purchase price of RMB100. No arrangement has been entered into for contingent rental payments.

As at 31 December 2018 and 2017, the Group's finance lease liabilities were repayable as follows:

	Minimum lease payment		**Present value of minimum lease payment**	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance lease:				
Within one year	**47,676**	53,075	**45,134**	46,936
In the second year	**7,559**	47,672	**7,304**	45,032
In the third year	**–**	7,559	**–**	7,304
	55,235	108,306	**52,438**	99,272
Less: Future finance charges	**(2,797)**	(9,034)	**–**	–
	52,438	99,272	**52,438**	99,272
Less: Amount due within one year shown under current liabilities			**(45,134)**	(46,936)
Amount due after one year shown under non-current liabilities			**7,304**	52,336

The carrying amounts of the finance lease liabilities approximate their fair values. As at 31 December 2018, the Group has investment properties under finance leases with net book value of approximately RMB9,056,000 (2017: RMB9,521,000) (Note 16), buildings under finance leases with net book value of approximately RMB86,008,000 (2017: RMB89,781,000) (Note 15), machinery under finance leases with net book value of approximately RMB1,368,000 (2017:RMB1,582,000) (Note 15), furniture and office equipment under finance leases with net book value of approximately RMB1,186,000 (2017: RMB1,268,000) (Note 15) and motor vehicles under finance leases with net book value of approximately RMB3,632,000 (2017: RMB4,027,000) (Note 15).

29. DEFERRED TAX LIABILITIES

	2018 **RMB'000**	2017 RMB'000
At 1 January (Restated)	**56,899**	52,798
Deferred tax charged/(credited) to the statement of profit or loss and other comprehensive income during the year	**1,024**	4,101
At 31 December	**57,923**	56,899

30. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

31. PLEDGE OF ASSETS

	2018 **RMB'000**	2017 RMB'000
Pledged bank deposits	**172,591**	165,337
Investment properties	**9,056**	9,521
Buildings	**86,008**	89,781
Furniture and office equipment	**1,186**	1,268
Motor vehicles	**3,632**	4,027
Machinery	**1,368**	1,582
	273,841	271,516

32. CASH (USED IN)/GENERATED FROM OPERATIONS

	2018 RMB'000	2017 RMB'000 (Restated)
Profit before income tax	**47,738**	82,502
Adjustments for:		
Interest income	**(13,570)**	(3,962)
Finance costs	**32,134**	17,631
Depreciation for property, plant and equipment	**15,187**	17,555
Change in fair value of investment property	**(4,100)**	(16,400)
Amortisation of land use rights	**531**	531
Loss on disposal of property, plant and equipment	**253**	1,090
Impairment loss of trade and other receivable	**41,028**	–
Deferred income amortisation	**(354)**	(356)
Share of profit of investments accounted for using equity method	**(17,324)**	(17,934)
Operating cash flow before changes in working capital:	**101,523**	80,657
Decrease in inventories	**23,605**	29,725
(Increase)/decrease in trade and other receivables	**(47,497)**	78,540
(Decrease)/increase in trade and other payables	**(536,547)**	(48,647)
Increase in contract liabilities	**202,042**	–
Net cash used in/(generated from) operations	**(256,874)**	140,275

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Obligations under finance leases	Borrowings	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2017	**87,208**	**193,834**	**281,042**
Accrued interest	8,104	9,527	17,631
Less: Interest paid	(8,104)	(9,527)	(17,631)
Proceeds from financing cash inflows	55,000	352,321	407,321
Financing cash outflows	(42,936)	(226,160)	(269,096)
At 31 December 2017 and 1 January 2018	**99,272**	**319,995**	**419,267**
Accrued interest	6,237	25,897	32,134
Less: Interest paid	(6,237)	(25,897)	(32,134)
Proceeds from financing cash inflows	–	1,278,018	1,278,018
Financing cash outflows	(46,834)	(1,093,493)	(1,140,327)
At 31 December 2018	**52,438**	**504,520**	**556,958**

34. 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	**2018 RMB'000**	2017 RMB'000
Within one year	**1,353**	1,260
In the second to fifth year inclusive	**–**	–
	1,353	1,260

Motor vehicles	**2018 RMB'000**	2017 RMB'000
Within one year	**1,431**	2,287
In the second to fifth year inclusive	**636**	2,136
	2,067	4,423

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

	2018 RMB'000	2017 RMB'000
Within one year	**11,191**	10,281
In the second to fifth year inclusive	**5,458**	13,484
Over fifth year	**–**	–
	16,649	23,765

35. FINANCIAL GUARANTEE LIABILITIES

At 31 December 2018, the Group has outstanding guarantee of approximately RMB304,424,242 (2017: RMB245,288,000) provided to Tedahang, a joint venture with 60% interest owned by the Group, for its bank borrowing facilities of RMB350,000,000 (2017: RMB350,000,000). The borrowings drawn down by the joint venture as at 31 December 2018 was approximately RMB45,575,758 (2017: RMB104,712,000).

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 2018 and 2017.

36. 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 9.

36. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

The followings are the details of continuing connected transaction of the Group during the year 31 December 2018 and 2017

	2018 **RMB'000**	2017 RMB'000
Provision of logistics services and supply chain solutions for automobiles and car components by the Group to Tianjin Fengtian Logistics Co., Ltd (note 1)	**17,839**	22,290
Sales of frozen meat and provision of the related storage, logistics and logistics supporting services by Tedahang Cold Chain Logistics Co., Ltd to the Company (note 2)	**30,716**	22,137

Notes:

1. Tianjin Fengtian Logistics Co., Ltd (天津豐田物流有限公司), a sino-foreign equity joint venture incorporated in the PRC on 19 July 1996, which is owned as to 52% by the Company, 36.2% by Toyota Tsusho, 7.3% by Kamigumi Company Limited (日本株式會社上組) and 4.5% by Toyota Transportation Corporation (日本豐田輸送株式會社); and Tianjin Fengtian Logistics Co., Ltd. is a subsidiary of the Company under the GEM Listing Rules.

2. Tedahang Cold Chain Logistics Co., Ltd. (泰達行(天津)冷鏈物流有公司, a company established in Dongjiang Bonded Free Port, Tianjin, PRC with limited liability and owned as to 60% by the Company and 40% by Chia Tai Logistics Company Limited (正大物流有限公司); and Tedahang Cold Chain Logistics Co., Ltd. is a joint venture of the Company under the GEM Listing Rules.

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

	As at 31 December		As at 1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	**2,533**	2,394	2,561
Investment properties	**128,100**	128,100	127,400
Investments in subsidiaries	**180,321**	180,321	180,321
Investments in jointly controlled entities	**174,631**	170,941	170,941
Investments in associates	**11,310**	13,500	13,500
Equity instruments at fair value through other comprehensive income	**18,500**	–	–
Available-for-sale financial assets	**–**	16,310	16,310
	515,395	511,566	511,033
Current assets			
Inventories	**344**	22,112	53,738
Trade and other receivables	**1,176,253**	1,120,070	1,155,356
Amounts due from subsidiaries (note a)	**44,627**	38,176	48,091
Pledged bank deposits	**172,591**	165,337	144,423
Cash and cash equivalents	**137,150**	256,338	205,922
	1,530,965	1,602,033	1,607,530
Total assets	**2,046,360**	2,113,599	2,118,563
EQUITY AND LIABILITIES			
Equity			
Share capital	**354,312**	354,312	354,312
Other reserves (note c)	**98,883**	93,978	92,381
Retained earnings (note c)	**217,002**	175,950	162,040
Total equity	**670,197**	624,240	608,733

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

	As at 31 December		As at 1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
LIABILITIES			
Current liabilities			
Trade and other payables	**723,089**	995,385	1,133,417
Amounts due to subsidiaries (note b)	**137,118**	157,537	180,077
Current income tax liabilities	**250**	256	324
Borrowings	**499,520**	319,995	180,000
	1,359,977	1,473,173	1,493,818
Non–current liabilities			
Deferred tax liabilities	**16,186**	16,186	16,012
Total liabilities	**1,376,163**	1,489,359	1,509,830
Total equity and liabilities	**2,046,360**	2,113,599	2,118,563
Net current assets	**170,988**	128,860	113,712
Total assets less current liabilities	**686,383**	640,426	624,745

These financial statements were approved and authorised for issue by the Board of Directors on 26 March 2019 and were signed on its behalf by:

Yang Weihong
Director

Zheng Yuying
Director

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.

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

Notes: *(Continued)*

(c) Reserves of the Company:

	Share premium RMB'000	Other reserves RMB'000	Statutory reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	55,244	–	37,137	154,874	247,255
Change in accounting policies	–	–	–	7,166	7,166
At 1 January 2017 (Restated)	55,244	–	37,137	162,040	254,421
Transfer from retained earnings	–	–	1,597	(1,597)	–
Profit and total comprehensive income for the year	–	–	–	26,091	26,091
Dividends paid	–	–	–	(10,584)	(10,584)
At 31 December 2017 and 1 January 2018 (Restated)	55,244	–	38,734	175,950	269,928
Transfer from retained earnings	–	–	2,715	(2,715)	–
Profit and total comprehensive income for the year	–	2,190	–	43,767	45,957
At 31 December 2018	55,244	2,190	41,449	217,002	315,885

For details of the statutory reserves, please refer to the note 22 to the consolidated financial statements.

38. SUBSEQUENCE EVENT

On 8 March 2019, the Company (as the vendor, the lessee and the pledgee) has entered into the (i) Leaseback and Purchase Contract; (ii) Leaseback and Lease Contract; and (iii) Pledge Contract with Shanghai Electric Leasing for the Finance Lease Arrangement, pursuant to which the Company agreed to sell the Leased Assets to Shanghai Electric Leasing at a total consideration of RMB100,000,000 by way of finance lease, and the Company agreed to lease back the Leased Assets from Shanghai Electric Leasing for a period of three years. At the same time, the Company pledged its real estate located at No. 345, Jiyun 5th Avenue, Tanggu District, Tianjin to Shanghai Electric Leasing as the Company's guarantee in discharging its debts under the Leaseback and Lease Contract. Upon expiry of the lease period and subject to fulfillment of all obligations by the Company under the Leaseback and Lease Contract, Shanghai Electric Leasing shall transfer the ownership of the Leased Assets back to the Company at the price of RMB100.

39. AUTHORISATION OF ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 March 2019.