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

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

Stock Code : 8348

PLACING

Sole Sponsor

國泰君安融資有限公司
GUOTAI JUNAN CAPITAL LIMITED

Sole Global Coordinator, Bookrunner and Lead Manager

國泰君安證券（香港）有限公司
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED

* *For identification purposes only*

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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Tianjin Binhai Teda Logistics (Group) Corporation Limited*

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LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares	**:**	**88,600,000 H Shares (subject to the Over-allotment Option)**
Placing Price	**:**	**Not more than HK$2.10 and expected to be not less than HK$1.70 per H Share payable in full on subscription, plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%**
Nominal Value	**:**	**RMB1.00 per H Share**
Stock Code	**:**	**8348**

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The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other document referred to above.

The Company is incorporated, and its businesses are located, in the PRC. Potential investors in the Company should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of the Company. Such differences and risks factors are set out in the sections headed "Risk factors" and "Appendix IV – Summary of relevant PRC and Hong Kong laws and regulations" to this prospectus.

The Placing Price is expected to be fixed by the Price Determination Agreement between the Lead Manager (on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or before 25 April 2008 or such other date as the parties may agree, but in any event not later than 5:00 p.m. on 25 April 2008. The Placing Price per H Share will be not more than HK$2.10 and is expected to be not less than HK$1.70.

If, for whatever reason, the Lead Manager (on behalf of the Underwriters) and the Company are unable to reach the Price Determination Agreement on the Placing Price on or before the Price Determination Date or such other date or time as may be agreed between the Lead Manager (on behalf of the Underwriters) and the Company but in any event not later than 5:00 p.m. on 25 April 2008, the Placing will not become unconditional and will lapse. In such event, the Company will issue an announcement to be published on the GEM website.

Prospective investors should note that the Underwriters are entitled to terminate their obligations under the Placing and Underwriting Agreement by notice in writing to the Company given by the Lead Manager (on behalf of the Underwriters) upon occurrence of any of the events set forth under "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on 30 April, 2008. Such event include, without limitation, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock-out.

24 April 2008

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* *For identification purposes only*

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the GEM Website. Companies listed on GEM are not generally required to issue paid announcements in gazetted newspapers for the purpose of disclosing information. Accordingly, prospective investors should note that they need to have access to the GEM Website in order to obtain up-to-date information on GEM-listed issuers.

	2008 *(Note 1)*
Expected Price Determination Date	25 April
Announcement of the Placing Price the level of indication of interests in the Placing and the basis of allocation of the Placing Shares to be published on the GEM website (www.hkgem.com) and the Company's website (www.tbtl.com.cn) on or before	29 April
Allotment of the Placing Shares to placees on or before	29 April
Deposit of the H Share certificates via CCASS on or before *(Note 2)*	29 April
Dealings in the H Shares on GEM expected to commence on	9:30 a.m. on 30 April

Notes:

1. All references to times and dates in this prospectus are Hong Kong local time.

2. Placees of the Placing Shares will receive their Placing Shares via CCASS. The H Share certificate(s) for the Placing Shares is/are expected to be deposited into CCASS on or before 29 April 2008 for credit to the respective CCASS participants' stock accounts designated by the Underwriters, the respective placees or their agents (as the case may be). No temporary documents of title will be issued by the Company.

3. Details of the structure of Placing, including the conditions of the Placing, are set out in the section headed "Structure and conditions of the Placing" in this prospectus.

4. Investors will be informed by public announcement on GEM website and the Company's website (www.tbtl.com.cn) of any change to the above expected timetable.

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You should rely only on the information contained in this prospectus to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Underwriters, the Directors or any other parties involved in the Placing or their respective directors, officers, employees and/or representatives.

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STRUCTURE AND CONDITIONS OF THE PLACING

APPENDICES

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Placing Shares.

There are risks associated with any investment listed on GEM. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk factors" to this prospectus. You should read that section carefully before you decide to invest in the Company.

The Company has been carrying on its business by itself and through its subsidiaries (which has the meaning ascribed to it under the GEM Listing Rules) and Jointly-controlled Entities. In this prospectus, all references to the "Group" includes the Company and its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of these subsidiaries, the present subsidiaries of the Company (which, for the avoidance of doubt, include Tianjin Alps Teda Logistics which is considered as a subsidiary of the Company under the GEM Listing Rules), whereas all references to the "Binhai Logistics Group" include the Group and the Jointly Controlled Entities (which, for the avoidance of doubt, include Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics).

Please note that the Group recognised its interests in the Jointly-controlled Entities using proportionate consolidation, and its share of each of the Jointly-controlled Entities, assets, liabilities, income and expenses are combined with the Group's similar items, line by line, in the consolidated financial statements. As such, in this prospectus, unless otherwise specified, all references to revenues, profits and other financial information of the Group include those of the Jointly-controlled Entities to the extent that such information has been proportionately consolidated or otherwise reflected in the accountants' report on the Group set out in appendix I to this prospectus. It should be noted that the Company and its subsidiaries hold only up to 50% equity interest in the Jointly-controlled Entities, or hold more than 50% equity interest but do not unilaterally control the Jointly-controlled Entities.

OVERVIEW

Binhai Logistics Group is principally engaged in the provision of comprehensive logistics and supply chain solutions in the PRC. These solutions assist Binhai Logistics Group's customers in managing the movement of production materials and components from the suppliers to manufacturers, and the finished goods from manufacturers to end users. The logistics business of Binhai Logistics Group was commenced in 1996.

Binhai Logistics Group has since 1990s established business relationship with Alps Group and Toyota Group, through sino-foreign equity joint ventures established with them, respectively. Binhai Logistics Group has been offering the logistics and supply chain solutions in respect of the electronics products and components to Alps Group and has been the logistics services provider to Toyota Group specialising in automobiles and car components during the Track Record Period. Since the establishment of Binhai Logistics Group, Binhai Logistics Group has been able to establish a close business relationship with Alps Group and Toyota Group. During each of the three years ended 31 December 2007, the overall sales attributable to the members of Alps Group accounted for approximately 30.5%, 23.4% and 17.2% of the Group's total sales for the corresponding periods. During each of the three years ended 31 December 2007, the overall sales attributable to the members of Toyota Group accounted for approximately 58.7%, 70.7% and 70.5% of the Group's total sales for the corresponding periods. During the Track Record Period, the five largest customers of the Group include the members of Alps Group and Toyota Group. Please refer to the paragraph headed "Reliance on major customers" in the section headed "Risk factors" of this prospectus for details of the relevant risk of reliance on these two major customer groups of Binhai Logistics Group. The Directors expect that there may be a decrease in the proportion of turnover attributable to Alps Group and Toyota Group in the near future by taking measures to reduce reliance on the automobile and electronic products industries as well as such major customers groups through diversifying its logistics and supply chain solutions to a broader spectrum of industries. Please refer to the paragraph headed "Overview" in the section headed "Business" of this prospectus for further details of the concrete measures taken.

The number of customers of Binhai Logistics Group (other than the members of Alps Group and Toyota Group) has increased from approximately 400 in 2005 to approximately 450 in 2006 and further increased to approximately 600 in 2007. For each of the three years ended 31 December 2007, about 30, 30 and 30 members of Alps Group and about 25, 35 and 40 members of Toyota Group were the customers of Binhai Logistics Group respectively. There was overlapping of customers within Binhai Logistics Group and business with such customers is coordinated and allocated among the relevant members of Binhai Logistics Group by reference to the type and location of the logistics services to be rendered and the respective expertise and infrastructure available for such member.

The joint venture arrangement in respect of each of Tianjin Fengtian Logistics, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics with Toyota Group and Alps Group has been subsisting throughout the Track Record Period and up to the Latest Practicable Date. These sino-foreign equity joint ventures had been the principal contributors to the Group's profitability during the Track Record Period. During each of the three years ended 31 December 2007, Tianjin Fengtian Logistics had contributed approximately 61.3%, 71.1% and 72.4% of the turnover of the Group and approximately 41.8%, 73.3% and 76.5% of the net profit of the Group respectively. During each of the three years ended 31 December 2007, Tianjin Alps Teda Logistics had contributed approximately 28.5%, 20.6% and 15.4% of the turnover of the Group and approximately 56.2%, 26.0% and 18.4% of the net profit of the Group respectively. During each of the three years ended 31 December 2007, Dalian Alps Teda Logistics had contributed approximately 9.6%, 7.2% and 7.0% of the turnover of the Group and approximately 5.1%, 1.5% and 1.3% of the net profit of the Group respectively. The aggregate net profit contributed by Tianjin Fengtian Logistics, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics represents more than 100% of the total net profit of the Group for each of the two years ended 31 December 2006. This is principally due to the net loss recorded by TBW and the Company during the year ended 31 December 2005 and 31 December 2006, respectively.

Binhai Logistics Group designs and plans tailor-made logistics and supply chain solutions for its customers with an aim to ensuring accurate inventory flow, precise warehousing, pre-production preparation management and timely freight forwarding services for its customers. Such logistics and supply chain solutions include freight forwarding, customs clearance, storage and warehousing management, pre-production preparation and processing services. By implementing the logistics and supply chain solution agreed, the customers will be able to enjoy the economic benefits of having a shorter lead time for delivery and lower the inventory level of the requisite production materials and components. The customers are also able to ensure the flow of production materials and components and reduce their resources in the management of their daily logistics operations, such as storage, handling and transportation of their production materials.

As part of its custom-made supply chain solutions, Binhai Logistics Group offers procurement services in respect of certain commonly used production materials to its existing customers in order to lower their cashflow requirements at the pre-production stage and meet the customer's demand for inventory delivery services. The supply chain management solutions traditionally offered by logistics services companies normally involve the actual procurement of production materials by the customers themselves, and the logistics services companies will arrange for the storage and delivery of these production materials. The procurement services provided by Binhai Logistics Group guarantee its customers with sufficient supplies of production materials ahead of their production plan without exposing themselves to the risk of price fluctuation of materials and reduce the customers' pre-production cashflow requirements for bulk purchasing the production materials required, as the customers will only be required to pay the purchase price of the production materials upon taking delivery of the materials required or upon expiry of the applicable credit period.

Binhai Logistics Group has its extensive logistics infrastructure to implement its logistics and supply chain solutions effectively. The warehouses, regional distribution centres and ancillary office premises currently owned and leased by Binhai Logistics Group are located within the vicinity of its customers covering Dalian, Tianjin, Shanghai and Wuxi. To enhance its services, Binhai Logistics Group has established bonded warehouses in Dalian Free Trade Zone and Tianjin Binhai New Area. The PRC Customs Law and the Administrative Regulations of the PRC Customs in relation to Bonded Warehouses and the Stored Goods（中華人民共和國對保稅倉庫及所存貨物的管理規定）provides for the setting up of the bonded warehouses, which are licensed to store bonded goods that are permitted to be imported without attending to the tax payment procedures at the time of import. Production materials and finished goods imported and stored in these bonded warehouses, which are subsequently exported out of the PRC or otherwise delivered out of the bonded warehouses to other bonded warehouses in the PRC within a prescribed period of one year in general, are not regarded as imported goods. The customers are therefore not required to pay import customs duties and to apply for import certificates. Where the production materials and finished goods stored in the bonded warehouses are not exported out of the PRC upon expiry of the prescribed period, the customers are then required to pay the imported duties which have been deferred for payment at the time of import and apply for the import certificate where applicable. The bonded warehousing services can enhance the customers' competitiveness in terms of its logistics costs. Binhai Logistics Group's warehouses in Tianjin Binhai New Area comply with high warehouse standards in terms of their structures, security and lightings. The high-ended warehouses are constructed by reference to certain building structural standards and lighting standards required by its customers, such as the exterior entrances are provided with flood lighting sufficient to recreate daylight conditions and sophisticated warehouse management system like Exceed WMS is installed, whereas other warehouses owned and leased by Binhai Logistics Group are generally not built by reference to such standard. Moreover, the two high-ended warehouses in Tianjin Binhai New Area are supported by dedicated rails and container loading, unloading and storage facilities owned by Binhai Logistics Group.

Binhai Logistics Group's operation has been supported by its sophisticated information technology systems, a number of which has been introduced from Alps Logistics and Toyota Tsusho and/or their respective associates, namely, ACCS, TESS and TWMS. Such information technology systems are designed to meet the specific logistics requirements of electronic products and car components distribution. The Directors consider that Binhai Logistics Group has not unduly relied on any of these information technology systems in that (i) these systems are principally used for enhancing the efficiency for collection and management of data, which can be done manually or by other means without the application of these systems; and (ii) the functions of such systems can also be performed by Binhai Logistics Group's owned warehouse management system (Exceed WMS) or other information technology systems available in the market with necessary adjustments and modifications. In the event that the use of ACCS and TWMS is terminated by the joint venture partners and/or their respective associates, the Directors estimate that it may take not more than three months and incur not more than RMB1,000,000 for modifying Binhai Logistics Group's existing information technology system or developing a replacement system to cater for the customers' needs.

LOGISTICS AND SUPPLY CHAIN SOLUTIONS

The comprehensive logistics and supply chain solutions of Binhai Logistics Group involve the following major steps:

Design and planning

Binhai Logistics Group will first obtain from its customers their instructions, requirements and information relating to, among others, the suppliers, the production materials, components or the finished goods to be supplied and the production schedules. Such instructions will enable Binhai Logistics Group to plan supply chain process and ensure accurate and efficient flow of the production materials, components or the finished goods to be delivered.

In general, Binhai Logistics Group will develop plans with its customers in relation to, among others, the procurement plan, the warehousing plan, the production flow plan, the freight forwarding plan and the plan for outsourcing of any of the warehousing or freight forwarding process to third party logistics service providers.

Implementation

After the concrete logistics and supply chain solution has been agreed with its customers, Binhai Logistics Group will devise its logistics services to implement the solution agreed.

At the implementation stage, Binhai Logistics Group will coordinate with the suppliers and the customers for delivery to the warehouses of the customers or Binhai Logistics Group for classification, labeling, simple pre-production processing and/or storage, according to the production requirements of the customers. Binhai Logistics Group will also assist its customers in handling customs clearance procedures. In respect of some commonly used production materials, such as resins, electronic production materials and steel materials, Binhai Logistics Group also offers material procurement services for its customers. Binhai Logistics Group also provides logistics solutions in respect of finished goods, such as automobiles, with an aim to optimising the supply and distribution of these finished goods as efficiently as possible.

By implementing the logistics and supply chain solutions, the customers will be able to enjoy the economic benefits of having shorter lead time for delivery and lower inventory level of the requisite production materials and components, and to ensure the flow of production materials, components and finished goods in accordance with their production and sales requirements.

With an extensive logistics infrastructure, Binhai Logistics Group has been able to implement its logistics and supply chain solutions effectively and offer comprehensive logistics services to its customers. This includes Binhai Logistics Group's network of warehouses, regional distribution centres and ancillary office premises, established freight forwarding facilities and advanced warehouse management systems and other information technology systems. Please refer to sub-section headed "Logistics Infrastructure" under the section headed "Business" for further details.

During each of the three years ended 31 December 2007, the Group had a turnover of approximately RMB496,666,000, RMB709,940,000 and RMB949,609,000 respectively, with the profit attributable to equity holders of the Company of approximately RMB28,714,000, RMB47,578,000 and RMB64,371,000, respectively.

The table below presents the breakdown of turnover and gross profit of the Group in terms of logistics and supply chain solutions and procurement services for the periods indicated.

	Turnover						**Gross Profit**					
	2005		**2006**		**2007**		**2005**		**2006**		**2007**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Logistics and supply chain solutions	449,682	90.5	659,541	92.9	853,999	89.9	55,121	95.8	113,347	98.2	146,453	98.3
Procurement services for resins and electronic production materials	46,984	9.5	50,399	7.1	64,567	6.8	2,420	4.2	2,091	1.8	2,603	1.7
Steel procurement services	–	–	–	–	31,043	3.3	–	–	–	–	(17)	–
Total	496,666	100	709,940	100	949,609	100	57,541	100	115,438	100	149,039	100

During the Track Record Period, the Group recorded strong growth in terms of turnover mainly due to the significant growth in demand for the logistics and supply chain solutions for automobiles and car components. The Group recorded strong growth in terms of net profit attributable to the equity holders of the Company mainly due to the increase in other income and the improvement in the overall net profit margin of the Group. Please refer to the section headed "Financial information" in this prospectus for further details of the analysis.

STRENGTHS

The Directors consider the following to be the key factors contributing to the success of Binhai Logistics Group:

Customer base of international enterprises

Binhai Logistics Group has built up business relations with Alps Group and Toyota Group for over 10 years. By establishing business relationships with multinational conglomerates like Toyota Group and Alps Group, Binhai Logistics Group will be benefited in the following ways:

(i) Binhai Logistics Group can enjoy a strong brand recognition effect and enhance its international image by virtue of its high quality customer base. In particular, Binhai Logistics Group's relationship with Alps Group lasted for more than 10 years. While Binhai Logistics Group can satisfy the relatively high selection criteria and requirements from the customers of this caliber and has been selected as their logistics service provider, this proves Binhai Logistics Group's ability to offer high quality services and thereby enhancing its market image and reputation and potential customers' confidence in Binhai Logistics Group; and

(ii) such business relationships offer Binhai Logistics Group an important competitive advantage by enabling it to have access to management and operation practices which tailor to the needs of customers with international background and expanding its marketing reach.

The Directors consider that Binhai Logistics Group’s solid track record in collaborating with renowned customers will allow it to capture the growing business opportunities in the PRC.

Experienced management team and well-established logistics infrastructure

Binhai Logistics Group has a management team with extensive experience in logistics industry. The general manager and operation controller of Binhai Logistics Group, being Mr. Zhang Jian and Mr. Liu Li Ming, possess working experience in the logistics industry for over 15 years. They are supported by a management team, consisting of more than 40 managers, departmental and divisional heads as at 31 December 2007, in monitoring the daily logistics functions carried out by Binhai Logistics Group. A majority of the managers of the members of Binhai Logistics Group possess working experience in the logistics industry of more than 10 years, and majority of the departmental and divisional heads possess related experience in the logistics industry ranging from four to 10 years.

Apart from the experienced management team, Binhai Logistics Group has well established logistics infrastructure for implementing its logistics and supply chain solutions. This includes Binhai Logistics Group’s network of warehouses, regional distribution centres and ancillary office premises, established freight forwarding network and advanced warehouse management systems and other information technology systems. Please refer to the sub-section headed “Logistics infrastructure” in the section headed “Business” of this prospectus for further details.

BUSINESS OBJECTIVES AND STRATEGIES

The Directors believe that the logistics business in the PRC has significant growth potential. Binhai Logistics Group aims to strengthen its market position and capitalise on the opportunities of a growing market:

- Through enhancing its operational efficiency, Binhai Logistics Group will continue to strengthen the relationship with its existing customers, and to further expand its customer base.
- Capitalising on its experience in logistics services and the strategically located high-ended warehouses, Binhai Logistics Group intends to provide logistics solutions to a broad spectrum of industries.
- Leveraging on its logistics network, resources and expertise in relevant electronic components sector, Binhai Logistics Group plans to collaborate with more production material suppliers so as to pool and source raw materials to enhance its supply chain solutions.
- Binhai Logistics Group intends to strengthen its logistics infrastructure and capability by expanding its network of warehouses and distribution centres and developing additional information systems to cater for different industry requirements.

RISK FACTORS

The Directors consider that the business of Binhai Logistics Group is subject to a number of risk factors, the details of which are set out in the section headed "Risk factors" of this prospectus.

Risks relating to Binhai Logistics Group's business

- reliance on major customers – substantial portions of the Group's income are generated from the two major groups of customers of Binhai Logistics Group including Alps Group and Toyota Group. The business, financial position and results of Binhai Logistics Group can be affected by any cessation of, or substantial reduction in, the volume of business with any of its major customers
- joint venture risks – substantial portion of the Group's income are contributed by the joint ventures comprising Binhai Logistics Group, namely Tianjin Fengtian Logistics, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics. the operations and financial results of Binhai Logistics Group can be affected by the termination or expiration of such joint ventures or pertaining to the interests of the joint venture partners
- reliance on key management – Binhai Logistics Group relies on its key management staff who possesses the requisite expertise and in-depth knowledge of the logistics industry for its continuous success

- dependence on subcontractors – Binhai Logistics Group is heavily dependent on third party subcontractors including the road, sea and air freight forwarders and warehousing services providers and it may not be able to secure logistics and supply chain solutions services from suitable subcontractors and it has limited control over the quality of services provided by third party subcontractors

- the Group is exposed to concentration of credit risk to the extent that its ten largest debtors accounted for more than 70% of the Group's total trade receivables during the Track Record Period

- the insurance coverage may be not sufficient to cover all the risks related to the operations of Binhai Logistics Group

- risks relating to the implementation of Binhai Logistics Group's future plan – Binhai Logistics Group may not be able to implement its future plans and there is no proven track record for the intended financial results contemplated in the future plans

- each of Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics is currently entitled to a preferential tax rate and any change in preferential tax treatment in the PRC may have a negative impact on the results of Binhai Logistics Group's operations

- reliance on information technology system – Binhai Logistics Group has introduced specialised warehouse management systems which tailor to the logistics requirements of the electronic products and vehicles distribution from its joint venture partners. Any system failures, interruption or breakdown in the information technology systems or failure to obtain licence over the use of the information technology systems from the joint venture partners may have adverse impact on the operations of Binhai Logistics Group

- surge in energy price may result in an increase in the operating costs and transportation costs of Binhai Logistics Group

- fluctuations in the purchase price of production materials – the purchase prices of production materials for the procurement services of Binhai Logistics Group may fluctuate from time to time. Binhai Logistics Group's operation can be affected by any wrong assessment of the demands of its customers and the market trend when performing its procurement functions. It may overstock inventory or may otherwise be unable to pass the increased procurement costs to its customers. In the event of any default by the customers in completing the purchase of the production materials or steel materials procured by Binhai Logistics Group and Binhai Logistics Group exercises its rights to sell these materials in the market to mitigate its loss or damage, if Binhai Logistics Group is unable to recover its procurement costs of these materials from the sales thereof or otherwise through legal proceedings against its customers, the Group's financial conditions and profitability may be adversely affected.

- potential title defects in certain tenancy agreements – there are potential title defects in certain tenancy agreements in respect of various offices and warehousing facilities used by Binhai Logistics Group and this may affect the operation of Binhai Logistics Group

- cost impact of the new PRC Labour Contract Law – the Group's labour costs may be increased due to the implementation of the new PRC Labour Contract Law which has become effective since 1 January 2008

- dividends – the Company's ability to pay dividends is dependent upon the earnings of the subsidiaries, Jointly-controlled Entities and associated companies of the Company and their distribution of funds to the Company, which is subject to applicable legal and other restrictions. The dividend payout history of Binhai Logistics Group may not be used as a reference or basis to predict the future dividend payouts of Binhai Logistics Group

Risks relating to the industry

- reliance on electronic products and automobile markets – substantially all of the revenue of the Group was derived from the logistics services for automobiles, electronic products and related parts. Any downturn in the electronic and automobile industries in the PRC may adversely affect the demands for the logistics services of Binhai Logistics Group

- extensive government regulations on the logistics industry in the PRC and any changes in government regulations including the licensing requirements applicable to the logistics industry may adversely affect the operation of Binhai Logistics Group

- dependence on the growing global outsourcing trend – decline in the outsourcing trend of the logistics services may affect the performance of Binhai Logistics Group

- dependence on the level of global consumer demands – Binhai Logistics Group's performance is dependent on the business developments of its customers which are electronic products and vehicles manufacturers. Decline in the level of consumer demands may adversely affect the business, financial position and results of operations of Binhai Logistics Group

- Binhai Logistics Group operates in an competitive industry following the PRC's accession to the WTO

Risks relating to the PRC

- PRC political and economic considerations – changes in the political, economic and social policies of the PRC government may affect the business, operating results and future growth prospects of Binhai Logistics Group

- legal system – the PRC legal system is considered to be underdeveloped and there are uncertainties in relation to the enforcement of existing laws. The promulgation of new laws, changes of existing laws and the abrogation of local regulations by national laws may also have a negative impact on the business and prospects of the business of Binhai Logistics Group

- different regulatory framework – the Company is subject to different regulatory framework including the Special Regulations and the Mandatory Provisions and there is no assurance that holder(s) of H Shares will enjoy protections to which they are entitled to in other jurisdictions.

- securities laws and regulations – the regulatory framework for the securities industry in the PRC is still at the infant stage of development. Any changes in the securities laws and regulations may affect the rights of the holders of H Shares

- uncertainty as to the enforceability of judgment and submission to arbitration

- currency conversion in the PRC and exchange rate risk – shortages in the availability of foreign currency may restrict the Company's ability to pay dividends on its H Shares or to satisfy its other foreign currency requirements, and fluctuation of RMB may affect the value of the profits generated by the Company or its ability to pay dividend

Risks relating to the H Shares

- liquidity and possible price volatility of the H Shares – there may not be active trading market for the H Shares, the trading price of the H Shares may fluctuate and may decline below the Placing Price

- disposal of the Reduction Shares to be retained by the NSSF Council following completion of the Placing may result in an increase in the number of H Shares available on the market and may effect the price of H Shares

Other risks

- forward-looking statements contained in this prospectus may not materialize or may change

- reliability of statistics – statistics in this prospectus that are derived from official government publications may not be accurate

FINANCIAL INFORMATION

The following is a summary of the consolidated audited results of the Group for each of the three years ended 31 December 2007. The summary is prepared on the assumption that the current structure of the Group had been in place throughout the period under review. The summary should be read in conjunction with the accountants' report as set out in appendix I to this prospectus and the discussion under the sub-section headed "Management discussion and analysis" in the section headed "Financial information" in this prospectus.

Consolidated income statements

		Year ended 31 December		
		2005	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*1*	496,666	709,940	949,609
Cost of sales		(439,125)	(594,502)	(800,570)
Gross profit		57,541	115,438	149,039
Other income		2,229	1,841	9,734
Administrative expenses		(15,393)	(26,820)	(38,734)
Share of results of associates		–	1,170	1,152
Finance costs		(2,024)	(1,323)	(748)
Profit before taxation		42,353	90,306	120,443
Taxation		(6,442)	(16,927)	(19,907)
Profit for the year		35,911	73,379	100,536
Attributable to:				
Equity holders of the Company		28,714	47,578	64,371
Minority interests		7,197	25,801	36,165
		35,911	73,379	100,536
Dividends/distribution	*2*	12,140	14,933	14,947
Earnings per share – basic	*3*	0.19	0.20	0.24

Notes:

1. Turnover represents the net amounts received and receivable for the logistics and supply chain solutions: (a) logistics and supply chain management services; (b) procurement services for resins and electronic production materials; and (c) steel procurement services provided by the Group to outside customers during the Track Record Period.

2. The amounts represent the dividend/distribution by the Company, one of the Company's subsidiaries and the Jointly-controlled Entity during the Track Record Period.

3. The calculation of the basic earning per share for each of the three years ended 31 December 2007 is presented for information only and is based on the profit for the year attributable to the equity holders of the Company during the respective periods and the weighted average number of 148,885,000, 238,724,000 and 265,000,000 Shares for respective year and on the assumption that the Reorganisation had been effective since 1 January 2005.

The above consolidated audited results of the Group comprise of the results of the Company's Jointly-controlled Entities, namely, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics, using proportionate consolidation in the accountants' report as set out in appendix I to this prospectus, and the Group's share of each of these Jointly-controlled Entities' assets, liabilities, income and expenses have been combined with that of similar items of the Group (excluding Tianjin Alps Teda Logistics), line by line, in the consolidated financial statements. Summary of the respective contributions distributable to the Company and its subsidiaries (excluding Tianjin Alps Teda Logistics) and the Jointly-controlled Entities (before intercompany elimination) to several key items of the Group's consolidated results during each of the three years ended 31 December 2007 is set out below:

	Year ended 31 December					
	2005		**2006**		**2007**	
	Company, its subsidiaries and associates *RMB'000*	**Jointly controlled entities** *RMB'000*	**Company, its subsidiaries and associates** *RMB'000*	**Jointly controlled entities** *RMB'000*	**Company, its subsidiaries and associates** *RMB'000*	**Jointly controlled entities** *RMB'000*
Turnover	307,687	189,002	512,628	197,328	737,288	212,354
Gross profit *(Note)*	22,657	34,884	77,703	37,735	108,383	40,656
Administrative expenses	6,032	9,361	14,403	12,417	23,251	15,484
Profit before taxation	15,273	27,080	65,070	25,236	95,091	25,351
Profit for the year	13,896	22,015	53,171	20,208	80,727	19,808
Profit attributable to equity holders of the Company by:						
Tianjin Alps Teda Logistics	–	20,183	–	19,084	–	18,495
Dalian Alps Teda Logistics	–	1,832	–	1,124	–	1,313

Note: *During the Track Record Period, the gross profit contributed by the Company, its subsidiaries and associates was primarily derived from its logistics and supply chain solutions for customers in the automobile and car component sector while that contributed by the Jointly-controlled Entities was primarily derived from its logistics and supply chain solutions for customers in the electronic component sector. As the logistics and supply chain solutions for electronic component sector involve more comprehensive and sophisticated services including procurement services, precise warehousing, pre-production management and processing as well as air freight forwarding agency services, the gross profit margin charged by the Jointly-controlled Entities was generally higher than that charged by the Company, its subsidiaries and associates during the Track Record Period.*

Summary of the respective attribution from the Company and its subsidiaries (excluding Tianjin Alps Teda Logistics) and the Jointly-controlled Entities (before intercompany elimination) to the several key items of the Group's consolidated balance sheet as at 31 December 2005, 2006 and 2007 is set out below:

	As at 31 December					
	2005		2006		2007	
	Company, its subsidiaries and associates *(RMB'000)*	**Jointly-controlled entities** *(RMB'000)*	**Company, its subsidiaries and associates** *(RMB'000)*	**Jointly-controlled entities** *(RMB'000)*	**Company, its subsidiaries and associates** *(RMB'000)*	**Jointly-controlled entities** *(RMB'000)*
Property, plant and equipment	84,750	16,678	164,381	18,318	176,077	18,287
Non-current assets	**136,882**	**20,625**	**220,207**	**22,262**	**261,003**	**22,113**
Trade, bills and other receivables	63,075	36,312	78,427	41,686	167,133	47,690
Bank balances and cash	41,448	34,431	50,514	38,973	135,912	43,759
Current assets	**107,163**	**79,630**	**130,210**	**93,735**	**363,911**	**100,194**
Trade, bills and other payables	48,040	21,465	60,080	31,279	215,726	30,368
Bank borrowings	29,500	12,912	–	5,857	21,000	5,113
Current liabilities	**82,920**	**36,180**	**109,112**	**39,665**	**313,811**	**39,048**

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Placing will enhance Binhai Logistics Group's capital base and provide Binhai Logistics Group with additional working capital to implement the future plans set out in the paragraph headed "Business objectives and strategies" in the section headed "Future plan and prospects" in this prospectus.

Based on the Placing Price of HK$1.90 per Placing Share (being the mid-point of the indicative range of the Placing Price of between HK$1.70 and HK$2.10), the net proceeds of the Placing, after deducting related expenses and assuming that the Over-allotment Option is not exercised, are estimated to amount to approximately HK$147 million (approximately RMB134 million). The Directors intend to use such proceeds in the following manner:

- as to approximately RMB100 million (approximately HK$110 million) of the net proceeds will be used to acquire and develop the site at Tianjin Port with a site area of 90,144.00 sq. m., of which approximately RMB37.3 million for the payment of balance of consideration payable by the Group under the compensation agreement dated 20 October 2006 entered into between Tianjin Port International Logistics Development Co., Ltd. and the Group for the acquisition of the site and approximately RMB62.7 million for the foundation construction and the development of the container stacking yard and construction of warehousing facilities thereon. Please refer to the sub-section "Logistics infrastructure" in the section headed "Business" in this prospectus for details of the land grant contract and the related compensation agreement in respect of the acquisition of this site. The Directors expect to pay such balance of the consideration on or before 30 June 2008 and, according to the Group's development plan of the site, will incur approximately RMB22.7 million and RMB40 million for the foundation construction and the development of the container stacking yard and construction of warehousing facilities on the site during each of the six months ending 30 June 2008 and 31 December 2008, respectively.

- as to approximately RMB20 million (approximately HK$21 million) of the net proceeds will be used to acquire and develop the land situated at TEDA with a site area of approximately 52,183.62 sq. m., which will be used to repay the short-term bank loan granted by Citic Bank on 3 December 2007 for a term of one year from 3 December 2007 to 3 December 2008 at the interest rate of 7.29% per annum previously applied to finance Binhai Logistics Group's development of storage and warehousing facilities thereon. Please refer to the sub-section "Logistics infrastructure" in the section headed "Business" in this prospectus for details of the land grant contract in respect of the acquisition of this land. The land is currently under development, with an expected total investment amount of approximately RMB20 million, of which approximately RMB11 million has been used for acquiring the land use right of the land.

- as to approximately RMB8 million (approximately HK$9 million) of the net proceeds will be used for development of Binhai Logistics Group's information technology systems by the application of the unified financial software by the members of Binhai Logistics Group so as to facilitate a centralised monitoring of financial condition of the subsidiaries and Jointly-controlled Entities of Binhai Logistics Group, the launch of the office assistant system enabling the instant messenging and facilitating efficient flow of information within the office, the introduction of the logistics management system for use at the site at Tianjin Port and the maintenance of the Company's website; and

- as to approximately RMB6 million (approximately HK$7 million) to be used for working capital of Binhai Logistics Group.

If the Placing Price is set below HK$1.90, the use of net proceed will be reduced on a pro-rata basis.

The additional net proceeds that the Company would receive if the Over-allotment Option is fully exercised, which is estimated to be HK$25 million (approximately RMB23 million) (assuming a Placing Price of HK$1.90, being the mid-point of the indicative range of the Placing Price of between HK$1.70 and HK$2.10), of which approximately RMB22 million (approximately HK$23.9 million) will be used for renovation of the existing warehousing facilities and office premises and ancillary facilities, the development of new and existing construction stacking yard of TBW and the purchase of trucks for logistics business, and approximately RMB1 million (approximately HK$1.1 million) will be used for working capital of Binhai Logistics Group. To the extent that the net proceeds of the Placing are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed on short-term deposits with licensed banks in Hong Kong and/or the PRC.

PLACING STATISTICS

	Based on the indicative minimum Placing Price of HK$1.70 per H Share	**Based on the indicative maximum Placing Price of HK$2.10 per H Share**
Market capitalisation of the H Shares *(Note 1)*	HK$165.7 million	HK$204.7 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share *(Note 2)*	RMB1.21 (approximately HK$1.33)	RMB1.30 (approximately HK$1.42)

Notes:

(1) The market capitalisation is based on 97,460,000 H Shares in issue following completion of the Placing on the assumption that the Over-allotment Option is not exercised.

(2) The unaudited pro forma adjusted consolidated net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed "Unaudited pro forma financial information" in appendix II to this prospectus and on the basis that a total of 353,600,000 Shares were in issue immediately upon completion of the Placing and taking no account of any H Shares that may be issued upon the exercise of the Over-allotment Option.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Articles of Association"	the articles of association of the Company, approved by the Shareholders at the Company's annual general meeting held on 27 July 2007 and as further amended by the Board at its board meeting held on 19 March 2008 which will become effective from the Listing Date and, where the context so requires, as amended from time to time
"associate"	has the meaning ascribed to it in the GEM Listing Rules and, for the purpose of this prospectus only, excludes members of the Binhai Logistics Group unless otherwise specified
"Alps Logistics"	Alps Logistics Co., Ltd. (株式會社阿爾卑斯物流), a company with limited liability incorporated in Japan whose common stock is listed on the second section of the Tokyo Stock Exchange, a shareholder of Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics, holding 48% and 50% of the entire registered capital of Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics, respectively. Alps Logistics is owned as to approximately 46.6% by Alps Electric Co. Ltd. and, according to the annual report of Alps Electric Co. Ltd. for the year ended 31 March 2007, is regarded as a consolidated subsidiary of Alps Electric Co. Ltd.
"Alps Group"	Alps Electric Co. Ltd. and its subsidiaries and associated companies (including Alps Logistics but, for the purpose of this prospectus, excluding members of the Binhai Logistics Group) from time to time, being one of the principal group of customers of Binhai Logistics Group which are principally engaged in the manufacturing and sales of electronic products
"Binhai Logistics Group"	the Group and the Jointly-controlled Entities
"Binhai Yuan Sheng"	Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd. (天津濱海元盛鋼材市場經營管理有限公司), a company incorporated in the PRC with limited liability on 14 September 2007, its entire registered capital is owned as to 55% by Yuan Da Logistics and 45% by Mr. Xiao Hua Kang. Binhai Yuan Sheng is a subsidiary of the Company
"Board"	the board of Directors

"business day"	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for general banking business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended , supplemented or otherwise modified from time to time
"Company"	天津濱海泰達物流集團股份有限公司(Tianjin Binhai Teda Logistics (Group) Corporation Limited), a joint stock limited company established in the PRC on 26 June 2006
"Company Law"	the Company Law of the PRC (中華人民共和國公司法) (third amendment) as enacted by the Standing Committee of the National People's Congress of the PRC on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder"	Teda Holding, or where the context so requires, has the meaning as defined in the GEM Listing Rules
"CSRC"	中國證券監督管理委員會 (China Securities Regulatory Commission), a regulatory body responsible for the supervision and regulation of the PRC securities market
"Dalian Alps Teda Logistics"	Dalian Alps Teda Logistics Co., Ltd (大連泰達阿爾卑斯物流有限公司), a sino-foreign equity joint venture incorporated in the PRC on 21 March 2003, its entire registered capital is equally-owned by the Company and Alps Logistics. Dalian Alps Teda Logistics is a Jointly-controlled Entity under the GEM Listing Rules and in the accountants' report as set out in appendix I to this prospectus

"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each which are subscribed for or credited as paid up in Renminbi. For avoidance of doubt, the Company has not made any application in respect of the listing and trading of Domestic Shares on GEM. Accordingly, Domestic Shares are not eligible for trading on GEM immediately after completion of the Placing
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Committee"	the sub-committee of the board of the Stock Exchange with responsibility for GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"GEM Website"	the internet website "www.hkgem.com" operated by the Stock Exchange for the purposes of GEM
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of these subsidiaries, the present subsidiaries of the Company. For the purpose of this definition, "subsidiary" has the meaning ascribed to it under the GEM Listing Rules
"Guotai Junan" or "Sponsor"	Guotai Junan Capital Limited, a licensed corporation for type 6 (advising on corporate finance) regulated activity under the SFO
"H Shares"	overseas listed foreign invested ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK$ and for which application has been made for the listing of, and permission to deal on GEM
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Third Party(ies)"	person(s) or company(ies) who/which is/are independent of and not connected with any promoters, Directors, Supervisors, chief executive, initial management shareholders, significant shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or any of its subsidiaries and their respective associates
"Initial Management Shareholders"	Teda Holding and TEDA Asset Company, or where the context so requires, has the meaning as defined in the GEM Listing Rules
"Jointly-controlled Entity(ies)"	Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics, among which, Tianjin Alps Teda Logistics is considered to be a subsidiary of the Company under the GEM Listing Rules
"Latest Practicable Date"	17 April 2008, being the latest practicable date before the printing of this prospectus for ascertaining certain information in this prospectus
"Lead Manager"	Guotai Junan Securities (Hong Kong) Limited, the sole global coordinator, bookrunner and lead manager of the Placing, a licensed corporation for type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
"Listing"	the listing of the H Shares on GEM
"Listing Date"	the date, expected to be on or about 30 April 2008, on which dealings of the H Shares on GEM first commence
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies Seeking to be Listed Overseas (到境外上市公司章程必備條款) promulgated on 27 August 1994 by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic Systems of the PRC, as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC and to be listed overseas (including Hong Kong)

"NSSF"	National Social Security Fund (全國社會保障基金), the national social security funds managed by the NSSF Council, which comprise funds arising from disposal of state-owned shares and other equity assets, funds allocated by the central government of the PRC, funds raised from other sources approved by the State Council and other investment income centrally held by the PRC government
"NSSF Council"	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會), an organisation authorised by the State Council and responsible for the administration of the NSSF
"Over-allotment Option"	the option granted by the Company to the Lead Manager under the Placing and Underwriting Agreement, pursuant to which the Lead Manager may require the Company to allot and issue up to 13,290,000 additional H Shares, representing 15% of the Placing Shares initially being offered by the Company under the Placing, to cover any over-allocation in the Placing
"Placing"	the conditional placing of the Placing Shares by the Underwriters on behalf of the Company at the Placing Price to selected professional, institutional and other investors for cash as further described in the section headed "Structure and conditions of the Placing" of this prospectus
"Placing Price"	the final price per Placing Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) at which the Placing Shares are being offered for subscription under the Placing, which shall be not more than HK$2.10 per H Share and is expected to be not less than HK$1.70 per H Share, which is expected to be fixed pursuant to the Price Determination Agreement to be executed on or before the Price Determination Date
"Placing Shares"	88,600,000 H Shares initially being offered for subscription under the Placing, together with, if applicable, any additional H Shares to be issued pursuant to the exercise of the Over-allotment Option

"Placing and Underwriting Agreement"	the placing and underwriting agreement dated 23 April 2008 between the Company, the executive Directors, the Initial Management Shareholders, the Sponsor, the Lead Manager and the Underwriters in respect of the Placing, details of which are set out in the sub-section headed "Underwriting arrangements and expenses" under the section headed "Underwriting" in this prospectus
"PRC" or "China"	the People's Republic of China, which for the purposes of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Price Determination Agreement"	the agreement which is expected to be entered into between the Company and the Lead Manager (on behalf of the Underwriters) under which the agreed final Placing Price will be recorded
"Price Determination Date"	the day, expected to be on or before 25 April 2008 (Hong Kong time), on which the final Placing Price will be fixed for the purposes of the Placing, or such later time as the Company and the Lead Manager (on behalf of the Underwriters) may agree, but in any event not later than 5:00 p.m. on 25 April 2008 (Hong Kong time)
"Provisional Administrative Measures for the Reduction of State-owned Shares"	the Provisional Administrative Measures for the Reduction of State-owned Shares in Raising the Social Security Fund (減持國有股籌集社會保障基金管理暫行辦法) promulgated by the State Council on 12 June 2001
"Reduction Shares"	the Domestic Shares to be transferred to the NSSF Council from the Initial Management Shareholders pursuant to the Provisional Administrative Measures for the Reduction of State-owned Shares and to be converted into H Shares as more particularly referred to in the sub-section headed "Transfer of State-owned Shares" under the section headed "Share Capital" in this prospectus
"Relevant Securities"	has the meaning ascribed to it under Rule 13.15(4) of the GEM Listing Rules
"Reorganisation"	the reorganisation of the group of companies now comprising the Group as described in the paragraph headed "Reorganisation" in the sub-section headed "History and development" under the section headed "Business" of this prospectus
"RMB"	Renminbi, the lawful currency of the PRC

"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Securities Law"	the Securities Law of the PRC (中華人民和國證券法), as promulgated by the Standing Committee of the National People's Congress of the PRC on 29 December 1998 and which became effective on 1 July 1999, as amended, supplemented or otherwise modified from time to time
"Share(s)"	the ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Shares
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) promulgated by the State Council on 4 August 1994, as amended, supplemented or otherwise modified from time to time
"sq. ft."	square feet
"sq. m."	square metres
"State Council"	the State Council of the PRC (中國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholders"	Teda Holding and TEDA Asset Company or, where the context so requires, has the meaning as defined in the GEM Listing Rules
"Supervisor(s)"	the member(s) of the supervisory committee of the Company
"TBW"	TEDA General Bonded Warehouse Co., Ltd. (天津開發區泰達公共保稅倉有限公司), a company incorporated in the PRC with limited liability on 1 December 2001 and a wholly-owned subsidiary of the Company

"TEDA"	Tianjin Economic and Technological Development Area (天津經濟技術開發區), an area adjacent to Tianjin Port at the east of Tianjin and one of the 14 economic and technological development zones first established in the PRC. TEDA was established in December 1984 and is situated at Tianjin Binhai New Area
"TEDA Asset Company"	TEDA State Asset Operation Company (天津經濟技術開發區國有資產經營公司), a state-owned enterprise which is a Substantial Shareholder and an Initial Management Shareholder, wholly-owned by the TEDA Financial Bureau (天津經濟技術開發區財政局). Please refer to the sub-section headed "Relationship with Teda Holding and TEDA Asset Company" in the section headed "Business" in this prospectus for background information of TEDA Asset Company
"Teda Holding"	Tianjin Teda Investment Holding Co., Ltd. (天津泰達投資控股有限公司) (formerly known as Tianjin Economic and Technological Development Area Corporation (天津經濟技術開發區總公司)), a state-owned enterprise wholly-owned by the TEDA Administrative Commission which is a Controlling Shareholder and an Initial Management Shareholder. Please refer to the paragraph headed "Relationship with TEDA Holding and TEDA Asset Company" in the section headed "Business" in this prospectus for background information of TEDA Holding
"TEDA I/E"	Tianjin Economic and Technological Development Area Import and Export Corporation (天津經濟技術開發區進出口公司), a company controlled by Tianjin Teda Group Co., Ltd and a former shareholder of Tianjin Alps Teda Logistics. The principal business of Teda I/E includes export of goods, processing agent and other ancillary business
"Tianjin Alps Teda Logistics"	Tianjin Alps Teda Logistics Co., Ltd. (天津泰達阿爾卑斯物流有限公司), a sino-foreign equity joint venture incorporated in the PRC on 27 October 1992, which is owned as to 52% by the Company and 48% by Alps Logistics. Tianjin Alps Teda Logistics is a subsidiary of the Company under the GEM Listing Rules and is accounted for as a Jointly-controlled Entity in the accountants' report as set out in appendix I to this prospectus

"Tianjin Fengtian Logistics"	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 (日本豐田通商株式會社), 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). Tianjin Fengtian Logistics is a subsidiary of the Company under the GEM Listing Rules and in the accountants' report as set out in appendix I to this prospectus
"Tianjin Port Automobile Logistics"	Tianjin Port International Automobile Logistics Co., Ltd. (天津港國際汽車物流有限公司), a limited liability company established in the PRC on 27 March 2006, which is owned as to 50% by TBW, as to 30% by Tianjin Port Electrical Engineering Co., Ltd. (天津港灣電力工程有限公司) and as to 20% by Tianjin Port Container Freight Co., Ltd. (天津港集裝箱貨運有限公司) and an associated company of the Company
"Toyota Group"	Toyota Motor Corporation and its subsidiaries and associated companies (including Toyota Tsusho, but for the purpose of this prospectus, excluding the members of Binhai Logistics Group) from time to time, being one of the principal group of customers of Binhai Logistics Group which are principally engaged in the manufacturing and sales of automobiles
"Toyota Tsusho"	Toyota Tsusho Corporation (豐田通商株式會社), a company incorporated in Japan with limited liability whose common stock is listed on the first section of Tokyo Stock Exchange and Nagoya Stock Exchange, a shareholder of Tianjin Fengtian Logistics holding 36.2% of its entire registered capital. Toyota Tsusho is owned as to approximately 21.57% by Toyota Motor Corporation and is an associated company of Toyota Motor Corporation. Toyota Tsusho is therefore a member of the Toyota Group. Its principal business includes trading of metals, machinery and electronics products, automotive, energy and chemical products, produce and foodstuffs, consumer products, services and materials
"Track Record Period"	the period comprising the three years ended 31 December 2007

"Underwriters"	the underwriters of the Placing whose names are set out in the sub-section headed "Underwriters" under the section headed "Underwriting" in this prospectus
"US$"	United States dollars, the lawful currency of the United States
"WTO"	World Trade Organisation
"Yuan Da Logistics"	Tianjin Yuan Da Xian Dai Logistics Co., Ltd. (天津元大現代物流有限公司), a limited liability company established in the PRC on 18 December 2006, a wholly-owned subsidiary of the Company
"%"	per cent.

Please note that the Group recognised its interests in the Jointly-controlled Entities using proportionate consolidation, and its share of each of the Jointly-controlled Entities assets, liabilities, income and expenses are combined with the Group's similar items, line by line, in the consolidated financial statements. As such, in this prospectus, unless otherwise specified, all references to revenues, profits and other financial information of the Group include those of the Jointly-controlled Entities to the extent that such information has been proportionately consolidated or otherwise reflected in the accountants' report on the Group set out in appendix I to this prospectus. It should be noted that the Company and its subsidiaries hold only up to 50% equity interest in the Jointly-controlled Entities, or hold more than 50% equity interest but do not unilaterally control the Jointly-controlled Entities.

For the purpose of illustration only and unless otherwise specified in this prospectus, amounts in HK dollars have been translated into US dollars (and vice versa) at the rate of US$1.00 = HK$7.80 and into Renminbi (and vice versa) at the rate of RMB0.91=HK$1.00. No representation is made by the Company that any amounts in RMB, US dollars and HK$ could have been, or could be, converted at such rates or at any other rates on such date or on any other dates.

If there is any inconsistency between the Chinese name of the PRC entities or enterprises established in the PRC mentioned in this prospectus and their respective English translations, the Chinese names shall prevail. The provision of English translation of names of entities, enterprises and legalations in Chinese is for identification purposes only.

GLOSSARY

This glossary contains explanations of certain technical terms used in this prospectus in connection with the business of Binhai Logistics Group. Such terminology and meanings set out below may not correspond to the standard industry meanings or usages of those terms.

"Bonded Warehouse"	warehouse which is to store customs-approved bonded goods
"VMI"	an acronym of Vendor Managed Inventory. VMI is a supply chain model where the inventory is monitored, planned and managed by the vendor, based on the expected demand and on the inventory level previously agreed with the customer. Third party logistics providers may be involved to ensure the required level of inventory by adjusting the demand and supply gaps
"JIT"	Just In Time, a production mode pursuant to which production is based on demand
"ACCS"	Alps Cargo Centre System, a warehouse management system specifically developed by Alps Logistics for managing the inventory level and movement of electronic components
"TWMS"	Toyotsu Warehouse Management System, a warehouse management system introduced by Toyota Tsusho for the storage and delivery business of vehicles components
"4S shop"	a shop for providing sale services of finished automobiles, car components, after sale services and feedback and established under the authority of automobile manufacturers
"WMS"	an acronym of Warehouse Management System. WMS is a warehouse management system which is designed to handle, among others, the inventory tracking and control, inventory movement management and other warehouse management functions

Potential investors should carefully consider all the information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Company before making any investment decision in relation to the Company.

RISKS RELATING TO BINHAI LOGISTICS GROUP'S BUSINESS

Reliance on major customers

During each of the three years ended 31 December 2007, the turnover generated from the five largest customers of the Group, including the members of Toyota Group and Alps Group, accounted for approximately 63.3%, 69.3% and 64.4% respectively of the total turnover of the Group during the respective periods. During each of the three years ended 31 December 2007, the largest customer of the Group accounted for approximately 36.7%, 27.4% and 19.2% of the Group's total turnover during the respective periods. Alps Group and Toyota Group are two major customer groups of Binhai Logistics Group. During each of the three years ended 31 December 2007, the overall sales attributable to members of Alps Group during the corresponding periods amounted to approximately RMB151,245,000, RMB165,868,000 and RMB163,391,000 respectively, which accounted for approximately 30.5%, 23.4% and 17.2% of the Group's total sales for the corresponding periods. During each of the three years ended 31 December 2007, the overall sales attributable to the members of Toyota Group amounted to approximately RMB291,577,000, RMB501,586,000 and RMB669,323,000 respectively, which accounted for approximately 58.7%, 70.7% and 70.5% of the Group's total sales for the corresponding periods. Save for Alps Services Supply Agreement and Toyota Services Supply Agreement as referred to in the paragraph headed "Continuing Connected Transactions" in the section headed "Business" in this prospectus and a service contract entered into with one of the top five customers, being one of the members of Toyota Group, for the provision of logistics and supply chain solutions in respect of the car components for a term of six years, Binhai Logistics Group does not normally enter into long term contract with its customers in respect of its services to them. There is no assurance that Binhai Logistics Group will continue to be engaged by any of its major customers to provide logistics and supply chain solution services in the future. Any unexpected cessation of, or substantial reduction in, the volume of business with any of its major customers could adversely affect the business, financial position or results of operations of Binhai Logistics Group. If Binhai Logistics Group fails to secure new customers with similar sales volume on terms acceptable to it, its performance and growth will also be adversely affected.

Joint venture risks

Some of the Group's principal operations are conducted by members by Binhai Logistics Group which are established in the form of sino-foreign equity joint ventures, namely, Tianjin Fengtian Logistics, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics. Tianjin Fengtian Logistics is principally engaged in the provision of logistics and supply chain solutions for the automobiles and car components sector while Tianjin Alps Teda Logistics is principally engaged in the provision of logistics and supply chain solutions for electronic components sector. As part of the logistics and supply chain solutions, Dalian Alps Teda Logistics is also engaged in the provision of the procurement services. These sino-foreign equity joint ventures had been the principal contributors to the Group's profitability during the Track Record Period. During each of the three years ended 31 December 2007, Tianjin Fengtian Logistics had contributed approximately 61.3%, 71.1% and 72.4% of the turnover of the Group and approximately 41.8%, 73.3% and 76.5% of the net profit of the Group respectively. During each of the three years ended 31 December 2007, Tianjin Alps Teda Logistics had contributed approximately 28.5%, 20.6% and 15.4% of the turnover of the Group and approximately 56.2%, 26.0% and 18.4% of the net profit of the Group respectively. During each of the three years ended 31 December 2007, Dalian Alps Teda Logistics had contributed approximately 9.6%, 7.2% and 7.0% of the turnover of the Group and approximately 5.1%, 1.5% and 1.3% of the net profit of the Group respectively. The aggregate net profit contributed by Tianjin Fengtian Logistics, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics represented more than 100% of the total net profit of the Group for each of the two years ended 31 December 2006. This was principally due to the net loss recorded by TBW and the Company during the year ended 31 December 2005 and 31 December 2006, respectively.

One of the Company's subsidiary, Binhai Yuan Sheng, is also established as a non-wholly owned subsidiary of the Company which is owned as to 55% by Yuan Da Logistics and 45% by Mr. Xiao Hua Kang, who is not connected with the Group except for his equity interest and directorship in Binhai Yuan Sheng. Binhai Yuan Sheng is principally engaged in the provision of warehousing, delivery and other logistics services relating to steel materials. The Group's cooperation with Mr. Xiao Hua Kang in this joint venture is governed by the Company Law and the provisions of the articles of association of Binhai Yuan Sheng, details of which are set out in the paragraph headed "Further information about the Company's subsidiaries and other establishments" in appendix VI to this prospectus.

The continuation of these joint ventures and cooperative arrangements is fundamental to Binhai Logistics Group's operations. The joint ventures and cooperative arrangements, which are governed by the relevant joint venture agreements and/or articles of association, may be terminated, among other circumstances, upon the expiration of the term of the relevant joint venture agreement and/or articles of association, breach of the terms thereof by any party thereto, upon occurrence of force majeure event or upon mutual consent. If such sino-foreign equity joint ventures were to terminate or were to expire without being renewed, the operations and financial results of Binhai Logistics Group would be materially and adversely affected. Furthermore, there is no assurance that its joint venture partners will not in the future undertake any business operations on their own which are in direct competition with Binhai Logistics Group, in particular following the liberalisation of foreign ownership restrictions resulting from China's WTO accession.

In addition, there is a possibility that Binhai Logistics Group's joint venture partners may:

- have economic or business interests inconsistent with Binhai Logistics Group;
- take actions contrary to Binhai Logistics Group's instructions or requests or contrary to the objectives or policies of Binhai Logistics Group;

- be unable or unwilling to fulfil the obligations under the relevant joint venture agreements and/or articles of association;
- have financial difficulties; or
- have disputes with Binhai Logistics Group relating to the provisions in the joint venture agreements and/or articles of association.

If Binhai Logistics Group encounters difficulties or has any disputes with its joint venture partners, the performance of these joint ventures will be adversely affected, which could result in lowered or no contribution from these joint ventures to Binhai Logistics Group's results of operations.

Some of the information technology systems used by Binhai Logistics Group, namely TWMS and ACCS, are licensed to Binhai Logistics Group by these joint venture partners and/or its associates. Binhai Logistics Group is also allowed to use TWMS by way of a licence at will by Toyota Tsusho and/or its associates, one of the joint venture partners in respect of Tianjin Fengtian Logistics. Binhai Logistics Group has also been granted the licence to use ACCS until 31 December 2010, subject to early termination by written notice of not less than one month, pursuant to Alps Services Purchase Agreement with Alps Logistics, details of which are set out in the paragraph headed "Continuing connected transactions" in the section headed "Business" in this prospectus. There is, however, no assurance that the relevant joint venture partners and/or their respective associates will continue to grant the licence for the use of these information technology systems to Binhai Logistics Group if the relevant joint ventures and cooperative arrangements are terminated for whatever reasons. While TWMS and ACCS serve Binhai Logistics Group's current needs in coping with its customers' requirements, in the event that any such licence is terminated, Binhai Logistics Group may have to incur additional time and cost in either modifying its own warehouse management system or engaging third party developers to develop a new information technology system to cater for its customers' needs, and the operations and profitability of Binhai Logistics Group could be adversely affected.

Reliance on key management

The continuous success of Binhai Logistics Group in rendering custom-made logistics services hinges on the application of logistics techniques which is knowledge-oriented. Therefore, the Directors believe that, to a significant extent, Binhai Logistics Group's success is dependent upon the expertise and in-depth knowledge of the logistics industry possessed by the senior management, namely Mr Zhang Jian and Mr Liu Li Ming, the executive Director and operation controller of the Company, respectively, in formulating the strategic direction and managing the business of Binhai Logistics Group. The continual success of Binhai Logistics Group also depends on its ability to attract and retain the management team consisting of more than 40 managers, departmental and divisional heads who perform and supervise the daily logistics functions. Should any of such key senior management and technical personnel leave Binhai Logistics Group and Binhai Logistics Group is unable to recruit and retain a sufficient number of experienced personnel, Binhai Logistics Group's operation, business development and profitability may be adversely affected.

Binhai Logistics Group's ability to retain experienced staff members as well as senior management will in part depend on it having in place appropriate staff remuneration and incentive schemes. There is no assurance that the remuneration and incentive schemes in place will be sufficient in retaining the services of Binhai Logistics Group's key management and technical personnel.

Dependence on subcontractors

Some of the logistics and supply chain services provided by Binhai Logistics Group have been outsourced to third-party subcontractors, namely the freight forwarding services by road, sea and air and the overseas freight forwarding and warehousing services. During each of the three years ended 31 December 2007, the costs attributable to all the subcontractors of the Group amounted to approximately RMB254,255,000, RMB323,973,000 and RMB488,337,000, which accounted for approximately 57.9%, 54.5% and 61.0% of the cost of sales of the Group, respectively. Other than Alps Logistics and its associates in respect of their overseas freight forwarding and warehousing services, and one of the top five suppliers of the Group which is owned as to 10% by Toyota Tsusho, none of the subcontractors of the Group during the Track Record Period had any relationship with the directors, substantial shareholders or member of senior management of the Company or its subsidiaries, or their respective associates and they are Independent Third Parties.

Save for Alps Services Purchase Agreement and Dalian Alps Services Purchase Agreement as referred to in the sub-section headed "Continuing Connected Transactions" in the section headed "Business" in this prospectus, Binhai Logistics Group does not have any long term contract with any of these subcontractors in respect of any services from them. In the event that Binhai Logistics Group fails to outsource any part of the logistics and supply chain solutions by securing services from suitable subcontractors, Binhai Logistics Group may not be able to meet the demands from its customers and its profitability may be adversely affected.

There may be deficiencies in the assessment and selection process of subcontractors. Binhai Logistics Group has limited control over the delivery schedule actually implemented and quality of services of the third-party subcontractors. If the subcontractors fail to complete their work as required under the contracts with the Group or as required by the end customers, the Group may be exposed to claims in relation to the unsatisfactory performance of its subcontractors.

Concentration of credit risk

As at 31 December 2005, 2006 and 2007, the trade and bill receivables of the Group amounted to approximately RMB89,608,000, RMB108,717,000 and RMB149,166,000, respectively. The Group is exposed to concentration of credit risk to the extent that its ten largest debtors accounted for approximately 72%, 77% and 81% of the Group's total trade receivables during the Track Record Period respectively. Should such debtors fail to settle such receivables in full, Binhai Logistics Group's financial condition and profitability could be adversely affected. Any delay in the payment by customers may also adversely affect the operation and financial position of Binhai Logistics Group. Binhai Logistics Group cannot assure that these measures are adequate in protecting it against material credit risks.

The insurance coverage may not be sufficient to cover all the risks related to the Group's operations

Accidents, theft, property damage, loss in transit, delays, mis-routing of cargoes and documentation errors may occur from time to time during the provision of logistics services. These may result in losses to customers and expose Binhai Logistics Group to liability or other claims by the customers and other third parties. During the Track Record Period and up to the Latest Practicable Date, Binhai Logistics Group had not been the subject of any material service liability claims. As at the Latest Practicable Date, Binhai Logistics Group had purchased insurance as more particularly referred to in the sub-section headed "Insurance" in the section headed "Business" of this Prospectus. There is, however, no assurance that sufficient insurance coverage is maintained for the accidents associated with Binhai Logistics Group's business. Binhai Logistics Group's performance may be adversely affected by any such claims. Any such claim, regardless of its merits, may incur litigation expenses and put a strain on Binhai Logistics Group's resources. They may also damage Binhai Logistics Group's relations with customers and affect its reputation.

Risks relating to the implementation of Binhai Logistics Group's future plans

It is stated in the section headed "Future plans and prospects" in this prospectus that Binhai Logistics Group intends to enlarge and diversify customer base covering area other than Tianjin where Binhai Logistics Group is based, and to strengthen the logistics infrastructures which may be time-consuming and capital intensive. There is no assurance that Binhai Logistics Group can successfully establish business relationships with the new customers in the time frame as deemed favourable to Binhai Logistics Group. Furthermore, there is no assurance that Binhai Logistics Group can have sufficient internal and external financial resources to meet the funding requirements for the development of the logistics infrastructure. The plans could be delayed or adversely affected by any failure to obtain sufficient funding, technical difficulties, human or other resources constraints, or any other reasons. There is no assurance that Binhai Logistics Group can execute its future plans successfully or at the last level originally anticipated or achieve the intended financial results. Moreover, the implementation of these future plans may require expenditure in excess of the budgeted cost. As a consequence of cost overruns, changes in market circumstances or other reasons, the business growth intended by the implementation of these plans may not materialise.

Any change in preferential tax treatments in the PRC may have a negative impact on the results of Binhai Logistics Group's operations

Under the laws of the PRC, each of the Company, its subsidiaries and the Jointly-controlled Entities is subject to PRC income tax. Prior to 1 January 2008, the normal statutory PRC enterprise income tax rate was 33% of taxable income as determined in accordance with the relevant PRC income tax laws and regulations. However, the then PRC laws and regulations provided for a number of preferential tax treatments applicable to different enterprises, industries and locations. In 2007, each of the Company, TBW and Yuan Da Logistics was then subject to an enterprise income tax rate of 33% while each of Tianjin Alps Teda Logistics and Tianjin Fengtian Logistics was subject to an enterprise income tax rate of 15% and Dalian Alps Teda Logistics was subject to enterprise income tax rate of 30%. Under the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (中國外商投資企業和外國企業所得稅法) and the implementation rules thereof, both of which were abolished with effect from 1 January 2008, foreign invested enterprises in the PRC which is engaged in the manufacturing business for a term of operation of more than ten years was entitled to an exemption from the PRC income tax for a period of two years commencing from the first profit-making year of operation and would be entitled to a 50% tax relief on the applicable income tax rate for a period of three years thereafter, and any such foreign invested enterprises established in economic and technological development zones in the PRC were subject to PRC enterprises income tax at a preferential tax rate of 15%. Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) promulgated on 16 March 2007 and which becomes effective from 1 January 2008, (i) a uniform enterprise income tax rate of 25% is applied to both domestic and foreign investment enterprises in the PRC, (ii) the tax holiday may be enjoyed until its expiry, but if the tax holiday has not been commenced by 1 January 2008, such tax holiday shall commence from 1 January 2008; (iii) other designated enterprises may enjoy tax benefits in accordance with the regulations promulgated by the State Council; and (iv) where an enterprise (including Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics) has been established prior to the promulgation of the new PRC Enterprise Income Tax Law and has been entitled to a preferential tax rate in accordance with the then tax law or administrative regulations, there is a transition period for the existing preferential tax rate during the five years after 1 January 2008 until the applicable enterprise income tax rate therefor is unified at 25% in accordance with the implementation regulation thereof promulgated by the PRC State Council. As such, after the preferential tax treatment available to Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics expires in 2013, the Group may be required to pay a greater amount of enterprise income taxes, which may adversely affect the profitability of the Group. There is also no assurance that the current preferential tax treatments and the current level of enterprise income tax enjoyed by Binhai Logistics Group will continue, and any discontinuation of any preferential tax treatment currently available to Binhai Logistics Group and the increase in the enterprise income tax in the PRC would in each case result in a decrease of the net income of the Group and materially adversely affect its results of operation as well as the value of the investment of the potential investors in the Group.

Reliance on information technology system

Binhai Logistics Group relies on its information technology systems to provide effective logistics solutions to its customers. Binhai Logistics Group's ability to maintain its competitiveness in the market is largely dependent on its ability to enhance and upgrade its information technology systems and to develop technologically more advanced information systems to cope with its customers' requirements. There is, however, no assurance that Binhai Logistics Group will be able to successfully keep up with the state-of-the-art technology and information technology systems so as to enable Binhai Logistics Group to meet its customers' needs or that the technology developed by others will not render Binhai Logistics Group's services less competitive.

If any major system failures, interruption or breakdown occur in the information technology systems used by Binhai Logistics Group, the operations of Binhai Logistics Group may be adversely affected. In order to meet the specific logistics requirements of the electronic products and vehicles distribution, Binhai Logistics Group has introduced certain specialised warehouse management systems from its joint venture partners and/or their respective associates. There is no assurance that Binhai Logistics Group would continue to be granted licences for the use of these systems in future. If these licences are withdrawn for whatever reasons, Binhai Logistics Group may have to incur additional time and cost in either modifying its own warehouse management system or engaging third party developers to develop a new information technology system to cater for its customers' needs, and the operations and profitability of Binhai Logistics Group could be adversely affected.

Surge in energy price

The smooth operation of Binhai Logistics Group's logistics services depends upon a stable and reliable source of energy, including electricity and oil. There is, however, no assurance that such shortage of energy nor increase in operating expenses will not occur in the future. Any surge in energy price leading to increase in operation and transportation costs could adversely affect the profitability and operations of Binhai Logistics Group if Binhai Logistics Group cannot transfer the increased cost to its customers.

Fluctuations in the price of production materials

During the Track Record Period, the Group's turnover attributable to its procurement services amounted to approximately RMB46,984,000, RMB50,399,000 and RMB95,610,000 for the respective period. The price of such production materials (such as resins, electronic production materials and steel materials procured by Binhai Logistics Group pursuant to its procurement services) is subject to fluctuations which are attributable to a number of factors. Binhai Logistics Group will only procure steel materials for its customers upon their request, while it will procure resins and/or electronic production materials either upon their request or by way of strategic purchases in the market by purchasing the relevant materials in advance before customers' request. In deciding whether and the extent of such strategic purchases, the management of Binhai Logistics Group will normally consider whether the market prices of such materials are relatively low or may increase significantly in the near term, whether the materials are common commodity products, whether the materials can be stored easily without incurring significant cost, the usual lead time and size of purchase required to obtain supply of the materials from the suppliers and the expected demand of the materials by the customers. Binhai Logistics Group does not have any procurement policy as to the proportion between strategic purchases and purchases upon customers' request, and strategic purchases will be made by Binhai Logistics Group from time to time as and when the management considers appropriate, taking into account the above factors. As part of Binhai Logistics Group's policy to source production materials for its customers as a value-added service for its supply chain solution, it also needs to review and monitor its inventory control methods and procedures in order to minimise overstocking. In the event that the management is proven wrong in its assessment of the demands of its customers or in anticipation of market trends or it overstocks inventory or is otherwise unable to pass the increased procurement costs to its customers, Binhai Logistics Group's operations may be adversely affected. The Group's procured inventories held as at 31 December 2005, 2006 and 2007 were approximately RMB8,100,000, RMB12,953,000 and RMB68,130,000 respectively. The Directors estimate that, with all other factors remained constant, if the Group had only been managed to sell all the production materials as at 31 December 2007 at 5% discount of its procurement cost, the Group would have suffered a net loss of approximately RMB1,500,000 from its procurement services for the year ended 31 December 2007. To demonstrate the hypothetical impact of the procurement cost on the Group's profitability (and the 5% discount has been arbitrarily used here for illustration purposes only and it does not represent any historical or estimation of future fluctuation of the price of production materials), if the Group were unable to sell any of such production materials, the procurement cost of such production materials would have been written down and recognised as expenses of the Group.

Notwithstanding that resin and steel materials, being two of the principal materials procured by Binhai Logistics Group as part of its procurement services to its customers, are common commodity products and can be sold in the market in the event of any default by the customers in completing the purchase thereof, there is no assurance that, at the time when Binhai Logistics Group exercises its rights to sell these materials in the market to mitigate its loss or damage, the then prevailing selling price of these materials will exceed the procurement costs thereof (including the purchase price, financing costs and/or other costs and expenses) incurred by Binhai Logistics Group. If Binhai Logistics Group is unable to recover these procurement costs of the production materials or steel materials from the sales thereof or otherwise through legal proceedings against its customers, the Group's financial conditions and profitability may be adversely affected.

Potential title defects in certain tenancy agreements

The Group has leased various offices and warehousing facilities in the PRC, details of which are set out under group III in the letter, summary of values and valuation certificates as set out in appendix III to this prospectus. As advised by the Company's PRC legal advisers, (a) the former tenancy agreement in respect of one of these leased properties (namely, properties numbered B15) has already been expired and the property are now currently used by the Group under tenancies-at-will on the same terms of the former tenancy agreement (other than the term of tenancy), pursuant to which the relevant lessor may terminate the tenancy at any time by giving reasonable notice; and (b) given that the lessors of five of the leased properties numbered B2, B7, B8, B10 and B15 have not yet applied for the relevant building ownership certificates for the relevant leased properties, and the lessor for the leased property numbered B4 was not the registered owner of the relevant leased property. Under the Administrative Measures Regarding Leasing of Urban Housing (城市房屋租賃管理辦法), the landlords are not allowed to lease these properties to the Group without first obtaining the building ownership certificates in respect thereof and complying with the registration requirements of the tenancies under such measures. The tenancy agreements for these leased properties may not be enforceable against third parties having the requisite title or authority to use the properties, and such third parties may have the right to evict the Group from the relevant leased properties. The Group's rights to use these leased properties and other rights under the relevant tenancy agreements may not be legally protected under the relevant PRC laws. In the event that the Group is evicted from any of these leased properties or otherwise cannot continue to use these leased properties for any of the above reasons, the Group will have to incur additional time, costs and expenses (including relocation costs) to relocate the offices and/or the warehousing facilities and the Group's financial position and operation may thereby be adversely affected.

Cost impact of the new PRC Labour Contract Law

The Group's labour costs may be increased due to the implementation of the new PRC Labour Contract Law. According to the PRC Labour Contract Law (the "New Labour Contract Law") which has become effective since 1 January 2008, employers shall make monetary compensation to employees upon the termination of fixed-term employment agreements. However, an employee is exempted from such compensation if the employee has declined to renew a fixed-term employment agreement and the renewal offer provided by the employer is the same as or better than those provided in the existing fixed-term agreement. The compensation shall be calculated based on the number of years the employee has worked for the employer, provided that the compensation payable in respect of any period prior to 1 January 2008 shall be determined by reference to the then applicable labour laws and regulations. In general, the employee shall be entitled to one-month salary as compensation for every year he/she has worked for the employer. Any period of more than six months but less than one year shall be deemed as one year. The employee shall be entitled to half of one-month salary as compensation for any period of time less than six months. If there is no written employment agreement but where an arbitration award or judgment deems that a de facto employment relationship has existed for more than one month, the employer shall pay the employee double amount of his monthly salary and the employer shall also make monetary compensation to such employees upon the termination of the employment using the same calculation method as described above, except that such calculation method shall also apply to the compensation payable in respect of any period of employment prior to 1 January 2008. The implementation of the New Labour Contract Law may further increase the Group's labour costs and thereby adversely affect the Group's financial conditions and profitability.

Dividends

Most of Binhai Logistics Group's business operations are conducted through its subsidiaries, Jointly-controlled Entities and associated companies. The Company's ability to pay dividends is dependent upon the earnings of the subsidiaries, the Jointly-controlled Entities and associated companies of the Company and their distribution of funds to the Company, primarily in the form of dividends. The ability of these subsidiaries, Jointly-controlled Entities and associated companies to make distributions to the Company are subject to applicable legal and other restrictions, including the amount of distributable earnings, cashflow conditions, restrictions contained in articles of association of such companies, shareholder arrangements, the Company Law and other arrangements. These restrictions could reduce the amount of distributions received by the Company from these subsidiaries, Jointly-controlled Entities and associated companies, which would restrict the Company's ability to fund the business operations of other members of the Group and to pay dividends to the Company's shareholders.

During each of the three years ended 31 December 2007, the Group distributed dividends of approximately RMB12,140,000, RMB14,933,000 and RMB14,947,000 respectively. Payment of the dividends was financed by the internal resources of the Group. There is, however, no assurance that dividend of similar amounts or at similar rates will be made in the future and past dividend payments referred to above should not be used as a reference or basis to determine the amount of dividends payable in the future.

RISKS RELATING TO THE INDUSTRY

Reliance on electronic products and automobile markets

During the Track Record Period, substantially all of the revenue of the Group was derived from the logistics services for automobiles, electronic products and related parts. For each of the three years ended 31 December 2007, the revenue generated from the automobile and car component sector accounted for approximately 61.3%, 71.1% and 72.4% of the Group's total sales respectively, while the revenue generated from the electronic sector accounted for approximately 38.1%, 28.2% and 23.4% of the Group total sales for the corresponding period. Any downturn in the electronic and automobile industries in the PRC might adversely affect the demands for the Group's logistics services.

Extensive government regulations of the logistics industry

The logistics industry in the PRC is subject to a broad range of laws and regulations. As advised by the PRC legal advisers of the Company, it is necessary for Binhai Logistics Group to obtain certain approvals, licence and permits from the government for its business operations, details of which are contained in the section headed "Regulations" and the paragraph headed "Legal proceedings and regulatory compliance" in the section headed "Business" of this prospectus. The Company's PRC legal advisers have advised that the Group has obtained the requisite approvals, licences and permits for its operations.

Some of these governmental approvals, licences and permits are subject to renewal and there is no assurance that Binhai Logistics Group will be able to renew such approvals, licences and permits upon their expiry. Furthermore, the eligibility criteria for obtaining or renewing the requisite approvals, licences and permits may change from time to time. Additional approvals, licences, permits or other pre-requisites be required, or more stringent compliance requirements may need to be observed by Binhai Logistics Group as a result of the introduction of any new laws and regulations or changes in the interpretation of existing laws and regulations in the PRC. In the event that Binhai Logistics Group fails to renew any of these approvals, licences or permits, or fails to obtain or observe any of such additional approvals, licences, permits or other pre-requisites or other compliance requirements, the operation of Binhai Logistics Group may be adversely affected. Introduction of any new laws and regulations or changes in the interpretation of existing laws and regulations in the PRC may escalate the compliance costs of Binhai Logistics Group or prohibit or make it more onerous for the Group to continue with the whole or any part of its business.

Dependence on the growing global outsourcing trend

Binhai Logistics Group's business is dependent on its customers outsourcing their logistics functions as part of their supply chain management. Expansion of sales network worldwide by international brand owners and the relocations of their manufacturing arms to locations offering lower labour and other manufacturing costs results in a growing demand for local and multinational logistics of production materials and finished products. While they may need to incur significant capital investments and expenses to establish and maintain the requisite logistics infrastructure (such as warehouses, transportation vehicles, information management systems and human resources involved) in order for their own global logistics networks to meet their own logistics requirements, the Directors believe that a lot of international brand owners have become increasingly reliant on outsourcing the logistics of their production materials and/or finished products to third party logistics services providers so that they can allocate and focus their resources on products research and development and brand building. However, there will be no assurance that the outsourcing strategies will continue to be adopted or the outsourcing trend will continue to grow. Should there be a decline in the outsourcing trend of the logistic services, Binhai Logistics Group's performance may be adversely affected.

Dependence on the level of global consumer demands

Binhai Logistics Group's performance is dependent on the business developments of its customers. Binhai Logistics Group's customers are leading electronic manufacturers, vehicle manufacturers provider. The business of its customers as a whole is mostly driven by the level of consumer demands. Consumer demands are affected by a number of factors such as changes or developments in economic and financial conditions, and social and political stability, which are beyond the control of Binhai Logistics Group. If there occurs any serious economic, social or political turbulence in an economy in which Binhai Logistics Group's customers operate, it could adversely affect their business which in turn could affect Binhai Logistics Group's business, financial position and results of operations.

Competition

Following the PRC's accession to the WTO, the Administrative Measures Relating to Foreign-invested International Freight Forwarding Agency Enterprises (外商投資國際貨物運輸代理企業管理辦法) were promulgated by the Ministry of Commerce on 1 December 2005 and became effective on 11 December 2005. Under the new administrative measures, foreign companies may establish wholly owned international freight forwarding agencies in the PRC to provide, among others, freight forwarding and limited express delivery services. Binhai Logistics Group anticipates that, once the transportation and logistics industry in the PRC is fully opened to foreign competition, international transportation and logistics services providers will aggressively pursue opportunities in the transportation and logistic market in the PRC, which will further intensify competition. Binhai Logistics Group's ability to compete effectively may be constrained by the following factors:

- Binhai Logistics Group may lose key members of its management team and experienced employees to its competitors;
- the competitors may deploy more advanced information technologies to provide more cost efficient logistics and supply chain solutions;
- the competitors may enter into alliances with international transportation or logistics services providers and have access to an extensive distribution network as well as resources and technologies that may not be available to Binhai Logistics Group; and
- the low-end competitors are likely to have a lower cost base than that of Binhai Logistics Group.

As a result, Binhai Logistics Group may not be able to compete successfully against its current or future competitors in some aspects. Increased competition may reduce the growth in the customer base of Binhai Logistics Group, thereby reducing its market share. Any of these developments could adversely affect its business growth and results of operations.

RISKS RELATING TO THE PRC

PRC political and economic considerations

Since 1978, the PRC government has been undertaking a series of administrative reforms to its government structure. Such reforms, which are expected to continue, have resulted in significant economic growth and social progress. Many of these reforms are unprecedented or experimental and are expected to be refined and improved upon. Other political and social factors may also lead to further readjustments and refinements of the reform measures. These adjustments and refinements may not always have a positive effect on Binhai Logistics Group's business, financial condition and results of operations.

Substantially all of the Group's revenue are derived from the PRC. Binhai Logistics Group's business, operating results and future growth prospects are subject, to a significant degree, to the political, social and economic development of the PRC. Any changes in the political, economic and social policies of the PRC government may adversely affect the Group's business, operating results and future growth prospects.

Legal system

The PRC legal system is a civil law system which is based primarily on written statutes and in which decided legal cases have little precedential value. Although since 1979, many laws and regulations governing economic matters have been promulgated and amended in the PRC to provide general guidance on economic and business practices, the

PRC legal system is still considered to be underdeveloped in comparison with the legal systems of some western countries. The interpretation of the PRC law may be inconsistent and somehow influenced by policy changes reflecting domestic political and social changes. In addition, the enforcement of existing laws can be uncertain and unpredictable.

Significant progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new laws, changes of existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Company's business.

Different regulatory framework

As substantially all of Binhai Logistics Group's business is conducted in the PRC, its operations are governed principally by the laws of the PRC. As a PRC company offering and listing its H Shares outside the PRC, the Company is subject to the Special Regulations and the Mandatory Provisions. The Mandatory Provisions contain certain provisions that are required to be included in the articles of association of the PRC companies to be listed aboard (including Hong Kong) and are intended to regulate the internal affairs of those companies. The Company Law and the Special Regulations, in general, certain aspects such as the protection of shareholders' rights and access to information, in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United Kingdom, the United States and other developed countries or regions.

The Company Law is different in certain important aspects from company laws in Hong Kong, the United States and other common law countries or regions, particularly with regard to investors' protection, including in such areas as derivatives actions by minority shareholders and other minority shareholders protections, restrictions on the authority of directors, financial disclosure, variations of class rights, procedures at general meetings and payments of dividends.

The nature of limited investor protection under the Company Law is compensated for, to a certain extent, by the introduction of the Mandatory Provisions and certain additional requirements that are imposed by the GEM Listing Rules with a view to reducing the scope of differences between the Companies Ordinance and the Company Law. The Mandatory Provisions and those additional requirements must be included in the articles of association of all PRC companies applying to be listed in Hong Kong. The Articles of Association have incorporated the provisions required by the Mandatory Provisions and the GEM Listing Rules. Despite the incorporation of those provisions, there can be no assurance that holder(s) of H Shares will enjoy protections to which they are entitled to in other jurisdictions.

Securities laws and regulations

At present, the regulatory framework for the securities industry in the PRC is still at the infant stage of development. CSRC is responsible for monitoring and regulating the country's securities markets and drafting relevant regulations for the regulation of the securities markets. Regulations promulgated by the State Council and the relevant implementing measures of the CSRC, such as provisions dealing with disclosure of information, apply to listed companies in general without being confined to companies listed on any particular stock exchange. Hence, it is possible that those provisions may be applicable to a joint stock limited company established in the PRC with shares listed on a stock exchange outside the PRC, such as the Company upon completion of the Placing.

On 1 July 1999, the Securities Law became effective and on 1 January 2006, the revised PRC Securities Law became effective. The Securities Law is the fundamental law regulating the securities markets in the PRC and applies to the issue and trading in the PRC of shares, company bonds and other securities designated by the State Council according to the PRC laws. The Company Law, the rules and regulations recently promulgated and laws relating to PRC companies whose shares are offered overseas (including Hong Kong) provide, to a certain extent, a legal framework governing the corporate conduct of companies, such as the Company, and their directors and shareholders. Investors should note that the regulatory framework for the securities industry in the PRC is at an early stage of development, and there may be changes of which are beyond the control of the Group and may affect the rights of the holders of H Shares.

Enforceability of judgments and arbitration

The PRC is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") and, on the basis of reciprocity, applies the New York Convention to the recognition and enforcement in the PRC of awards of arbitral bodies located in other New York Convention signatory countries. Following the resumption of sovereignty over Hong Kong by the PRC on 1 July 1997, the New York Convention no longer applies to the enforcement of Hong Kong arbitral awards in other parts of the PRC. On 21 June 1999, an arrangement was made between Hong Kong and the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme Court of the PRC and the Hong Kong Legislative Council, and became effective on 1 February 2000.

On 14 July 2006, the Supreme People's Court of the PRC and the Secretary for Justice of Hong Kong signed an agreement entitled "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region pursuant to Choice of Court Agreements between Parties Concerned". Pursuant to the arrangement, when a designated court in the PRC or Hong Kong has made a final enforceable judgment requiring the payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to a People's court of the PRC or a court in Hong Kong for recognition and enforcement of the judgment. Hong Kong has yet to enact legislation implementing the arrangement.

Further information on arbitration, including the Arbitration Law of the PRC which became effective on 1 September 1995 is set out in the paragraph headed "Arbitration and enforcement of arbitral awards" in appendix IV to this prospectus.

Currency conversion in the PRC and exchange rate risk

Substantially all the operating revenue of the Group are denominated in RMB. To pay dividends to the shareholders outside the PRC, a portion of the Company's RMB revenue must be converted into Hong Kong dollars. Pursuant to the Regulations for Administration of Settlement Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), foreign currencies required for the distribution of profits and payment of dividends may be purchased from designated foreign exchange banks upon presentation of board resolutions authorizing the distribution of profits or dividends of the company.

Currently, RMB is still not freely convertible. Under the foreign exchange control system in the PRC, there is no assurance that sufficient foreign currency will be available at a given exchange rate to satisfy the demand of a particular enterprise in full. There can be no assurance that shortages in the availability of foreign currency will not restrict the Company's ability to obtain sufficient foreign currency to pay dividends on its H shares or to satisfy its other foreign currency requirements.

Moreover, there is no assurance that RMB will not be subject to devaluation or depreciation due to administrative or legislative intervention by the PRC government or adverse market movements. As most of the fees for services rendered by Binhai Logistics Group are settled in RMB and RMB is still not freely convertible currency, a devaluation of RMB may adversely affect the value of the profits generated by the Company when they are converted into US dollars or Hong Kong dollars. The Company's ability for any future dividend payment in Hong Kong dollars may also be adversely affected.

RISKS RELATING TO THE H SHARES

Liquidity and possible price volatility of the H Shares

Prior to the Placing, there has been no public market for any of the H Shares. The Placing Price will be determined by negotiation between the Company and the Lead Manager (on behalf of the Underwriters). This price may not be indicative of the price at which the H Shares will be traded following completion of the Placing. In addition, the trading price of the H Shares may fluctuate significantly and there can be no guarantee that an active trading market for the H Shares will develop, or, if it does develop, that it will sustain following completion of the Placing, or that the market price of the H Shares will not decline below the Placing Price.

Disposal of the Reduction Shares to be retained by the NSSF Council following completion of the Placing may result in an increase in the number of H Shares available on the market and may affect the price of H Shares

Pursuant to the approval of SASAC and NSSF Council, Teda Holding and TEDA Asset Company will transfer to NSSF Council such number of their Domestic Shares as shall be in aggregate equivalent to 10% of the number of the Placing Shares. These Domestic Shares will be converted into H Shares on a one-for-one basis upon completion of the Placing and will be held by NSSF Council. Upon completion of the Placing and assuming the Over-allotment Option is not exercised, NSSF Council will hold 8,860,000 H Shares, representing approximately 2.50% of the enlarged issued share capital of the Company and if the Over-allotment Option is exercised in full, NSSF Council will hold 10,189,000 H Shares, representing approximately 2.78% of the enlarged issued share capital of the Company. As advised by the Company's PRC legal advisers, such Reduction Shares to be held by NSSF Council upon completion of the Placing will not be subject to any lock-up restriction under the Company Law. This will result in an increase of the number of H Shares available on the market and may, directly or directly, affect the trading price of the H Shares following the Listing.

OTHER RISKS

Forward-looking statements contained in this prospectus

This prospectus contains forward-looking statements, in particular, with respect to the industry overview and Binhai Logistics Group's business strategies and objectives. The Directors generally identify these forward-looking statements by using the word "may", "will", "expect", "continue", "believe" or similar expressions. Such statements reflect the current views of the Directors with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. Potential investors should be aware that there are risks and uncertainties associated with Binhai Logistics Group and actual events or results may differ materially from those expressed or implied by the statements.

Reliability of statistics

Certain facts and statistics in this prospectus in respect of the PRC's economy and its electronic and automobile industries are derived from official government publications. Whilst the Directors have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by the Company, and, therefore, the Company and the Directors make no representation as to the accuracy of such facts and statistics and no assurance can be given that such facts and statistics are inherently consistent or that they are consistent with other information compiled within or outside the PRC. Owing to a lack of information regarding the methods or the accuracy of data collection and other problems, the statistics referred to in this prospectus derived from official government publications may be incomplete or may not be comparable to statistics produced for other economies, and should not be unduly relied upon. There is no assurance that the statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

LAWS AND REGULATIONS RELATING TO THE LOGISTICS BUSINESS IN THE PRC

Under the PRC Sino-foreign Equity Joint Venture Enterprise Law (2001 Revision) (中華人民共和國中外合資經營企業法(2001年修正)) as passed by the National People's Congress in March 2001, foreign companies, enterprises and other economic entities or individuals may establish Sino-foreign joint venture enterprises in the PRC with companies, enterprises or other economic entities in the PRC. Pursuant to the Implementation Regulations Relating to the Sino-foreign Equity Joint Venture Enterprises Law (2001 Revision) (中華人民共和國中外合資經營企業法實施條例(2001年修正)) as promulgated by the State Council in July 2001, these PRC Sino-foreign joint venture enterprises are legal persons in the PRC and are protected under the PRC laws.

The provision of freight forwarding and other related services for import and export of goods in the PRC, including the warehousing, transportation, packaging services, container handling, loading and unloading services, customs clearance and other international freight forwarding services, in the PRC are subject to the administration by the PRC Ministry of Commerce. Pursuant to the Rules for the Implementation of Regulations on the Administration of Agency Business for International Freight Forwarding of the PRC (中華人民共和國國際貨物運輸代理業管理規定實施細則) promulgated by the PRC Ministry of Commerce in January 2004, enterprises engaged in international freight forwarding businesses must satisfy certain requirements as to the number of experienced and qualified staff, business premises, logistics infrastructures and stable sources of market of import and export goods resources. In order for enterprises to be eligible for the provision of international integrated freight forwarding services in the PRC, such enterprises must also have at least three years of experience in the provision of the related business, with the necessary domestic and foreign agency network and have complied with the requisite filing requirements with the PRC Ministry of Commerce.

Pursuant to the Provisions on the Administrative of the Foreign-Invested Road Freight Forwarding Industry (外商投資道路運輸業管理規定) jointly promulgated by the PRC Ministry of Communications and the PRC Ministry of Commerce in November 2001, as supplemented in 2003, foreign invested enterprises for the provision of road freight forwarding services, including the transportation of goods by road, handling, warehousing and other related services must obtain the Road Freight Forwarding Operation Permit (道路運輸經營許可證) from the provincial competent departments of communications. They must satisfy the qualifications and conditions as prescribed by, and comply with the development policies of, the State Council's departments of communications from time to time.

Pursuant to the Qualification Procedures for China Civil Aviation Transportation Agency Services (中國民用航空運輸銷售代理資格認可辦法) issued by the China Air Transport Association and became effective in March 2006, enterprises engaged in air passenger and freight sales agency services shall apply for the China Civil Aviation Transportation Agency Services Qualification Certificate (中國民用航空運輸銷售代理業務資格認可證書) from the China Air Transport Association. Enterprises engaging in sales agency business covering international flights or flights from/to Hong Kong, Macau or Taiwan, must have a registered capital of at least RMB1.5 million and satisfy certain requirements as to the number of experienced and qualified staff, business premises and other logistics infrastructures.

Under the PRC International Sea Freight Forwarding Regulations (中華人民共和國國際海運條例) promulgated by the State Council in December 2001 and the implementation rules thereof promulgated by the PRC Ministry of Communications in January 2003, enterprises engaged in the ship management, international sea freight warehousing services and container stacking yards and container stations businesses, must apply for the International Sea Freight Forwarding Ancillary Industry Operation Qualification Registration Certificate (國際海運輔助業經營資格登記證) from the competent local departments for communications. Furthermore, enterprises engaged in activities such as, among others, the signing of international freight forwarding contracts, taking delivery of or arranging delivery of goods, issue of bills of lading as shippers, consolidation or unconsolidation of containers in the PRC shall apply for registration of bill of lading with the PRC Ministry of Communications and the competent local departments of communications and pay a security sum of RMB800,000. If the applicant satisfies the requirements for registration, the PRC Ministry of Communications shall grant to the applicant the Non-vessel Shipping Business Operation Qualification Registration Certificate (無船承運業務經營資格登記證).

Pursuant to the Administrative Regulations for the Registration of Customs Clearance Entities with China Customs (中華人民共和國海關對報關單位註冊登記管理規定) promulgated by the PRC General Administration of Customs in March 2005, enterprises engaged in the customs clearance services in the PRC are required to apply for registration with China Customs and to obtain the China Customs Clearance Entity Registration Certificate (中華人民共和國海關報關企業報關註冊登記證書). The minimum registered capital requirement for these enterprises is RMB1.5 million, and they must comply with certain requirements as to the number of customs clearance staff, business premises and facilities and other conditions as required for supervision by China Customs.

Under the Administrative Measures for Enterprises, their Vehicles and Drivers Providing Domestic Road Freight Forwarding Services for Customs-Supervised Goods (中華人民共和國海關關於境內公路承運海關監管貨物的運輸企業及其車輛、駕駛員的管理辦法) promulgated by the PRC General Administration of Customs in November 2004, enterprises, their vehicles and the drivers who are engaged in the road freight forwarding of customs-supervised goods in the PRC are required to be registered with China Customs. The minimum registered capital requirement for these enterprises is RMB2 million, and they must have at least one year of experience in the provision of goods freight forwarding business. They must also have credit records and have not breached any laws or regulations in providing freight forwarding business in the past. The vehicles must be registered under the name of the relevant enterprises, and they must satisfy certain requirements as to the layout and technical specifications. The drivers must be employees of the relevant enterprises and must not have any prior criminal records.

Pursuant to the Provisions in the Administration of Entry-exit Inspection and Quarantine Report by Proxy (出入境檢驗檢疫代理報檢管理規定) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) in November 2002, enterprises engaged in the declaration and inspection services as agents for consignors of imported or exported goods are required to apply for registration with the General Administration of Quality Supervision, Inspection and Quarantine of the PRC and to obtain the Entry-exit Inspection and Quarantine Report Agency Registration Certificate (代理出入境檢驗檢疫報檢登記證書). The minimum registered capital requirement for these enterprises is RMB1.5 million, and they must comply with certain requirements as to the number of qualified staff, business premises and facilities and other conditions as required for supervisions by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC.

The logistics business in the PRC has been progressively liberalized by the PRC government. As approved by the State Council, the PRC National Development and Reform Commission, the PRC Ministry of Commerce, the PRC Ministry of Public Security, the PRC Ministry of Railways, the PRC Ministry of Communications, the General Administration of Customs, the State Administration of Taxation, the General Administration of Civil Aviation of China and the State Administration for Industry and Commerce jointly issued the Opinion relating to the Development of Modern Logistics Industry in the PRC (關於促進我國現代物流業發展的意見)(the "**Opinion**") on 5 August 2004. Unless required by national laws, administrative laws or regulations or otherwise promulgated and announced by the State Council, all requirements for pre-approvals for registration of logistics enterprises in the PRC by the relevant authorities for the administration of industry and commerce should be cancelled, and all approvals on the qualification requirements for international freight forwarding agencies and all administrative approval requirements for domestic railway freight forwarding agencies, sea freight forwarding agencies and integrated freight forwarding agencies services should be removed. As advised by the Company's PRC legal advisers, the laws and regulations relating to the logistics business as summarised above remain valid and effective as at the Latest Practicable Date. There is no timeframe for the implementation of the plan as set out in the Opinion as at the Latest Practicable Date.

Pursuant to the Provisional Measures for the Filing of International Freight Forwarding Agency Enterprises (國際貨運代理企業備案（暫行）辦法) which became effective since 1 April 2005, all international freight forwarding enterprises and its branches duly registered with the State administrative departments for industry and commerce in the PRC shall be required to complete the filing with such local business supervisory departments as delegated by the PRC Ministry of Commerce. The establishment of foreign-invested international freight forwarding agency enterprises should be substantially satisfied with the requirements under the Administrative Measures Relating to Foreign-Invested International Freight Forwarding Agency Enterprises (2005 Revision) (外商投資國際貨物運輸代理企業管理辦法(2005年修訂)) ("**FIE Freight Forwarding Measures**") promulgated by the PRC Ministry of Commerce.

Pursuant to the FIE Freight Forwarding Measures, foreign investors may engage in the international freight forwarding and related business, whether in their own names or in the name of the consignors, for fees in the PRC by establishing sino-foreign equity joint venture enterprises and cooperative joint venture enterprises in the PRC and, since 11 December 2005, by wholly foreign-owned enterprises in the PRC. The aforesaid foreign-invested enterprises shall have a minimum registered capital of RMB5 million, RMB3 million and RMB2 million for international freight forwarding business by sea, air and road.

LAWS AND REGULATIONS RELATING TO BONDED WAREHOUSE IN THE PRC

Products imported into the PRC are subject to import duties unless otherwise provided under the PRC laws and administrative laws and regulations (including the PRC Customs Law (2000 Revision) (中華人民共和國海關法) (2000修正)), the PRC Tariffs Regulations (中華人民共和國進出口關税條例) and the PRC Import and Export Tax Rules (中華人民共和國進出口税則). Under the PRC Customs Law (中華人民共和國海關法), the payment obligations of import tariffs in respect of bonded goods as imported under the special permission of China Customs are temporarily deferred in accordance with the provisions thereof. Bonded goods refer to the production materials or goods which are imported to the PRC for storage, processing and assembling without first attending to the tax payment procedures upon approval by China Customs prior to their re-export.

Under the PRC Customs Law, entities engaged in the warehousing, processing, assembly, exhibition, transportation, consignment sales and the operation of duty-free shops in the PRC shall be subject to China Customs' approval and registration procedures, and shall comply with the supervisory requirements prescribed by China Customs. Under the Administrative Regulations by China Customs in relation to Bonded Warehouses and Stored Goods (中華人民共和國海關對保税倉庫及所存貨物的管理規定) promulgated by China Customs in December 2003, enterprises operating bonded warehouses must have a registered capital of not less than RMB3 million, with specific business premises for storage of bonded goods and comply with other conditions as prescribed under the applicable laws, regulations and codes of China Customs. The layout and gross floor area (which, for public bonded warehouse, must be at least 2,000 sq. m.) of bonded warehouses and its management and accounting systems, safety separation, supervisory and other business facilities must comply with the requirements of China Customs, and must satisfy other land administration, planning, transportation, fire prevention, safety, quality inspection and environmental protection requirements under the applicable laws, rules and regulations in the PRC. The computer management system of the bonded warehouse must also be connected with the network of China Customs. China Customs shall issue a China Customs Bonded Warehouse Registration Certificate (中華人民共和國海關保税倉庫註冊登記證書) after completion of the inspection of the bonded warehouse and its registration with China Customs. Production materials and finished goods imported and stored in these bonded warehouses, which are subsequently exported out of the PRC or otherwise delivered out of the bonded warehouses for delivery to other bonded warehouses in the PRC within a prescribed period of one year in general, are not regarded as imported goods and therefore customers are not required to pay import custom duties and to apply for import certificates.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION IN THE PRC

Pursuant to the PRC Environmental Protection Law (中華人民共和國環境保護法) adopted by the Standing Committee of the National People's Congress of the PRC on 26 December 1989, the State Environmental Protection Administration of China is responsible for the overall supervision and management of environmental protection in the PRC. It sets the national standards for discharge of pollutants, and the provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines which are not provided for in or more stringent than that of the national standards.

An enterprise which causes pollution and discharges other polluting materials which endanger the public should introduce environmental protection measures and procedures into its business operations. This should be achieved by setting up a system of accountability with the enterprise's business structure for environmental protection, and adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities, from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation, construction, production and other activities undertaken by the enterprise. Any enterprise which discharges pollutants should report and register such discharge with the competent administrative supervisory authority for environmental protection.

Depending on the nature of violation of the environmental protection laws and regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental protection laws. The penalties which could be imposed include the issue of warning, suspension of operation or installation of preventive facilities, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against officer-in-charge, suspension of business or shut-down of the enterprise. Fines could also be levied together with these penalties.

Pursuant to the PRC Environmental Impact Studies Law (中華人民共和國環境影響評價法) promulgated by the Standing Committee of National People's Congress on 28 October 2002 and became effective on 1 September 2003, an enterprise must prepare an environmental impact study report setting forth the impact of any proposed construction project on the environment and the measures to prevent or mitigate the impact for approval by the competent government authority prior to commencement of the construction.

For the purposes of the listing of the H Shares on GEM, the Company has sought a number of waivers from the GEM Listing Division in relation to certain requirements under the GEM Listing Rules. Details of such waivers are described below.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Prior to the Listing, the Group has had business transactions with certain entities, which, under the GEM Listing Rules, will be considered to be connected persons of the Company immediately upon Listing. These transactions constitute non-exempt continuing connected transactions under the GEM Listing Rules and are therefore subject to reporting, announcement and/or independent shareholders' approval requirements under Rules 20.47 and 20.48 of the GEM Listing Rules.

The Directors consider that strict compliance with the announcement and/or independent shareholders' approval requirements would be impractical, unduly burdensome and would add unnecessary administrative costs to the Company. Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant to the Company, waiver from strict compliance with Rules 20.47 and 20.48 of the GEM Listing Rules, provided that the non-exempt continuing connected transactions are conducted in compliance with the conditions (including the relevant maximum aggregate annual values) imposed by the Stock Exchange and the applicable requirements under Chapter 20 of the GEM Listing Rules. Further details of the non-exempt continuing connected transactions as well as the waiver granted by the Stock Exchange and the related caps are set out in the sub-section headed "Continuing connected transactions" in the section headed "Business" of this prospectus.

ESCROW ARRANGEMENT

Under Rule 13.16(1) of the GEM Listing Rules, a new applicant shall procure each of the initial management shareholder of the applicant shall place in escrow with an escrow agent and on such terms as are acceptable to the Stock Exchange, all its Relevant Securities for the period from the date by reference to which disclosure of the shareholding of the initial management shareholder is made in the prospectus and ending on the date which is 12 months from the listing date, or where that initial management shareholder's Relevant Securities represent no more than 1% of the issued share capital of the applicant as at the listing date, for the period from the date by reference to which disclosure of the shareholding of the initial management shareholder is made in the prospectus and ending on the date which is six months from the listing date. All the Initial Management Shareholders are subject to the escrow arrangement under Rule 13.16(1) of the GEM Listing Rules.

The Directors consider that Rule 13.16(1) of the GEM Listing Rules is not applicable to the Domestic Shares held by the Initial Management Shareholders as the Domestic Shares are not represented by any form of physical scrip or title documents. This means that the subject matter for custody by the escrow agent under Rule 13.16(1) of the GEM Listing Rules do not physically exist in any physical form and it is therefore not possible to place any physical scrip or title document with an escrow agent as required under Rule

13.16(1) of the GEM Listing Rules for custody purposes. In other words, the Initial Management Shareholders may not be able to create or pledge or charge by depositing the title documents of their respective Domestic Shares or any part thereof.

Furthermore, pursuant to the Company Law, (i) shares subscribed by a promoter of a joint stock limited company may not be transferred within one year after the company's incorporation; and (ii) shares which were issued prior to the public offer of shares of the company may not be transferred within one year after the listing of the shares of the company on a stock exchange. As such, the Domestic Shares currently held by the Initial Management Shareholders, being the promoters of the Company, will also be subject to one year lock up period under the Company Law in addition to the lock up requirement under the GEM Listing Rules. The Domestic Shares held by the Initial Management Shareholders are subject to the restrictions imposed by the Company Law and are therefore not transferable for one year after the Listing Date.

Given the above, the Company has applied for waivers from strict compliance with Rule 13.16(1) of the GEM Listing Rules in respect of making physical escrow arrangements and the waiver has been granted by the Stock Exchange, provided that each of the Initial Management Shareholders will give the undertakings to the Company and the Stock Exchange pursuant to Rule 13.16(2) of the GEM Listing Rules as set out below:

(a) Each of the Initial Management Shareholders has undertaken to the Stock Exchange and the Company that for a period of 12 months from the Listing Date ("**Moratorium Period**") other than pursuant to Rule 13.18 of the GEM Listing Rules, it will not:

    1. dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in the Relevant Securities; or

    2. otherwise create (nor enter into any agreement to create) nor permit the registered holder to create (or to enter into any agreement to create) any options, rights, interests or encumbrances in respect of any such interest.

(b) Each of the Initial Management Shareholders has further undertaken to the Stock Exchange and the Company that it will:

    1. in the event that during the Moratorium Period, it pledges or charges any of its direct or indirect interest in the Relevant Securities pursuant to Rule 13.18 of the GEM Listing Rules, or pursuant to any rights or waivers granted by the Stock Exchange under Rule 13.18(4) of the GEM Listing Rules, immediately inform the Stock Exchange and the Company and disclose the details pursuant to Rules 17.43(1) to (4) of the GEM Listing Rules; and

2. where any of its interest in the Relevant Securities under sub-paragraph (1) above has been pledged or charged, inform the Company immediately in the event that it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Relevant Securities.

In the event that any form of physical scrip or title in such Domestic Shares, whether as a result of change of the applicable PRC laws and regulations or otherwise, is issued, the Initial Management Shareholders would have to respectively comply with the escrow arrangement requirements under Rules 13.16(1) of the GEM Listing Rules.

The Directors have jointly and severally undertaken with the Stock Exchange that they will not authorise, and will procure the Company not to authorise the transfer of, and the registration of any transfer of the Domestic Shares held by the Initial Management Shareholders within the period commencing from the date by reference to which disclosure of the shareholding of the Initial Management Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date. The Company undertook to the Stock Exchange that it will submit to the copies of the said Directors' undertakings to the relevant Administration for Industry and Commerce of the PRC for notification purposes.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Exchange Listing) Rules and 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:

(a) the information contained in this prospectus is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this prospectus misleading; and

(c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Underwriters, any of their respective directors or any other person involved in the Placing.

CONSENT OF CSRC

On 3 January 2008, CSRC has given its approval to the Placing and the application by the Company to list the H Shares on GEM. In granting such consent, CSRC accepts no responsibility for the financial soundness of the Company nor the accuracy of any of the statements made or opinions expressed in this prospectus.

FULLY UNDERWRITTEN

The Placing initially comprises an offer by the Company of 88,600,000 Placing Shares for subscription at the Placing Price, subject to the Over-allotment Option. The Placing is subject to the conditions set out in the section headed "Structure and conditions of the Placing" in this prospectus.

The Placing is sponsored by Guotai Junan and managed by the Lead Manager and is fully underwritten by the Underwriters pursuant to the Placing and Underwriting Agreement. Detailed information about the Underwriters and underwriting arrangement are set out under the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE PLACING PRICE

The Placing Price is expected to be fixed pursuant to the Price Determination Agreement between the Lead Manager (on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or before 25 April 2008 or such other date as the parties may agree, but in any event not later than 5:00 p.m. on 25 April 2008. The Placing Price per Placing Share will be not more than HK$2.10 and is expected to be not less than HK$1.70. **If, for whatever reason, the Price Determination Agreement is not signed or the Placing Price is not agreed on or before the Price Determination Date or such other date or time as may be agreed between the Lead Manager (on behalf of the Underwriters) and the Company but in any event not later than 5:00 p.m. on 25 April 2008, the Placing will not become unconditional and will lapse.** In such event, the Company will issue an announcement to be published on the GEM website.

RESTRICTIONS ON THE OFFERING OF PLACING SHARES

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation of subscription in any jurisdiction or in any circumstance in which such offer or invitation of subscription is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation of subscription.

This prospectus shall not be deemed as a public offer of the Placing Shares, whether by way of sale or subscription, in the PRC. The Placing Shares are not being offered and may not be offered or sold directly or indirectly in the PRC to or for the benefit of, natural or legal persons by means of this prospectus or otherwise. According to the laws and regulations of the PRC, the Placing Shares shall only be offered or sold to natural or legal persons in Taiwan, Hong Kong or Macau or any country or areas other than the PRC by means of this prospectus.

The following information is provided for guidance only. Prospective investors should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors should also inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in countries of their respective citizenship, residence or domicile.

United Kingdom

No offer of Placing Shares has been made or will be made to the public in the United Kingdom within the meaning of Section 102B of the Financial Services and Market Act 2000, as amended (the "**FSMA**"), except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by the Company of a prospectus pursuant to the Prospectus

Rules of the Financial Services Authority (the "**FSA**"). Each Underwriter (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which Section 21 of FSMA does not apply to the Company; and (ii) has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

Singapore

This prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Placing Shares may not be circulated or distributed, nor may the Placing Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"); (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Placing Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Placing Shares under Section 275 except:

(1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA;

(2) where no consideration is given for the transfer; or

(3) by operation of law.

Japan

The Placing Shares have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"), and the Placing Shares will not be offered or sold directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws, regulations and ministerial guidelines of Japan.

APPLICATION FOR LISTING ON GEM

The Company has applied to the GEM Listing Committee of the Stock Exchange for the listing of and permission to deal in the H Shares, including the additional H Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and the Reduction Shares.

No part of the Company's share or loan capital is listed or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek a listing of, or permission to deal in on any other stock exchange.

In compliance with Rules 25.08 and 25.09 of the GEM Listing Rules, the Company must ensure that all H Shares are held by the public, the H Shares must normally constitute not less than 10% of the total existing issued share capital of the Company, and the aggregate amount of the H Shares and such other securities of the Company which are held by the public must constitute not less than 25% of the total issued share capital of the Company.

Under section 44B(1) of the Companies Ordinance, if the permission for the listing of, and dealing in the H Shares on GEM has been refused before the expiration of three weeks from the date of the closing of the subscription lists under the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to the Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase of or disposal of or dealing in the H Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Sponsor, the Underwriters, their respective directors or any other person involved in the Placing accepts responsibility for any tax effects on, or liabilities of, holders of H Shares resulting from the subscription for, holding, purchase of or disposal of or dealing in the H Shares.

INDEPENDENCE OF THE SPONSOR

Guotai Junan, the Sponsor, is independent from the Company pursuant to Rule 6A.07 of the GEM Listing Rules.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

All H Shares issued pursuant to the Placing shall be registered on the register of members maintained by the Company in Hong Kong. A copy of the register of members will also be maintained by the Company in the registered office of the Company in the PRC.

The Company has instructed Computershare Hong Kong Investor Services Limited, its H Share share registrar in Hong Kong, and Computershare Hong Kong Investor Services Limited has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to the share registrar in respect of the H Shares bearing statements to the effect that the holder:

(i) agrees with the Company and each Shareholder, and the Company agrees with each Shareholder, to observe and comply with the Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;

(ii) agrees with the Company, each Shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each Shareholder, to refer all differences and claims arising from the Articles of Association or any right or obligation conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, and such arbitration shall be final and conclusive;

(iii) agrees with the Company and each Shareholder that the H Shares are freely transferable by the holders thereof; and

(iv) authorises the Company to enter into an agreement on his behalf with each Director and officer of the Company whereby such Directors and officers undertake to discharge their obligations to Shareholders as stipulated in the Articles of Association.

STAMP DUTY

Dealings in the H Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

STRUCTURE OF THE PLACING

Details of the structure of the Placing, including conditions, are set out in the section headed "Structure and conditions of the Placing" in this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the H Shares are expected to commence on 30 April 2008.

H Shares will be traded on the Stock Exchange in board lots of 2,000 H Shares each.

The GEM stock code for the Shares is 8348.

If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which H Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the GEM Listing Committee of the Stock Exchange grants the listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus on GEM and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the H Shares to be admitted into CCASS.

OVER-ALLOTMENT OPTION AND STABILISATION

In connection with the Placing, the Lead Manager, as stablising manager, or any person acting for it may over-allocate the H Shares or effect transactions in the market with a view to stablising or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. In covering such over-allocations, the Lead Manager or any person acting for it may exercise the Over-allotment Option not later than 30 days after the Listing Date i.e. 30 May 2008, or make (or agree, offer or attempt to make) open-market purchases in the secondary market. Any market purchases of H Shares will be effected in compliance with all applicable laws and regulatory requirements and any stablising activity will be entered into in accordance with the stablising laws, rules and regulations in place in Hong Kong. The Lead Manager or any person acting for it may also sell or agree to sell any H Shares acquired in the course of any stabilisation action in order to liquidate any position that has been established by such action. However, there is no obligation on the Lead Manager or any person acting for it to such stabilisation action which, if taken, may be discontinued at any time at the absolute discretion of the Lead Manager. The number of H Shares that may be over-allocated shall not be greater than the maximum number of H Shares which may be issued upon the exercise of the Over-allotment Option, being 13,290,000 H Shares, which is 15% of the Placing Shares initially being offered by the Company under the Placing.

Further details of the Over-allotment Option and the stablisation are set out in the section headed "Structure and conditions of the Placing" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Name	**Address**	**Nationality**
Executive Directors		
Mr. Zhang Jian (張艦先生)	10-02 Di Jing Yuan Renai Haojing Hongqi Nan Road Nankai District, Tianjin the PRC	Chinese
Mr. Sun Quan (孫泉先生)	Room 302 30 Xin Yuan Xin Cun Tianjin Economic and Technological Development Zone the PRC	Chinese
Non-executive Directors		
Mr. Zhang Jun (張軍先生)	8-1-302 Min Tai Lane Tang Gu District, Tianjin the PRC	Chinese
Mr. Ding Yi (丁一先生)	5-2-602 Tian Jiang Ge Tian Gardan Tian Bao Road Nan Kai District, Tianjin the PRC	Chinese
Independent non-executive Directors		
Mr. Zhang Limin (張立民先生)	Room 626 Shan Si Building Guangzhou Zhongshan University the PRC	Chinese
Mr. Luo Yongtai (羅永泰先生)	14-304 Hui Dui Zhen Cai Lane Hexi District, Tianjin the PRC	Chinese
Mr. Liu Jing Fu (劉景福先生)	Room 304, Flat 1, Block 1 Pa Nan Street, Xuan Wu District, Beijing the PRC	Chinese

Sponsor

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Global Coordinator, Bookrunner, Lead Manager and Underwriter

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Co-Lead Managers and Underwriters

CIMB-GK Securities (HK) Limited
25th Floor, Central Tower
28 Queen's Road
Central
Hong Kong

Mega Capital (Asia) Company Limited
Units 2213–2214
22nd Floor, Cosco Tower
183 Queen's Road Central
Hong Kong

Co-Manager and Underwriter

VC Brokerage Limited
28th Floor, The Centrium
60 Wyndham Street
Central
Hong Kong

Legal advisers to the Company

As to Hong Kong law:
X.J. Wang & Co. Solicitors
22nd Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:
Beijing S&P Law Firm
3rd Floor, Chang An Club
No. 10 East Changan Avenue
Beijing
The PRC

Zhong Lun Law Firm
12th to 13th Floors
Building 1, China Merchants Tower
No. 118 Jianguo Road
Chaoyang Distict
Beijing
The PRC

Legal adviser to the Underwriters

As to Hong Kong law:
Chiu & Partners
41st Floor, Jardine House
1 Connaught Place, Central
Hong Kong

Auditors and reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Property valuer

DTZ Debenham Tie Leung Limited
International Property Advisers
10th Floor, Jardine House
1 Connaught Place, Central
Hong Kong

CORPORATE INFORMATION

Registered office	No. 39, Bohai Road Tianjin Economic and Technological Development Zone Tianjin The PRC
Head office and principal place of business in the PRC	No. 39, Bohai Road Tianjin Economic and Technological Development Zone Tianjin The PRC
Principal place of business in Hong Kong	Suite 2208, 22nd Floor, Jardine House 1 Connaught Place Central Hong Kong
Company's website	www.tbtl.com.cn
Company secretary	Mr. Kwong Kwan Tong *(CPA, FCCA, ACMA)*
Qualified accountant	Mr. Kwong Kwan Tong *(CPA, FCCA, ACMA)*
Compliance officer	Mr. Zhang Jian
Authorised representatives	Mr. Zhang Jian 10-02 Di Jing Yuan Renai Haojing Hongqi Nan Road Nankai District, Tianjin The PRC
	Mr. Kwong Kwan Tong 28B Tower 2 Grandview Garden 18 Bridges Street Central Hong Kong
Authorised representative to accept service of process and notice under Part XI of the Companies Ordinance	X.J. Wang & Co. Solicitors Suite 2208, 22nd Floor, Jardire House 1 Connaught Place Central Hong Kong
Compliance advisor	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Members of the audit committee	Mr. Zhang Limin Mr. Luo Yongtai Mr. Liu Jing Fu
Members of the remuneration committee	Mr. Ding Yi Mr. Luo Yongtai Mr. Liu Jing Fu
Members of the nomination committee	Mr. Zhang Jian Mr. Luo Yongtai Mr. Liu Jing Fu
Principal bankers	Industrial and Commercial Bank of China Cui Heng Plaza Branch No. 39, the Third Street Tianjin Economic and Technological Development Zone, Tianjin The PRC
	Agricultural Bank of China No. 8, the Third Street Tianjin Economic and Technological Development Zone, Tianjin The PRC
	Bank of Communications No. 88, Huang Hai Road Tianjin Economic and Technological Development Zone, Tianjin The PRC
Hong Kong share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong

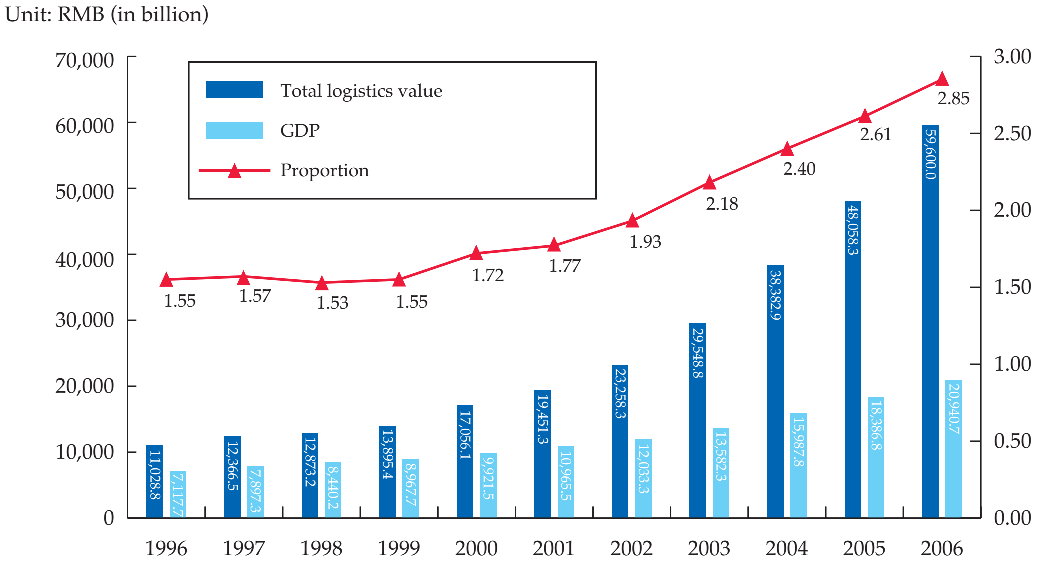
Certain facts and official statistics set out in this section are derived from various official government publications. Whilst the Directors and the Sponsor have taken reasonable care to ensure that the facts and official statistics presented are accurately reproduced from such publications, such official government publications have not been independently vertified by the Company, the Sponsor, the Underwriters or any of their respectively advisers or affiliates in connection with the Placing. None of the Binhai Logistics Group, the Sponsor, the Underwriters, their respective directors and advisers or any other parties involved in the Placing make any representation as to the accuracy or completeness of such official government publications and, accordingly, such official government publications should not be unduly relied upon. Furthermore, the official statistics may not be comparable to statistics available for other nations' economies; there can be no assurance that the official statistics are stated or complied on the same basis or with the same degree of accuracy as may be the case elsewhere.

PRC LOGISTICS INDUSTRY

With China's growing economy, there are increasing demands for logistics services. The continuing development of China's logistics sector and increase in operational efficiency further support and expedite China's economic development. The logistics industry has become an important industry and a growth point for the national economic development of China.

The total logistics value refers to the total value of the goods delivered/being delivered to the end users through the logistics services within a certain period of time. It represents the aggregate value of all logistics activities within a defined period of time, as well as an indication in value of the society's logistics demand. During 1996 to 2006, as China's GDP increased, the total value of China's logistics industry grew at an even faster pace. During 1996 to 2006, China recorded a compound annual growth rate (CAGR) of 18.38% in total logistics value. It is expected that the total logistics value for 2007 will reach approximately RMB74,800 billion, representing an approximately 25.5% increase from the previous year.

Total PRC logistics value and GDP



Sources:

(1) *China Logistics Yearbook 2006 published by National Bureau of Statistics of China ("NBSC")*

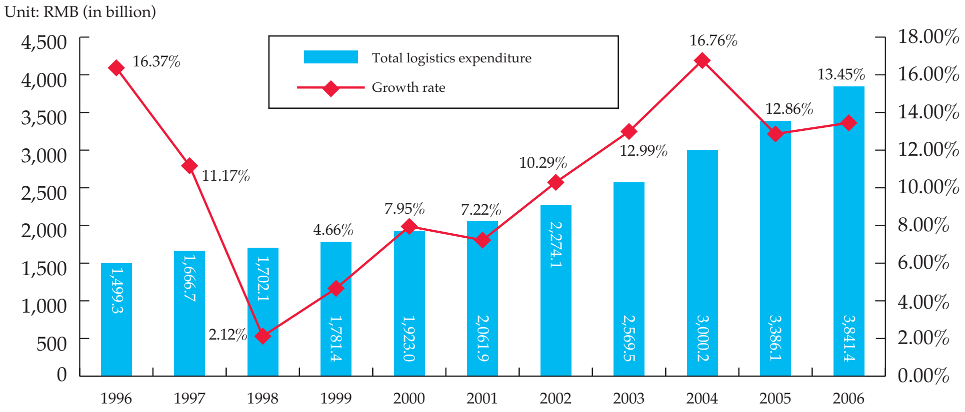
(2) *Statistics on GDP of the PRC 1978–2005 obtained from the website of NBSC at www.stats.gov.cn*

(3) *Statistic Bulletin on National Economic and Social Development of the PRC 2006 obtained from the website of NBSC at www.stats.gov.cn*

(4) *National Logistics Operation Report 2006 obtained from the website of China Association of Warehouses and Storage ("CAWS") at www.caws.org.cn*

Total logistics expenditure means the aggregate value of all the expenditures incurred by the national economy on logistics activities within a certain period of time. It is an important indicator of regional logistics services development. The lower the proportion of logistics expenditure to GDP, the lower the cost per unit GDP, thus indicating better economic efficiency. During 1996 to 2006, China recorded a 9.87% CAGR in total logistics expenditure. The decline in the proportion of the total logistics expenditure to GDP represent lower cost per unit GDP and an increase in the efficiency of the logistics sector.

Total PRC logistics expenditure and its growth rate

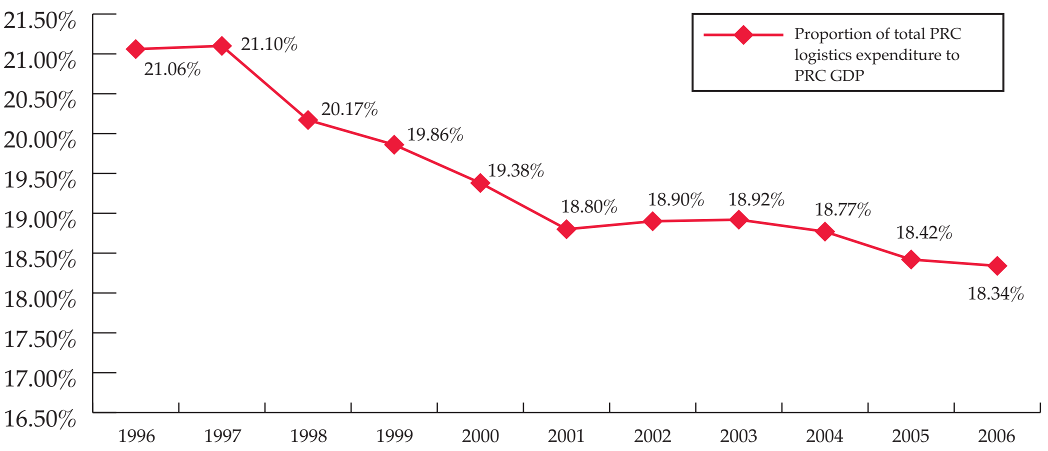


Sources:

(1) *China Logistics Yearbook 2006 published by NBSC*

(2) *National Logistics Operation Report 2006 obtained from the website of CAWS at www.caws.org.cn*

Proportion of total PRC logistics expenditure to PRC GDP



Sources:

(1) *China Logistics Yearbook 2006 published by NBSC*

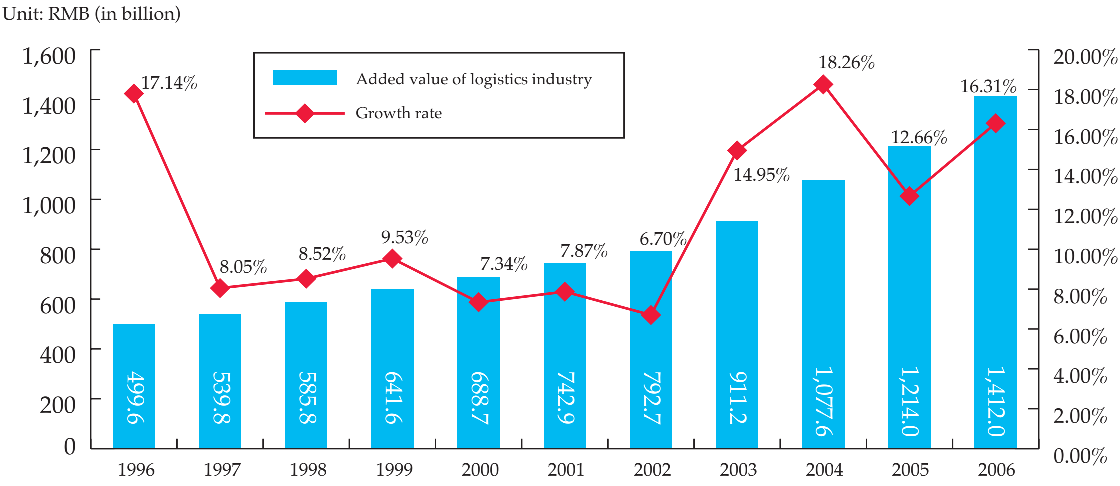
(2) *Statistics on GDP of the PRC 1978–2005 obtained from the website of NBSC at www.stats.gov.cn*

(3) *Statistic Bulletin on National Economic and Social Development of the PRC 2006 obtained from the website of NBSC at www.stats.gov.cn*

(4) *National Logistics Operation Report 2006 obtained from the website of CAWS at www.caws.org.cn*

The added value of the logistics industry means the additional value created by logistics enterprises when they engage in logistics activities. During 1996 to 2006, the PRC recorded a 10.95% CAGR in the added value of the logistics industry, while the proportion of the added value of the PRC logistics industry to GDP remained generally stable. During 1996 to 2002, the rate of increase of the added value of the PRC logistics industry was slow, but from 2002 to 2006, the value increased steadily. It is predicted that the added value for 2007 will reach approximately RMB1,680 billion, representing an approximately 18.8% increase compared with that of the previous year.

Added value of the PRC logistics industry and its growth rate

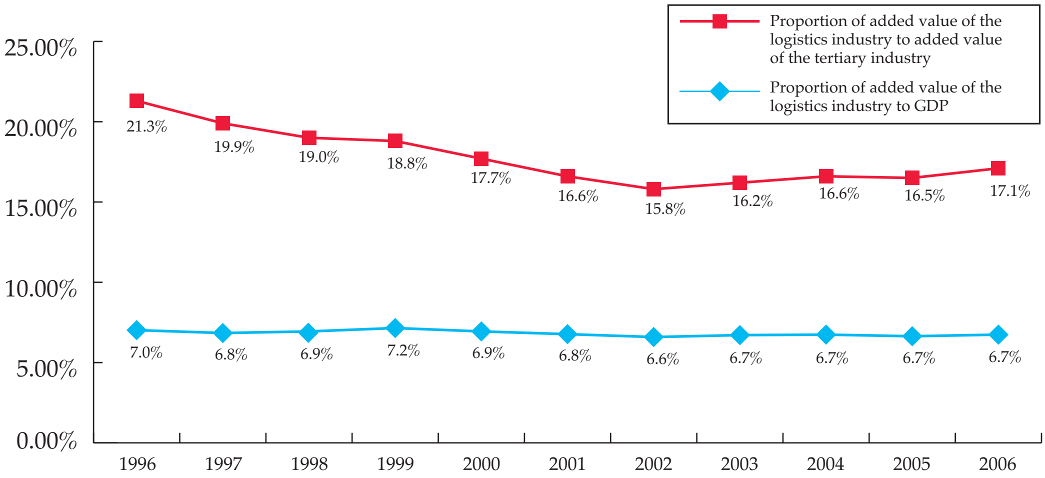


Source:

(1) *China Logistics Yearbook 2006 published by NBSC*

(2) *National Logistics Operation Report 2006 obtained from the website of CAWS at www.caws.org.cn*

Proportion of added value of the PRC logistics industry to added value of the tertiary industry



Sources:

(1) China Logistics Yearbook 2006 published by NBSC

(2) National Logistics Operation Report 2006 obtained from the website of CAWS at www.caws.org.cn

(3) Statistic Bulletin on National Economic and Social Development of the PRC 2006 obtained from the website of NBSC at www.stats.gov.cn

China is still undergoing industrialisation. While it actively builds its infrastructure, China is also reinforcing its status as a world manufacturing centre. For the nine months ended 31 September 2007, the proportion of the logistics value of industrial products to the total logistics value was approximately 87.5%. Although the logistics value of agricultural products has been increasing in the past years, industrial products still account for a significant proportion of the total logistics value. The proportion of the imported goods to the total logistics value basically falls between the range of 9% and 13%. The logistics volume of renewable resources and goods for enterprises and residents are also on the rise, but they account for less than 1% of the total logistics value. The components of the total logistics expenditure from 1996 to 2006 are as follows: transport expenses at 49.3% to 56.4%, storage charges at 29.9% to 34.9% and management fees at 13.2% to 16.6%.

Components of total PRC logistics value

Year	Industrial products	Agricultural Products	Imports	Renewable resources	Goods for enterprises and residents	Total
1996	81.36	7.81	10.45	0.31	0.06	100
1997	82.89	7.27	9.56	0.22	0.06	100
1998	83.65	7.12	9.03	0.13	0.07	100
1999	83.36	6.58	9.89	0.11	0.07	100
2000	83.25	5.65	10.94	0.09	0.07	100
2001	84.18	5.29	10.36	0.10	0.06	100
2002	84.61	4.72	10.50	0.10	0.06	100
2003	84.46	3.81	11.57	0.09	0.06	100
2004	84.64	3.12	12.11	0.08	0.05	100
2005	85.97	2.65	11.26	0.08	0.04	100
2006	86.73	2.27	10.62	0.35	0.04	100

Source: China Logistics Yearbook 2007 published by NBSC

	Components of total PRC logistics expenditure			
Date	Transport expenses	Storage charges	Management fees	Total
1996	50.9	34.1	15.0	100
1997	49.3	34.9	15.8	100
1998	50.9	33.0	16.0	100
1999	53.5	33.0	16.5	100
2000	52.4	31.1	16.6	100
2001	52.4	31.3	16.2	100
2002	52.8	32.0	15.2	100
2003	54.7	31.4	13.9	100
2004	56.4	29.9	13.6	100
2005	55.0	31.4	13.6	100
2006	54.7	32.1	13.2	100

Source: China Logistics Yearbook 2007 published by NBSC

OUTLINE OF THE 11TH FIVE-YEAR PLAN OF PRC

Section 2 of article 16 in The Outline of the 11th Five-year Plan For National Economic and Social Development of the PRC ("**11th Five-year Plan**") emphasises the development of logistic services in the PRC. The PRC government aims to promote modern logistics management technology, advance socialisation of enterprise internal logistics, implement systematic operation of enterprise resources procurement, production arrangements, product sales and recycling of renewable resources, nurture professional logistics enterprises, actively develop third party logistics, establish standardised logistics systems, strengthen the development and utilization of new logistics technology, enhance dissemination of logistics information, strengthen the integration of logistics infrastructure facilities, build large logistics hubs and develop regional logistics centres.

OPINIONS RELATING TO THE PROMOTION OF DEVELOPMENT OF MODERN LOGISTICS INDUSTRY IN THE PRC (關於促進我國現代物流業發展的意見) ("OPINIONS")

On 5 August 2004, as approved by the State Council of the PRC, nine ministries and commissions of the PRC, comprising the PRC National Development and Reform Commission, the PRC Ministry of Commerce, the PRC Ministry of Public Security, the PRC Ministry of Railways, the PRC Ministry of Communications, the General Administration of Customs, the PRC State Administration of Taxation, the General Administration of Civil Aviation of China and the PRC State Administration for Industry and Commerce, jointly issued the Opinion.

The Opinions provide that in line with economic globalisation and China's accession to the WTO, the PRC imminently needs to accelerate the development of a modern logistics industry, which will have a significant bearing on the enhancement of the quality and efficiency of the PRC's economic operation, optimisation of resources allocation, improvement of investment environment and strengthening of integrated national power. In order to further advance the development of the PRC's modern logistics industry, the following suggestions, among others, were made:

1. **Establishing a good environment conducive to the development of the logistics industry**

    a. *Modifying existing administrative management*

        1) Standardising the verification for enterprise registration

        2) Reforming transport agent administration management

    b. *Perfecting logistics enterprise tax management*

        1) Defining logistics enterprise business tax base reasonably

        2) Allowing qualified logistics enterprises to pay income tax collectively

    c. *Consolidating and standardising market order, reinforcing fee-collection management*

        1) Speed up the introduction of competition, to build an open, fair, formal and modern logistics market system

        2) Reinforce fee-collecting management, abolition of all kinds of charges which are not in conformity with national regulations

2. Adopting practical and efficient measures, promoting modern logistics industry

1) Encouraging industrial and commercial enterprises to separate logistics services including raw material procurement, transport and warehousing from their businesses and to engage professional logistics enterprises for the provision such services

2) Actively broadening financing channels

3) Actively promoting the opening of the PRC's logistics market to foreigners

4) Supporting industrial and commercial enterprises to optimise logistics management

5) Accelerating the integration of logistics facilities and development of regional logistics centers

6) Streamlining customs clearance procedures

7) Optimising municipal traffic control

3. Strengthening fundamental work, providing support and protection for modern logistics development

1) Establishing and perfecting logistics technology standardisation system

2) Promoting advanced vehicles and facilities suitable for logistics services

3) Enhancing dissemination of logistics information

4) Improving qualifications of logistics professionals

4. Reinforcing the integrated organisation co-ordination in modern logistics work

In order to strengthen the integrated organisation co-ordination, a co-ordination mechanism headed by the National Development and Reform Commission of the PRC is to be established.

In light of the suggestions made in the Opinions, several measures have since been implemented in the PRC:

1. in order to standardise and modify the verification for enterprise registration, various pre-approval requirements for logistics enterprise registration were abolished. Pursuant to the Provisional Measures for the Filing of International Freight Forwarding Agency Enterprises (國際貨運代理企業備案(暫行)辦法) promulgated by the PRC Ministry of Commerce on 7 March 2005, all international freight forwarding enterprises and its branches duly registered with the state administrative departments for industry and commerce in the PRC shall be required to complete the filing with such local business supervisory departments as delegated by the PRC Ministry of Commerce after their registration instead. Such provisional measures became effective since 1 April 2005;

2. in order to define logistics enterprise business tax base reasonably, the State Administration of taxation promulgated the Notice Regarding Tax Policies for Trial Logistics Enterprises (關於試點物流企業有關稅收政策問題的通知) on 29 December 2005, pursuant to which it is clearly defined that, in respect of specified pilot logistics enterprises which sub-contract their freight forwarding and warehousing services to other entities and charge their customers for their logistics services (including the sub-contracted services) collectively, the amount of the taxable income for the purpose of determining the amount of the PRC business tax payable by such logistics enterprises shall be the amount of their total income after netting off the fees payable thereby to their subcontractors. Such notice became effective since 1 January 2006;

3. in order to allow qualified logistics enterprises to pay income tax collectively, the State Tax Bureau promulgated the Notice Regarding Payment of Enterprise Income Tax by Logistics Enterprises (關於物流企業繳納企業所得稅問題的通知) on 18 March 2006, pursuant to which a logistics enterprise registered with the relevant administrative departments for industry and commerce and having different places of business in the same province, autonomous region or municipality of the PRC but a centralised operation, book recording, accounting, bank settlement account(s), network and management at its headquarters, which (a) is permitted to engage in at least freight forwarding (or freight forwarding agency) and warehousing services pursuant to its permitted business scope; (b) is capable of providing comprehensive logistics services comprising freight forwarding, logistics agency, warehousing, loading and unloading, processing, re-arranging, delivery and other services; and (c) has the corresponding information management system for its business, may pay its enterprise income tax payable collectively at its headquarters instead of paying such enterprise income tax separately to the local tax authorities at each of its places of business. Such notice became effective since 18 March 2006.

The logistics industry in Tianjin

Tianjin is located in the vicinity of Beijing and Hebei province. According to the China Logistics Yearbook 2006 published by the NBSC, the economy in the region comprising Tianjin, Beijing and Hebei province is relatively vibrant compared to other areas in the PRC. The region is also the biggest and most modernized industrial zone in northern China and a base for heavy industry and emerging industries. According to the China Logistics Yearbook 2006, Tianjin, Beijing and Hebei province recorded regional GDP growth rates of approximately 14.4%, 12.0% and 13.2% in 2006 respectively, compared with the national GDP growth rate of approximately 10.7% in the same year. The region is one of the most rapidly developing economic zones in the PRC and one of the most developed regions in terms of the logistics industry in the PRC. With the growing manufacturing industry in the area, modern logistics industry has played an increasing role in the region's economy.

GDP in Tianjin

Source: Statistic Bulletin on Economic and Social Development of Tianjin 2006 obtained from the website of NBSC at www.stats.gov.cn

In 2006, Tianjin recorded a regional GDP of RMB433.773 billion, representing an increase of approximately 14.4% from the previous year and approximately 1.2 times from 2000. Among the regional GDP growth rates of the provinces of the PRC, Tianjin ranked fifth, following Neimenggu (18.0%), Jilin (15.0%), Jiangsu (14.9%) and Shandong (14.7%), but higher than the national GDP growth rate of 10.7%.

Tianjin is an international shipping and logistics centre of northern China. In recent years, the regional government has regarded the development of modern logistics industry as an important means to advance economy. It has adopted a number of measures to promote the development of modern logistics, in an effort to establish Tianjin as a modernised international port metropolis and an international logistics city.

Tianjin enjoys the following advantages to develop its logistics industry:

1. At the 5th Plenary Session of the 16th Central Committee of the Communist Party of China ("CPC") held from 8 to 11 October 2005, the central government included Tianjin Binhai New Area ("BNA") in the national development strategy. The National Congress and the Central Committee of the CPC elected by it are the leading bodies of the CPC. On 26 May 2006, the report of State Council's Opinion Concerning the Development of Tianjin Binhai New Area redefined Tianjin Binhai New Area's functions: to build Tianjin Binhai New Area as a gateway of northern China to the outside world, a modern manufacturing and research and development base, an international shipping and logistics centre for northern China, and a new city with flourishing economy for settlement. These policies have provided wider room for the development of the logistics industry in Tianjin.

2. The Tianjin government recognises the importance of the development of the logistics industry in its economic development strategy. Since 2001, an international logistics operation area, an industrial logistics development area, a logistics centre for bulk goods in Tianjin port, a container logistics centre and an international air cargo centre have been established in Tiangjin Binhai New Area successively. The Tianjin government is also devoted to modern logistics strategic research and has drawn up a number of logistics research reports and relatively sophisticated guideline policies for the development of the logistics industry. By, among other matters, strengthening commitments to service and simplifying verification procedures, the Tianjin government created a more congenial policy environment for the development of the logistics industry.

3. Geographically, Tianjin is one of the economic centres in northern China and an important port city, with an area spanning over 2.4 million square kilometers, connecting to 14 provinces, autonomous regions and cities in northern China. Tianjin is also considered to be a gateway to Europe and Asia, the best port for implementing the development strategies for the western parts of the PRC and the interaction point between eastern and western China.

4. With respect to transportation, Tianjin is a large metropolis supported by five transportation means including roads, railways, aviation, sea transport and pipelines.

5. Tianjin has always taken the lead in the PRC in terms of information dissemination, broadband network facilities and network technology application.

Tianjin Binhai New Area

Tianjin Binhai New Area is situated at the northern part of North China Plain, at the intersection between Shandong and Liaodong, the lower reaches of Haihe Valley and at the northern part of the Bohai Bay on the verge of Bohai Sea. Tianjin Binhai New Area is in the vicinity of Beijing and Tianjin.

Tianjin Binhai New Area has a coastline of 153 kilometres and covers a land area of 2,270 square kilometers and sea area of 3,000 square kilometers. It had a population of 1.4 million in 2005.

In the 11th Five-Year Plan, Bohai Rim area was projected as the third growth engine of national development after Pearl River delta and Yangtze River delta and Tianjin Binhai New Area as a growth engine for regional economic development. The development of Tianjin Binhai New Area is a key part of Tianjin's logistics industry development plan according to The Outline of the 11th Five-year Plan For Economic and Social Development of Tianjin.

In 2006, Tianjin Binhai New Area recorded a GDP of RMB196.05 billion, representing a 20.2% rise from the previous year, while Tianjin Binhai New Area's industrial GDP amounted to RMB520.052 billion, representing a 31.3% rise from the previous year. The total amount of investment in fixed assets was RMB86.429 billion, representing a 24.7% rise from the previous year. The annual sum of foreign direct investment contracted for in the Tianjin Binhai New Area reached US$6.18 billion, representing 76.2% of the total amount of foreign direct investment contracted for in Tianjin, showing a 24% rise from the previous year. The amount of foreign direct investment actually utilized was US$3.345 billion, accounting for 81.0% of the total sum of foreign direct investment actually utilized in Tianjin, showing a 31.1% rise from the previous year.

TEDA is situated at Tianjin Binhai New Area. The total economic value of TEDA recorded an annual growth rate of over 20% for the six years ended 2006, ranking first among the economic and technological development zones of the PRC. TEDA accomplished a total industrial GDP of RMB300.416 billion in 2006, showing a 25.1% rise from the previous year.

Tianjin Binhai New Area's main economic indices during 2002 to 2006

Index	Unit	2002	2003	2004	2005	2006
GDP	RMB (in 100 million)	862.45	1,046.3	1,323.26	1,623.26	1,960.5
Percentage increase from the previous year	%	20.1	20.4	20.1	19.8	20.2
Investment in fixed assets	RMB (in 100 million)	280.89	464.08	565.47	693.31	864.29
Export	US$ (in 100 million)	72.01	89.38	136.99	184.69	226.20
Foreign direct investment actually utilised	US$ (in 100 million)	8.23	12.15	17.44	25.31	33.45

Source: Statistic Bulletin on Economic and Social Development of Tianjin 2006 obtained from the website of NBSC at www.stats.gov.cn

The Directors believe that, given Binhai Logistics Group's established infrastructure in TEDA, which lies in the Tianjin Binhai New Area, the rapid economic development of Tianjin and in particular, Tianjin Binhai New Area, will facilitate the rapid development of the local logistics industry and the business development of Binhai Logistics Group.

COMPETITIVE LANDSCAPE OF PRC LOGISTICS INDUSTRY

The continuing growth of China's economy and the economic globalisation results in the rapid growth of the logistics industry in the PRC. While the total logistics value has been increasing in the recent year, the proportion of the total PRC logistic expenditure to PRC GDP has been progressively declining in recent years. There is an increasing demand for greater efficiency in the logistics sector in order to reduce cost items including distribution and operational cost.

In 2006, about 730,000 logistics companies have operated in the PRC, most of which were small and medium sized logistics enterprises and only a few of these enterprises were capable of providing comprehensive logistics services. With the increasing demands in the cost-efficiency of the logistics services and outsourcing of such logistics operations to third party service providers in the PRC, logistics enterprises having the capabilities to offer comprehensive logistics services will have competitive edges over logistics enterprises which are only capable of offering singleton logistics services such as freight forwarding or warehousing services to their customers.

With China's accession to the WTO and the opening of the PRC logistics market to foreign investors, Binhai Logistics Group may face challenges from multinational logistics enterprises which are capable of making significant investments in establishing their logistics infrastructure and networks in the PRC and possess strong international clienteles. There may also be immense competitions from several existing major foreign-invested logistics enterprises in the PRC. While these logistics enterprises have established and extensive network of logistics infrastructure in the PRC and globally, the long term relationship of Binhai Logistics Group with the Toyota Group and Alps Group, its ability to provide custom-made and technical logistics and supply chain solutions to its customers and its experience in both automobile and electronic component logistics industries, which require higher expertise, coupled with Binhai Logistics Group's established infrastructure in TEDA, which is situated in the thriving Tianjin Binhai New Area, collectively give the Binhai Logistics Group a competitive edge in the PRC market.

BACKGROUND ON ISSUERS OF NON-COMMISSIONED RESEARCH PUBLICATIONS

NBSC

National Bureau of Statistics of China, an Independent Third Party and an agency directly under the State Council of the PRC, is in charge of statistics and economic accounting in the PRC. Its major functions include, among others, working out laws and regulations on statistical work and national statistical standards, organising the implementation of major censuses on the basic items relating to the state and strength of the country, acting as the exclusive agency in publishing basic national statistical data and disseminating to the general public statistical information with regard to the national economic and social development, building up and administering the national statistical information system and exercising leadership over directly-affiliated surveying agencies in various localities. The information obtained from NBSC and disclosed in this section is official public information. No fee was paid to NBSC for use and disclosure of its publications in this section.

CAWS

China Association of Warehouses and Storage, is an Independent Third Party and a body corporate established in 1997 pursuant to the approval by the Ministry of Civil Affairs of the PRC. CAWS operates an online integrated information platform containing information in relation to the logistics industry. The information obtained from CAWS and disclosed in this section is official public information. No fee was paid to CAWS for use and disclosure of its publications in this section.

The Company has been carrying on its business by itself and through its subsidiaries (which has the meaning ascribed to it under the GEM Listing Rules) and Jointly-controlled Entities. In this prospectus, all references to the "Group" includes the Company and its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of these subsidiaries, the present subsidiaries of the Company (which, for the avoidance of doubt, include Tianjin Alps Teda Logistics which is considered as a subsidiary of the Company under the GEM Listing Rules), whereas all references to the "Binhai Logistics Group" include the Group and the Jointly-controlled Entities (which, for the avoidance of doubt, include Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics).

In this prospectus, unless otherwise specified, all references to revenues, profits and other financial information of the Group include those of the Jointly-controlled Entities to the extent that such information has been proportionately consolidated or otherwise reflected in the accountants' report on the Group set out in appendix I to this prospectus. It should be noted that the Company and its subsidiaries hold only up to 50% equity interest in the Jointly-controlled Entities, or hold more than 50% equity interest but do not unilaterally control the Jointly-controlled Entities.

OVERVIEW

Binhai Logistics Group is principally engaged in the provision of comprehensive logistics and supply chain solutions in the PRC. These solutions assist Binhai Logistics Group's customers in managing the movement of production materials and components from the suppliers to manufacturers, and the finished goods from manufacturers to end users. The logistics business of Binhai Logistics Group was commenced in 1996.

Binhai Logistics Group has since 1990s established business relationship with Alps Group and Toyota Group, through sino-foreign equity joint ventures established with them, respectively. Binhai Logistics Group has been offering the logistics and supply chain solutions in respect of the electronics products and components to Alps Group and has been the logistics services provider to Toyota Group specialising in automobiles and car components during the Track Record Period. Since the establishment of Binhai Logistics Group, Binhai Logistics Group has been able to establish a close business relationship with Alps Group and Toyota Group. During each of the three years ended 31 December 2007, the overall sales attributable to the members of Alps Group accounted for approximately 30.5%, 23.4% and 17.2% of the Group's total sales for the corresponding periods. During each of the three years ended 31 December 2007, the overall sales attributable to the members of Toyota Group accounted for approximately 58.7%, 70.7% and 70.5% of the Group's total sales for the corresponding periods. The Directors expect that there may be a decrease in the proportion of turnover attributable to Alps Group and Toyota Group in the near future. As concrete measures to lower its reliance on the automobile and electronic products industries as well as its current major customer groups, namely Toyota Group and Alps Group, Binhai Logistics Group has been diversifying its logistics and supply chain solutions to a broader spectrum of industries. Binhai Logistics Group has commenced its steel procurement service since July 2007, with customers comprised principally trading companies and, in order to facilitate its expansion of its steel procurement service, Binhai Logistics Group has been constructing its facilities owned by Yuan Da Logistics at TEDA for use as storage and warehousing facilities for its steel procurement service. It is expected that the storage and warehousing facilities at TEDA will commence its operation in the second half of 2008. In addition, Binhai Logistics Group established Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd.(天津泰達斯迪爾電子交易市場經營管理有限公司), with Shanghai Sidier Electronic Trading Market Operation and Management Co., Ltd. (上海斯迪爾電子交易經營管理有限公司) and Northern International Trust Investment Co., Ltd. (北方國際信托股資股份有限公司) in September 2007, which will be principally engaged in the operation and management of electronic business-to-business platform for dealing with steel materials. With synergetic effect of this business-to-business platform with Binhai Logistics Group's existing logistics services, the Directors expect that Binhai Logistics Group's logistics and supply chain solution services can be further promoted to users of the business-to-business platform. To further diversify its customer spectrum, Binhai Logistics Group entered into a compensation agreement with Tianjin Port International Logistics Development Co., Ltd. (天津港國際物流發展有限公司) in October 2006 for the acquisition, construction and development of a container stacking yard, storage and warehousing facilities for containers and container cargoes at Tianjin Port, with its target market focusing on shipping companies and large-scaled logistics companies. The Directors expect that these facilities at Tianjin Port will commence its operation in the second half of 2008 and the customer base of Binhai Logistics Group can be thereby further broadened.

The number of customers of Binhai Logistics Group (other than the members of Alps Group and Toyota Group) has increased from approximately 400 in 2005 to approximately 450 in 2006 and further increased to approximately 600 in 2007. For each of the three years ended 31 December 2007, about 30, 30 and 30 members of Alps Group and about 25, 35 and 40 members of Toyota Group were the customers of Binhai Logistics Group, respectively. There was overlapping of customers among members of Binhai Logistics Group and business with such customers is coordinated and allocated among the relevant members of Binhai Logistics Group by reference to the type and location of the logistics services to be rendered and the respective expertise and infrastructure available for such member. Generally, the Company handles the procurement logistics services in respect of steel materials, and Yuan Da Logistics and Binhai Yuan Sheng offer the related warehousing services in respect of steel materials. Binhai Logistics Group's logistics and supply chain solutions services for automobile and car components sector are handled by Tianjin Fengtian Logistics, while its logistics and supply chain solutions services for electronic components sector are generally handled by Tianjin Alps Teda Logistics. Dalian Alps Teda Logistics is primarily responsible for rendering the procurement logistics services for resins and electronic production materials and the bonded warehousing services at Dalian Free Trade Zone, and TBW offers warehousing services at its warehousing facilities at Tianjin Binhai New Area.

The joint venture arrangement in respect of each of Tianjin Fengtian Logistics, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics with Toyota Group and Alps Group has been subsisting throughout the Track Record Period and up to the Latest Practicable Date. These sino-foreign equity joint ventures had been the principal contributors to the Group's profitability during the Track Record Period. During each of the three years ended 31 December 2007, Tianjin Fengtian Logistics had contributed approximately 61.3%, 71.1% and 72.4% of the turnover of the Group and approximately 41.8%, 73.3% and 76.5% of the net profit of the Group respectively. During each of the three years ended 31 December

2007, Tianjin Alps Teda Logistics had contributed approximately 28.5%, 20.6% and 15.4% of the turnover of the Group and approximately 56.2%, 26.0% and 18.4% of the net profit of the Group respectively. During each of the three years ended 31 December 2007, Dalian Alps Teda Logistics had contributed approximately 9.6%, 7.2% and 7.0% of the turnover of the Group and approximately 5.1%, 1.5% and 1.3% of the net profit of the Group respectively. The aggregate net profit contributed by Tianjin Fengtian Logistics, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics represented more than 100% of the total net profit of the Group for each of the two years ended 31 December 2006. This was principally due to the net loss recorded by TBW and the Company during the year ended 31 December 2005 and 31 December 2006, respectively.

Binhai Logistics Group designs and plans tailor-made logistics and supply chain solutions for its customers with an aim to ensuring accurate inventory flow, precise warehousing, pre-production preparation management and timely freight forwarding services for its customers. Such logistics and supply chain solutions include freight forwarding, customs clearance, storage and warehousing management, pre-production preparation and processing services. By implementing the logistics and supply chain solution agreed, the customers will be able to enjoy the economic benefits of having a shorter lead time for delivery and lower the inventory level of the requisite production materials and components. The customers are also able to ensure the flow of production materials, components and finished goods in accordance with their production and sales requirements and reduce their resources in the management of their daily logistics operations, such as storage, handling and transportation of their production materials, work-in-progress or finished goods, and to save themselves from incurring significant investments and maintenance expenses in the logistics infrastructure such as warehouses and trucks.

Binhai Logistics Group has its extensive logistics infrastructure to implement its logistics and supply chain solutions effectively and offer comprehensive logistics services to its customers. The warehouses, regional distribution centres and ancillary office premises currently owned and leased by Binhai Logistics Group are located within the vicinity of its customers covering Dalian, Tianjin, Shanghai and Wuxi. To enhance its services, Binhai Logistics Group has established bonded warehouses in Dalian Free Trade Zone and Tianjin Binhai New Area. The PRC Customs Law and the Administrative Regulations of China Customs in relation to Bonded Warehouses and the Stored Goods (中華人民共和國對保稅倉庫及所存貨物的管理規定) provides for the setting up of the bonded warehouses, which are licensed to store bonded goods that are permitted to be imported without attending to the tax payment procedures at the time of import. Production materials and finished goods imported and stored in these bonded warehouses, which are subsequently exported out of the PRC or otherwise delivered out of the bonded warehouses for delivery to other bonded warehouses in the PRC within a prescribed period of one year in general, are not regarded as imported goods and therefore customers are not required to pay import customs duties and to apply for import certificates. Where the production materials and finished goods stored in the bonded warehouses are not exported out of the PRC upon expiry of the prescribed period, the customers are then required to pay the imported duties which have been deferred for payment at the time of import and apply for the import certificate, where applicable. The bonded warehousing services can lower the customers' procurement costs and enhance customers' competitiveness in terms of its logistics costs. Binhai Logistics Group's warehouses in Tianjin Binhai New Area comply with high warehouse standards in terms of their structures, security and lightings. The high-ended warehouses are constructed by reference to certain building structural standards and lighting standards required by its customers, such as the exterior entrances are provided with flood lighting sufficient to recreate daylight conditions and sophisticated warehouse management system like Exceed WMS is installed, whereas other warehouses owned and leased by Binhai Logistics Group are generally not built by reference to such standard. Moreover, they are supported by container loading, unloading and storage facilities owned by Binhai Logistics Group and dedicated rails which Binhai Logistics Group is allowed to operate.

Binhai Logistics Group's operation has been supported by its sophisticated information technology systems, a number of which has been introduced from Alps Logistics and Toyota Tsusho and/or their respective associates, namely, ACCS, TESS and TWMS. Such information technology systems are designed to meet the specific logistics requirements of electronic products and car components distribution. The Directors consider that Binhai Logistics Group has not unduly relied on any of these information technology systems in that (i) these systems are principally used for enhancing the efficiency for collection and management of data, which can be done manually or by other means without the application of these systems; and (ii) the functions of such systems can also be performed by Binhai Logistics Group's owned warehouse management system (Exceed WMS) or other information technology systems available in the market with necessary adjustments and modifications. In the event that the use of ACCS and TWMS is terminated by the joint venture partners and/or their respective associates, the Directors estimate that it may take not more than three months and incur not more than RMB1,000,000 or modifying Binhai Logistics Group's existing information technology system or developing a replacement system to cater for the customers' needs.

During each of the three years ended 31 December 2007, the Group had a turnover of approximately RMB496,666,000, RMB709,940,000 and RMB949,609,000 respectively, with the profit attributable to equity holders of the Company of approximately RMB28,714,000, RMB47,578,000 and RMB64,371,000, respectively.

The table below presents the breakdown of turnover and gross profit of the Group in terms of logistics and supply chain solutions and procurement services for the periods indicated.

	Turnover						**Gross Profit**					
	Year ended 31 December						**Year ended 31 December**					
	2005		**2006**		**2007**		**2005**		**2006**		**2007**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Logistics and supply chain solutions	449,682	90.5	659,541	92.9	853,999	89.9	55,121	95.8	113,347	98.2	146,453	98.3
Procurement services for resins and electronic production materials	46,984	9.5	50,399	7.1	64,567	6.8	2,420	4.2	2,091	1.8	2,603	1.7
Steel procurement service	–	–	–	–	31,043	3.3	–	–	–	–	(17)	–
Total	496,666	100	709,940	100	949,609	100	57,541	100	115,438	100	149,039	100

During the Track Record Period, the Group recorded strong growth in terms of turnover mainly due to the significant growth in demand for the logistics and supply chain solutions for automobiles and car components. The Group recorded strong growth in terms of net profit attributable to the equity holders of the Company mainly due to the increase in other income and the improvement in the overall net profit margin of the Group. Please refer to the section headed "Financial information" in this prospectus for further details of the analysis.

STRENGTHS

The Directors consider the following to be the key factors contributing to the success of Binhai Logistics Group:

Customer base of international enterprises

Binhai Logistics Group has built up business relationships with Alps Group and Toyota Group for over 10 years. By establishing business relationships with multinational conglomerates like Alps Group and Toyota Group, Binhai Logistics Group will be benefited in the following ways:

(i) Binhai Logistics Group can enjoy a strong brand recognition effect and enhance its international image by virtue of its high quality customer base. In particular, Binhai Logistics Group's relationships with Alps Group and Toyota Group lasted for more than 10 years. While Binhai Logistics Group can satisfy the relatively high selection criteria and requirements from the customers of this caliber and has been selected as their logistics service provider, this proves Binhai Logistics Group's ability to offer high quality services and thereby enhancing its market image and reputation and potential customers' confidence in Binhai Logistics Group; and

(ii) such business relationships offer Binhai Logistics Group an important competitive advantage by enabling it to have access to management and operation practices which tailor to the needs of customers with international background and expanding its marketing reach.

The Directors consider that Binhai Logistics Group's solid track record in collaborating with renowned customers will allow it to capture the growing business opportunities in the PRC.

Experienced management team and well established logistics infrastructure

Binhai Logistics Group has a management team with extensive experience in logistics industry. The general manager and operation controller of Binhai Logistics Group, being Mr. Zhang Jian and Mr. Liu Li Ming, possess working experience in the logistics industry for over 15 years. They are supported by a management team, consisting of more than 40 managers, departmental and divisional heads as at 31 December 2007, in monitoring the daily logistics functions carried out by Binhai Logistics Group. A majority of the managers of the members of Binhai Logistics Group possess working experience in the logistics industry of more than 10 years, and majority of the departmental and divisional heads possess related experience in the logistics industry ranging from four to 10 years.

Apart from the experienced management team, Binhai Logistics Group has well established logistics infrastructure for implementing its logistics and supply chain solutions. This includes Binhai Logistics Group's network of warehouses, regional distribution centres and ancillary office premises, established freight forwarding network and advanced warehouse management systems and other information technology systems. Please refer to the sub-section headed "Logistics infrastructure" in the section headed "Business" of this prospectus for further details.

HISTORY AND DEVELOPMENT

Business Development

Binhai Logistics Group first engaged in the logistics business by cooperating with Alps Logistics, one of the leading logistics companies for electronic products and components, by investing in Tianjin Alps Teda Logistics in July 1995.

Leveraging on the successful experience in Tianjin Alps Teda Logistics, Binhai Logistics Group started to diversify its logistics services from the electronic components sector to logistics services for automobiles and related components sector by investing in Tianjin Fengtian Logistics with Toyota Tsusho as an equity joint venture in the PRC in 1996. On the establishment of Tianjin Fengtian Logistics, Toyota Group becomes one of the customers of Binhai Logistics Group and since Toyota Group's automobile manufacturing plant in Tianjin commenced commercial production in 2002, the provision of logistics services for automobiles has become one of the principal contributors to the profitability of Binhai Logistics Group.

Binhai Logistics Group established its bonded warehouse in Dalian by forming Dalian Alps Teda Logistics with Alps Logistics in March 2003. Coupled with the competitive edge of being able to store bonded goods, Binhai Logistics Group is able to introduce a comprehensive and efficient VMI warehousing solution for its customers, especially manufacturing customers. As a value-added service for its VMI warehousing solution, Binhai Logistics Group also started to provide related services such as procurement services for resins and electronic production materials for manufacturing customers.

In July 2005, Binhai Logistics Group expanded its warehouse facilities by injecting land to TBW. As at the Latest Practicable Date, the facilities of TBW at Tianjin Binhai New Area comprised warehouse buildings with an aggregate gross floor area of about 31,053.35 sq. m., and a container stacking yard with a site area of about 249,622.33 sq. m. Of the warehouse facilities, TBW has two high-ended warehouses with an aggregate gross floor area of 21,951.95 sq. m., which comply with high warehouse standards in terms of their structures, security and lighting and are supported by container loading and unloading and storage facilities owned by Binhai Logistics Group and dedicated rates which Binhai Logistics Group is allowed to operate. With the introduction of these high-ended warehouses and the related facilities in a strategically located area, Binhai Logistics Group's customer base is strengthened and includes international-based enterprises such as Metso Minerals (Tianjin) Co., Ltd.

In March 2006, Binhai Logistics Group established Tianjin Port Automobile Logistics, an associated company of the Company and a joint venture with Tianjin Port Electrical Engineering Co., Ltd. (天津港灣電力工程有限公司) and Tianjin Port Container Freight Co., Ltd. (天津港集裝箱貨運有限公司), for providing integrated roll-on/roll-off logistics services for imported automobiles at the Tianjin Port Ro-Ro Terminal, one of the principal ports for import and export of vehicles in the northern PRC. The logistics services include on-spot inspection of imported automobiles at the dock, transportation of the automobiles to storage yard and storage management services. In conjunction with Tianjin Fengtian Logistics' automobile logistics and customs clearance service, Binhai Logistics Group is capable of providing one-stop logistics solutions for imported automobiles to its customers.

In December 2006, Binhai Logistics Group entered into a land grant contract with TEDA Land Administrative Bureau, pursuant to which Binhai Logistics Group acquired a piece of land at TEDA with a site area of approximately 52,183.62 sq. m., which is intended to be used for establishing new storage and warehousing facilities in TEDA. In June 2007, Binhai Logistics Group has entered into an agreement for the acquisition of a piece of land situated at the Tianjin Port with a site area of approximately 90,144.00 sq. m. for the development of a container stacking yard, storage and warehousing facilities for containers and container cargoes and such other ancillary services including container consolidation and de-consolidation services which involve the loading and unloading operations of cargoes into and out of containers. The Directors believe that, with these additional facilities and the linkage of its existing facilities in Tianjin Binhai New Area to the extensive highway and railway networks in the region, Binhai Logistics Group will be able to offer efficient integrated sea-railway or sea-highway freight forwarding services to its customers. In July 2007, Binhai Logistics Group introduced new procurement service by procuring steel materials for its customers. Binhai Logistics Group continues to offer new logistics solutions to its customers, and at the same time enhance its own logistics infrastructure.

Corporate Development

Tianjin Alps Teda Logistics

Tianjin Alps Teda Logistics is principally engaged in the provision of logistics and supply chain solutions for electronic components sector. It is a subsidiary of the Company under the GEM Listing Rules and has been accounted for as a jointly-controlled entity of the Company in the accountants' report as set out in appendix I to this prospectus.

On 12 July 1995, after obtaining the approval from TEDA Administrative Commission (天津經濟技術開發區管理委員會), Tianjin Alps Teda Logistics was jointly invested by Tianjin Economic and Technological Development Area Corporation (天津經濟技術開發區總公司) (the predecessor of Teda Holding) and Alps Logistics, with the then registered capital of US$2.1 million. At that time, Tianjin Alps Teda Logistics was owned as to 40% by Tianjin Economic and Technological Development Area Corporation and 60% by Alps Logistics.

In January 1996, TEDA Administrative Commission approved the transfer by Alps Logistics of 10% of its equity interest in Tianjin Alps Teda Logistics to TEDA I/E, which is controlled by Tianjin Teda Group Co., Ltd. (天津泰達集團有限公司), at a cash consideration of US$210,000. Upon the completion of share transfer, Tianjin Alps Teda Logistics was owned as to 50% by Alps Logistics, 40% by Tianjin Economic and Technological Development Area Corporation and 10% by TEDA I/E.

In April 1996, Alps Logistics entered into an equity transfer agreement for the transfer of an aggregate of 10% of its equity interest in Tianjin Alps Teda Logistics to Kintetsu World Express, Inc. (株式會社近鐵貨運) and Naigai Nitto Co., Ltd. (內外日東株式會社) on an equal basis at an aggregate cash consideration of US$210,000. So far as the Directors are aware of, the principal business of Naigai Nitto Co., Ltd. includes harbor transport and terminal operation, freight forwarding, warehousing, customs house brokers, packing and crating, maritime transport agency, multimodal transport agency, International Air Transport Association approved air cargo agency, insurance agency and other transport services, and the principal business of Kintetsu World Express, Inc. includes domestic and foreign forwarding business, truck company agency, customs agency, transportation agency, and other ancillary business. Save for being a former shareholder of Tianjin Alps Teda Logistics, neither Kintetsu World Express Inc. nor Naigai Nitto Co., Ltd. was related to any member of Binhai Logistics Group as at the Latest Practicable Date. Upon the completion of share transfer, Tianjin Alps Teda Logistics was owned as to 40% by Alps Logistics, 40% by Tianjin Economic and Technological Development Area Corporation, 10% by TEDA I/E, 5% by Kintetsu World Express, Inc. and 5% by Naigai Nitto Co., Ltd..

In February 1999, a branch of Tianjin Alps Teda Logistics was set up in Shanghai.

In September 1999, the board of Tianjin Alps Teda Logistics resolved to increase its registered capital to US$3 million through additional cash injection and capitalisation of dividends for an aggregate amount of US$0.90 million by the then shareholders pro-rata to their then respective shareholdings. Such increase in the registered capital was approved by then foreign economic and trading authority in January 2000.

In April 2002, a branch of Tianjin Alps Teda Logistics was set up in Dalian.

In November 2001, the board of Tianjin Alps Teda Logistics resolved to increase the registered capital of Tianjin Alps Teda Logistics to US$4 million through additional cash injection and capitalisation of surplus reserve as to US$400,000 by Tianjin Economic and Technological Development Area Corporation, US$472,000 by Alps Logistics, US$100,000 by TEDA I/E, US$14,000 by Kintetsu World Express, Inc. and US$14,000 by Naigai Nitto

Co., Ltd. Such increase in the registered capital was approved by then foreign economic and trading authority in April 2002. After the capital increment, Tianjin Alps Teda Logistics was owned as to 40% by Tianjin Economic and Technological Development Area Corporation, 10% by TEDA I/E, 41.8% by Alps Logistics, 4.1% by Kintetsu World Express, Inc. and 4.1% by Naigai Nitto Co., Ltd..

In January 2003, an office of Tianjin Alps Teda Logistics was set up in Dandong City, Liaoning Province.

In August 2003, branches of Tianjin Alps Teda Logistics were set up in Wuxi, Suzhou and Hangzhou.

In May 2003, Alps Logistics entered into an equity transfer agreement for the acquisition from each of Kintetsu World Express, Inc., and Naigai Nitto Co., Ltd. of their entire equity interest in Tianjin Alps Teda Logistics at an aggregate cash consideration of US$542,571.04 which was determined by reference to the appraised asset value of Tianjin Alps Teda Logistics before distribution of profits for the year ended 31 December 2002. In July 2003, the board of Tianjin Alps Teda Logistics resolved to increase its registered capital to US$6 million through capitalisation of dividends and surplus reserve for an aggregate amount of US$2 million by the post-acquisition shareholders pro-rata to their respective shareholdings after the said acquisition. Such transfers and increase in the registered capital was approved by the Ministry of Commerce in January 2004. Upon completion of the acquisition and the increase in the registered capital, Tianjin Alps Teda Logistics was owned as to 50% by Alps Logistics, 40% by Teda Holding and 10% by TEDA I/E.

On 23 May 2006, Teda Holding and TEDA I/E entered into an equity transfer agreement, pursuant to which Teda Holding agreed to acquire the 10% equity interest in Tianjin Alps Teda Logistics from TEDA I/E at a consideration which was determined by reference to the appraised value of the 10% equity interest in Tianjin Alps Teda Logistics as at 31 December 2005. On 24 May 2006, another equity transfer agreement was entered into between Teda Holding and Alps Logistics, pursuant to which Alps Logistics sold 2% equity interest in Tianjin Alps Teda Logistics to Teda Holding at a consideration which was determined by reference to the appraised value of the 2% equity interest in Tianjin Alps Teda Logistics as at 31 December 2005. In June 2006, after obtaining the approval from TEDA Administrative Commission on such equity transfer, Tianjin Alps Teda Logistics was owned as to 52% by Teda Holding and 48% by Alps Logistics.

As part of the Reorganisation, in June 2006, Teda Holding contributed its share of registered capital of the Company by transferring, among others, all its 52% equity interest in Tianjin Alps Teda Logistics to the Company at the value of such 52% equity interest as at 31 December 2005 of approximately RMB56,093,800 as appraised by an independent PRC valuer. In consideration of and in exchange for Teda Holding's capital contribution by transfer of its entire equity interest in Tianjin Alps Teda Logistics, Dalian Alps Teda Logistics, Tianjin Fengtian Logistics and TBW to the Company, the Company issued 185,000,000 Domestic Shares to Teda Holding. Please refer to the paragraph "Reorganisation" in the sub-section headed "History and development" in this section for details of the Reorganisation. No gain or goodwill has been arisen by the Company in respect of such transfer of 52% equity interest thereto. Immediately following the Reorganisation and as at the Latest Practicable Date, Tianjin Alps Teda Logistics was owned as to 52% by the Company and as to the remaining 48% by Alps Logistics.

The relationship between the Company and Alps Logistics in respect of their joint investment in Tianjin Alps Teda Logistics is governed by, among others, the joint venture agreement. Under the prevailing joint venture agreement of Tianjin Alps Teda Logistics, its board of directors shall comprise of eight members, of which four of them are appointed by the Company and the remaining four members by Alp Logistics. The chairman of the board of directors, who shall be appointed by the Company, shall not have any casting or second vote in case of equality of votes in board meetings. In the event of any possible disputes and deadlocks between the Company and Alps Logistics, they will first negotiate in good faith for resolution of such disputes and deadlocks. Where the disputes cannot be resolved through bona fide negotiation, the joint venture parties will resort to arbitration in the manner as stipulated in the prevailing joint venture agreement. As advised by the Company's PRC legal advisers, where there are serious difficulties in the operation and management of a company and the Company's continuance will definitely result in significant loss to its shareholders and such scenario cannot be resolved, then any shareholder holding 10% or more of the total voting rights of the company may request the people's court to dissolve the company in accordance with the PRC Company Law. The Company has sufficient access to all information relating to the business and activities of Tianjin Alps Teda Logistics. The after tax net profit of Tianjin Alps Teda Logistics shall be shared between the parties in proportion to their respective interest in the registered capital of Tianjin Alps Teda Logistics and in accordance with the relevant laws and regulations in the PRC. Each party has pre-emptive rights on, and subject to restrictions in respect of, the sale and assignment or transfer of equity interest in Tianjin Alps Teda Logistics. Under the prevailing joint venture agreement, the operating period of Tianjin Alps Teda Logistics is for a term of 30 years commencing from the date of its incorporation, i.e. 26 October 2022, or until such later date as approved by the board of its directors and the relevant regulatory authority in the PRC. The joint venture agreement may be terminated, among other circumstances, upon expiry of the joint venture agreement or the breach of the joint venture agreement by any party and, as a result of it, Tianjin Alps Teda Logistics suffers loss with material adverse impact imposed on its interests, such breaches including but not limited to the failure to pay capital contribution in the manner as required under the joint venture agreement. Please refer to the details of the joint venture arrangement in respect of Tianjin Alps Teda Logistics set out in the paragraph headed "Further information about the Company's subsidiaries and other establishments" in appendix VI to this prospectus.

Dalian Alps Teda Logistics

Dalian Alps Teda Logistics is principally engaged in the provision of logistics and supply chain solutions and procurement logistics services in the PRC. It has been accounted for as a jointly-controlled entity of the Company in the accountants' report as set out in appendix I to this prospectus.

To satisfy the demand for bonded warehousing services in Dalian, Teda Holding and Alps Logistics established Dalian Alps Teda Logistics in Dalian in March 2003, with a then registered capital of US$2,400,000. Each of Teda Holding and Alps Logistics holds 50% of its equity interest.

As part of the Reorganisation, in June 2006, Teda Holding contributed its share of registered capital of the Company by transferring, among others, all its 50% equity interest in Dalian Alps Teda Logistics to the Company at the value of such 50% equity interest as at 31 December 2005 of approximately RMB13,491,500 as appraised by an independent PRC valuer. In consideration of and in exchange for Teda Holding's capital contribution by transfer of its entire equity interest in Tianjin Alps Teda Logistics, Dalian Alps Teda Logistics, Tianjin Fengtian Logistics and TBW to the Company, the Company issued 185,000,000 Domestic Shares to Teda Holding. Please refer to the paragraph "Reorganisation" in the sub-section headed "History and development" in this section for details of the Reorganisation. No gain or goodwill has been arisen by the Company in respect of such transfer of 50% equity interest thereto. Immediately following the Reorganisation and as at the Latest Practicable Date, Dalian Alps Teda Logistics was owned as to 50% by the Company and 50% by Alps Logistics.

The relationship between the Company and Alps Logistics in respect of their joint investment in Dalian Alps Teda Logistics is governed by, among others, the joint venture agreement. Under the prevailing joint venture agreement relating to Dalian Alps Teda Logistics, its board of directors shall comprise of six members, of which three of them are appointed by the Company and the remaining three members by Alp Logistics. The chairman of the board of directors, who shall be appointed by the Company, shall not have any casting or second vote in case of equality of votes in board meetings. In the event of any possible disputes and deadlocks between the Company and Alps Logistics, they will first negotiate in good faith for resolution of such disputes and deadlocks. Where the disputes cannot be resolved through bona fide negotiation, the joint venture parties will resort to arbitration in the manner as stipulated in the prevailing joint venture agreement. As advised by the Company's PRC legal advisers, where there are serious difficulties in the operation and management of a company and the company's continuance will definitely result in significant loss to its shareholders, and such scenario cannot be resolved, then any shareholder holding 10% or more of the total voting rights of the company may request the people's court to dissolve the company in accordance with the Company Law. The Company has sufficient access to all information relating to the business and activities of Dalian Alps Teda Logistics. The after tax net profit of Dalian Alps Teda Logistics shall be shared between the parties in proportion to their respective interest in the registered capital of Dalian Alps Teda Logistics and in accordance with the relevant laws and regulations in the PRC. Each party has pre-emptive rights on, and subject to restrictions in respect of, the sale and assignment or transfer of equity interest in Dalian Alps Teda Logistics. Under the prevailing joint venture agreement, the operating period of Dalian Alps Teda Logistics is for a term of 30 years commencing from the date of its incorporation, i.e. 20 March 2033, or until such later date as agreed by the joint venture partners and approved by the board of its directors and the relevant regulatory authority in the PRC. The joint venture agreement may be terminated, among other circumstances, upon expiry of the joint venture agreement or the breach of the joint venture agreement by any party including but not limited to the failure to pay capital contribution in the manner as required under the joint venture agreement. Please refer to the details of the joint venture arrangement in respect of Dalian Alps Teda Logistics set out in the paragraph headed "Further information about the Company's subsidiaries and other establishments" in appendix VI to this prospectus.

Tianjin Fengtian Logistics

Tianjin Fengtian Logistics is principally engaged in the provision of logistics and supply chain solutions for automobiles and car components sectors. It is a subsidiary of the Company under the GEM Listing Rules and has been so accounted for in the accountants' report as set out in appendix I to this prospectus.

On 19 July 1996, Tianjin Fengtian Logistics was established as a sino-foreign joint venture company by Tianjin Development Zone Haitai Storage and Transportation Co., Ltd. (天津開發區海泰儲運有限公司), Toyota Tsusho and Kamigumi Company Limited (株式會社上組). On its establishment, the registered capital of Tianjin Fengtian Logistics amounted to US$1.61 million and was owned as to 52% by Tianjin Development Zone Haitai Storage and Transportation Co., Ltd., 38% by Toyota Tsusho and 10% by Kamigumi Company Limited. Save for being a former shareholder of Tianjin Fengtian Logistics, Tianjin Development Zone Haitai Storage and Transportation Co., Ltd. was not related to any member of Binhai Logistics Group as at the Latest Practicable Date. So far as the Directors are aware of, the principal business of Kamigumi Company Limited includes port transportation, warehousing, freight forwarding and road transport, shipping agency, customs clearance, packaging, maintenance, inspection, and sales of automobiles and small marine vessel as well as transportation and stevedoring equipment.

In September 1996, Tianjin Development Zone Haitai Storage and Transportation Co., Ltd. entered into an equity transfer agreement to sell its 12% equity interest in Tianjin Fengtian Logistics to TEDA I/E. Tianjin Development Zone Haitai Storage and Transportation Co., Ltd. entered into another equity transfer agreement to sell its 18% equity interest in Tianjin Fengtian Logistics to TEDA I/E in April 1997. These transfers of equity interest was approved by TEDA Administrative Commission in September 1996 and April 1997, respectively. Upon completion of these transfers, Tianjin Fengtian Logistics was owned as to 22% by Tianjin Development Zone Haitai Storage and Transportation Co., Ltd., 30% by TEDA I/E, 38% by Toyota Tsusho and 10% by Kamigumi Company Limited.

In March 1998, TEDA Administrative Commission approved the transfer by Kamigumi Company Limited of its 10% equity interest in Tianjin Fengtian Logistics to Toyota Tsusho at a cash consideration of US$161,000. Upon the completion of the equity transfer, Tianjin Fengtian Logistics was owned as to 48% by Toyota Tsusho, 30% by TEDA I/E and 22% by Tianjin Development Zone Haitai Storage and Transportation Co., Ltd..

In February 2000, Tianjin Economic and Technological Development Area Corporation (the predecessor of Teda Holding) and Tianjin Development Zone Haitai Storage and Transportation Co., Ltd. entered into an equity transfer agreement, pursuant to which Tianjin Development Zone Haitai Storage and Transportation Co., Ltd. agreed to sell its 22% equity interest in Tianjin Fengtian Logistics to Tianjin Economic and Technological Development Area Corporation at a cash consideration of US$354,200. Such transfer of equity interest was approved by the then foreign economic and trading authority in March 2001. Upon completion of the equity transfer, Tianjin Fengtian Logistics was owned as to 30% by TEDA I/E, 22% by Tianjin Economic and Technological Development Area Corporation and 48% by Toyota Tsusho.

In June 2002, the board of Tianjin Fengtian Logistics resolved to approve the transfer by Toyota Tsusho of its 10% equity interest in Tianjin Fengtian Logistics to Kamigumi Company Limited and to increase its registered capital to US$4,865,600 through additional capital injection in cash by its post-transfer shareholders pro-rata to their respective shareholdings after the said equity transfer. In August 2002, Toyota Tsusho and Kamigumi Company Limited entered into an equity transfer agreement, pursuant to which Toyota Tsusho agreed to sell its 10% equity interest in Tianjin Fengtian Logistics to Kamigumi Company Limited at a cash consideration of US$161,000. Such transfer of equity interest and increase in the registered capital was approved by the then foreign economic and trading authority in August 2002. Upon completion of the equity transfer, Tianjin Fengtian Logistics was owned as to 30% by TEDA I/E, 22% by Teda Holding, 38% by Toyota Tsusho and 10% by Kamigumi Company Limited.

In August 2003, the board of Tianjin Fengtian Logistics resolved to approve the transfer by Toyota Tsusho and Kamigumi Company Limited of their respective 4.6% and 2.7% equity interest in Tianjin Fengtian Logistics to Toyota Transportation Corporation (豐田輸送株式會社), and to increase its registered capital to US$5,345,600 through additional capital injection in the aggregate amount of US$480,000 in cash by its post-transfer shareholders, as to US$105,600 by Teda Holding, US$144,000 by TEDA I/E, US$160,400 by Toyota Tsusho, US$35,000 by Kamigumi Company Limited and US$35,000 by Toyota Transportation Corporation. In the same month, an equity transfer agreement was entered into between Toyota Transportation Corporation with each of Toyota Tsusho and Kamigumi Company Limited, pursuant to which Toyota Tsusho agreed to sell 4.6% of its equity interest in Tianjin Fengtian Logistics to Toyota Transportation Corporation at a cash consideration of US$223,800 and Kamigumi Company Limited agreed to sell 2.7% of its equity interest in Tianjin Fengtian Logistics to Toyota Transportation Corporation at a cash consideration of US$131,400. Such transfers of equity interest and increase in the registered capital was approved by the Ministry of Commerce in January 2004. Upon completion of such equity transfers and increase in the registered capital, Tianjin Fengtian Logistics was owned as to 30% by TEDA I/E, 22% by Teda Holding, 33.4% by Toyota Tsusho, 7.3% by Kamigumi Company Limited and 7.3% by Toyota Transportation Corporation.

So far as the Directors are aware of, the principal business of Toyota Transportation Corporation includes automobiles delivery, parts delivery, consumer products sales, insurance agency and other ancillary business.

During the period from March 2004 to September 2005, Tianjin Fengtian Logistics set up branch offices in Chengdu, Shanghai, Guangzhou and Dalian.

In August 2004, an equity transfer agreement was entered into between TEDA I/E and Teda Holding, pursuant to which TEDA I/E agreed to transfer all of its 30% equity interest in Tianjin Fengtian Logistics to Teda Holding at a cash consideration of US$1,603,700. Moreover, the board of Tianjin Fengtian Logistics also resolved to increase the registered capital of Tianjin Fengtian Logistics to US$8,645,600 through capital injections in cash of an aggregate amount of US$3,300,000, as to US$1,716,000 by Teda Holding, US$1,343,100 by Toyota Tsusho and US$240,900 by Kamigumi Company Limited. After obtaining the approval from the Ministry of Commerce in May 2005, Tianjin Fengtian Logistics was owned as to 52% by Teda Holding, 36.2% by Toyota Tsusho, 7.3% by Kamigumi Company Limited and 4.5% by Toyota Transportation Corporation. Save for being one of the shareholders of Tianjin Fengtian Logistics, each of Kamigumi Company Limited and Toyota Transportation Corporation was not related to any member of Binhai Logistics Group as at the Latest Practicable Date.

As part of the Reorganisation, in June 2006, Teda Holding contributed its share of registered capital of the Company by transferring, among others, all its 52% equity interest in Tianjin Fengtian Logistics to the Company at the value of such 52% equity interest as at 31 December 2005 of approximately RMB50,943,000 as appraised by an independent PRC valuer. In consideration of and in exchange for Teda Holding's capital contribution by transfer of its entire equity interest in Tianjin Alps Teda Logistics, Dalian Alps Teda Logistics, Tianjin Fengtian Logistics and TBW to the Company, the Company issued 185,000,000 Domestic Shares to Teda Holding. Please refer to the paragraph "Reorganisation" in the sub-section headed "History and development" in this section for details of the Reorganisation. No gain or goodwill has been arisen by the Company in respect of such transfer of 52% equity interest thereto. Immediately following the Reorganisation and as at the Latest Practicable Date, Tianjin Fengtian Logistics was owned as to 52% by the Company, 36.2% by Toyota Tsusho, 7.3% by Kamigumi Company Limited and 4.5% by Toyota Transportation Corporation.

The relationship between the Company, Toyota Tsusho, Toyota Transportation Corporation and Kamigumi Company Limited in respect of their joint investment in Tianjin Fengtian Logistics is governed by, among others, the joint venture agreement. Under the prevailing joint venture agreement of Tianjin Fengtian Logistics, its board of directors shall comprise of five members, of which three of them are appointed by the Company, one member by Toyota Tsusho and the remaining one member by Kamigumi Company Limited and Toyota Transportation Corporation alternatively every two years. In the event of any possible disputes between the Company and the other joint venture partners, they will first negotiate in good faith for resolution of such disputes and deadlocks. Where the disputes cannot be resolved through bona fide negotiation, the joint venture parties will resort to arbitration in the manner as stipulated in the prevailing joint venture agreement. As advised by the Company's PRC legal advisers, where there are serious difficulties in the operation and management of a company and result in significant loss to its shareholders, and such scenario cannot be resolved, then any shareholder holding 10% or more of the total voting rights of the company may request the people's court to dissolve the company in accordance with the PRC Company Law. The Company has sufficient access to all information relating to the business and activities of Tianjin Fengtian Logistics. The after tax net profit of Tianjin Fengtian Logistics shall be shared between the parties in proportion to their respective interest in the registered capital of Tianjin Fengtian Logistics and in accordance with the relevant laws and regulations in the PRC. Each party has pre-emptive rights on, and subject to restrictions in respect of, the sale and assignment or transfer of equity interest in Tianjin Fengtian Logistics. Under the prevailing joint venture agreement, the operating period of Tianjin Fengtian Logistics is for a term of 20 years commencing from the date of its initial business licence, i.e. 19 July 2016, or until such later date as notified by any of the joint venture partner in writing and approved by the board of its directors and the relevant regulatory authority in the PRC. The joint venture agreement may be terminated, among other circumstances, upon expiry of the joint venture agreement or the breach of the joint venture agreement by any party and, as a result of which, Tianjin Fengtian Logistics cannot operate, such breaches including but not limited to the failure to pay capital contribution in the manner as required under the joint venture agreement. Please refer to the details of the joint venture arrangement in respect of Tianjin Fengtian Logistics set out in the paragraph headed "Further information about the Company's subsidiaries and other establishments" in appendix VI to this prospectus.

TBW

TBW is principally engaged in warehousing services. It is a subsidiary of the Company under the GEM Listing Rules and has been so accounted for in the accountants' report as set out in appendix I to this prospectus.

TBW was established as a PRC limited liability company in December 2001 with the then registered share capital of RMB8 million, which was owned as to 40% by TEDA Asset Company, 20% by each of Teda Holding, Tianjin Teda Co., Ltd. (天津泰達股份有限公司) and Tianjin Jinbin Investment Company Limited (天津津濱投資管理有限公司).

In November 2003, the then shareholders of TBW approved the transfer by Tianjin Jinbin Investment Company Limited of its 20% equity interest in TBW to Tianjin Jinbin Development Co., Ltd (天津津濱發展股份有限公司) at a cash consideration of RMB700,000. The registration of such transfer with the relevant administrative authority of industry and commerce was completed in February 2004. So far as the Directors are aware of, Tianjin Jinbin Development Co., Ltd. was a company listed on the Shenzhen Stock Exchange, and its principal business includes property development and investments and manufacturing of magnetic materials. Save for being a former shareholder of TBW, Tianjin Jinbin Development Co., Ltd. was not related to any member of Binhai Logistics Group as at the Latest Practicable Date.

In April 2005, an equity transfer agreement was entered into between Teda Holding and Tianjin Jinbin Development Co., Ltd pursuant to which Teda Holding acquired from Tianjin Jinbin Development Co., Ltd all of its 20% equity interest in TBW at a cash consideration of RMB1,600,000. In May 2005, Tianjin Teda Co., Ltd. sold its 20% equity interest in TBW to Teda Holding at a cash consideration of RMB1,600,000. The registration of these transfers with the relevant administrative authority of industry and commerce was completed in May 2005. So far as the Directors are aware of, Tianjin Teda Co., Ltd. is a company listed on the Shenzhen Stock Exchange, and its principal business includes manufacture of medicine, infrastructure and transportation. Save for being a former shareholder of TBW, Tianjin Teda Co., Ltd. was not related to any member of Binhai Logistics Group as at the Latest Practicable Date. After completion of the equity transfer, TBW was owned as to 60% by Teda Holding and 40% by TEDA Asset Company.

In July 2005, by a resolution of the then shareholders of TBW, the registered capital of TBW increased from RMB8 million to RMB80 million through the injection of cash and land use rights for an aggregate value of RMB72 million to TBW on a pro rata basis as to an aggregate of RMB43.2 million by Teda Holding transferring certain land use rights to TBW with an appraised value of RMB39.7 million and injecting cash for the sum of RMB3.5 million, and RMB28.8 million by TEDA Asset Company injecting such amount of cash to TBW.

As part of the Reorganisation, in June 2006, Teda Holding contributed its share of registered capital of the Company by transferring, among others, all its 60% equity interest in TBW to the Company at the value of such 60% equity interest as at 31 December 2005 of approximately RMB64,048,800 as appraised by an independent PRC valuer. The registration of such transfer with the relevant administrative authority of industry and commerce was completed in July 2006. In consideration of and in exchange for Teda Holding's capital contribution by transfer of its entire equity interest in Tianjin Alps Teda Logistics, Dalian Alps Teda Logistics, Tianjin Fengtian Logistics and TBW to the Company, the Company issued 185,000,000 Domestic Shares to Teda Holding. Please refer to the sub-paragraph "Reorganisation" in the sub-section headed "History and development" in this section for details of the Reorganisation. No gain or goodwill has been arisen by the Company in respect of such transfer of 60% equity interest thereto. Immediately following the Reorganisation, TBW was owned as to 60% by the Company and 40% by TEDA Asset Company.

As part of the Reorganisation, in July 2006, the Company and TEDA Asset Company entered into an equity transfer agreement, pursuant to which the Company acquired from TEDA Asset Company its 40% equity interest in TBW at a cash consideration of RMB42,699,200, which was determined with reference to the value of such 40% equity interest as at 31 December 2005 as appraised by an independent PRC valuer. The disposal of such equity interest was approved by TEDA Finance Bureau in July 2006 and the registration of such transfer with the relevant administrative authority of industry and commerce was completed in September 2006. No gain or goodwill has been arisen by the Company in respect of such acquisition of 40% equity interest from TEDA Asset Company. Upon completion of such transfer and as at the Latest Practicable Date, TBW was a wholly-owned subsidiary of the Company.

Yuan Da Logistics

Yuan Da Logistics is principally engaged in warehousing services in the PRC. It is a subsidiary of the Company under the GEM Listing Rules and has been so accounted for in the accountants' report as set out in appendix I to this prospectus.

Yuan Da Logistics was established as a PRC limited liability company on 18 December 2006 with a registered capital of RMB10 million. It is a wholly-owned subsidiary of the Company. It is established to engage in container consolidation and de-consolidation services to complement the logistics services of Binhai Logistics Group.

Tianjin Port Automobile Logistics

Tianjin Port Automobile Logistics is principally engaged in the provision of integrated roll-on/roll-off logistics services for imported automobiles at the Tianjin Port Ro-Ro Terminal. It has been accounted for as an associated company of the Company in the accountants' report as set out in appendix I to this prospectus.

Tianjin Port Automobile Logistics was established as a PRC limited liability company on 27 March 2006 with a registered capital of RMB5,000,000, which is owned as to 50% by TBW, 30% by Tianjin Port Electrical Engineering Co., Ltd. (天津港灣電力工程有限公司) and 20% Tianjin Port Container Freight Co., Limited (天津港集裝箱貨運有限公司).

Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd.

Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. will be principally engaged in the provision, operation and management of electronic business-to-business platform for dealings in steel materials. It has been accounted for as an associated company of the Company in the accountants' report as set out in appendix I to this prospectus.

Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. was established as a PRC limited liability company on 11 September 2007 with a registered capital of RMB20,000,000, which is owned as to 35% by the Company, 35% by 上海斯迪爾電子交易市場經營管理有限公司 (Shanghai Sidier Electronic Trading Market Operation and Management Co., Ltd.) and 30% by 北方國際信託投資股份有限公司 (Northern International Trust Investment Co., Ltd.).

Tianjin Binhai Yuan Sheng Steel Products Marketing Management Co., Ltd

Binhai Yuan Sheng is principally engaged in the provision of warehousing, delivery and other logistics services relating to steel materials. It is a subsidiary of the Company under the GEM Listing Rules and has been so accounted for in the accountants' report as set out in appendix I to this prospectus. It was established as a PRC limited liability company on 14 September 2007 with registered capital of RMB10,000,000, which is owned as to 55% by Yuan Da Logistics and 45% by Mr. Xiao Hua Kang, who is not connected with Binhai Logistics Group except for his equity interest and directorship therein, respectively.

Binhai Logistics Group's cooperation with Mr. Xiao Hua Kang in Binhai Yuan Sheng is governed by the Company Law and the provisions of the articles of association of Binhai Yuan Sheng, details of which are set out in the paragraph headed "Further information about the Company's subsidiaries and other establishments" in appendix VI to this prospectus.

Tianjin Teda Materials Recycling Co., Ltd.

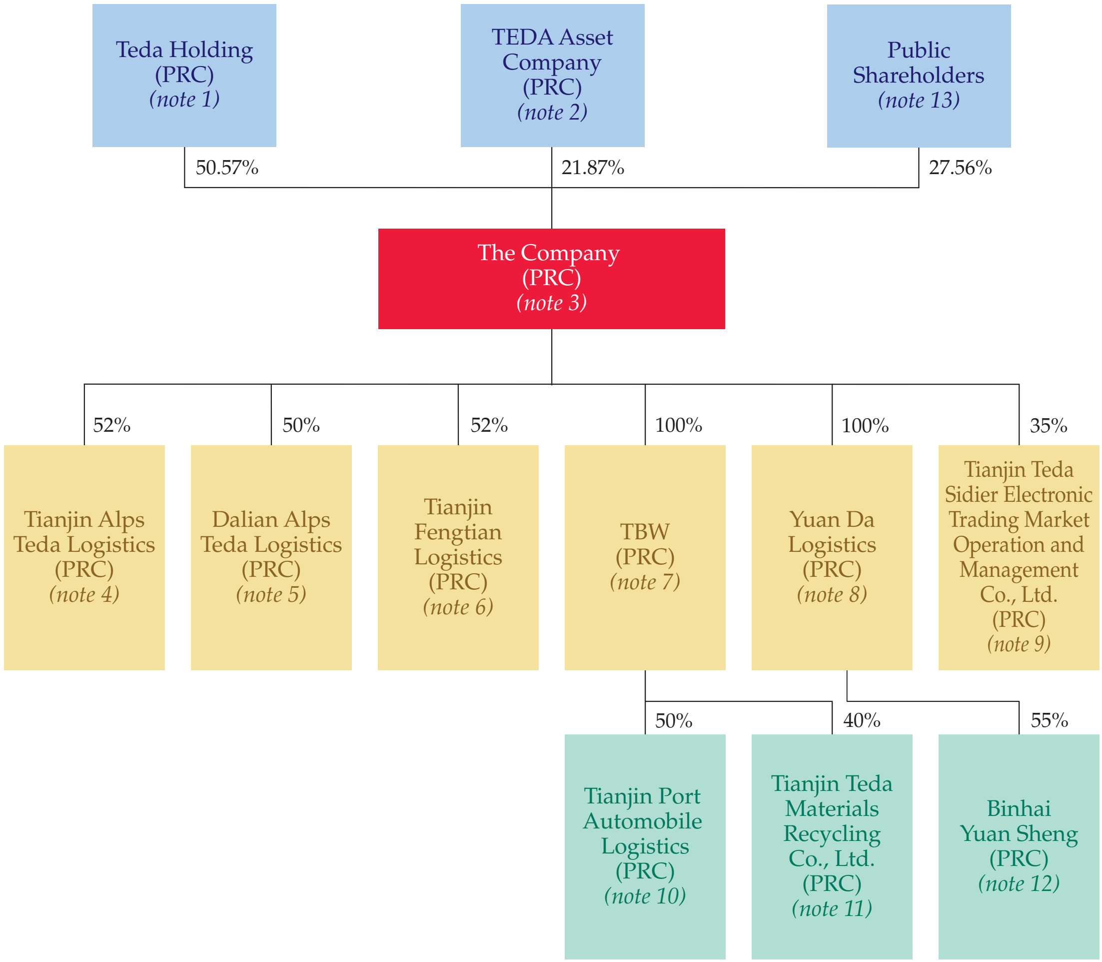
Tianjin Teda Materials Recycling Co., Ltd. was established as a PRC limited liability company on 6 April 2006 with a registered capital of RMB300,000, which is owned as to 40% by TBW, 35% by 天津海潤國際貨運代理有限公司 (Tianjin Hairun International Freight Forwarding Agency Co., Ltd.) and 25% by 天津開發區四達倉儲有限公司 (Tianjin Development Zone Sida Warehousing Co., Ltd.). It has been so accounted for as an associated company of the Company in the accountants' report as set out in appendix I to this prospectus.

Reorganisation

The Group underwent a reorganisation in anticipation of the listing of H Shares on the Stock Exchange. Pursuant to the Reorganisation, the Company was established as a joint stock limited company on 26 June 2006 with Teda Holding and TEDA Asset Company as its promoters. The then registered capital of the Company was RMB265 million. Under the Reorganisation, Teda Holding contributed its share of registered capital of the Company by injecting all of its 52% equity interest in Tianjin Alps Teda Logistics, 52% equity interest in Tianjin Fengtian Logistics, 50% equity interest in Dalian Alps Teda Logistics, 60% equity interest in TBW and RMB422,900 in cash into the Company. TEDA Asset Company contributed its share of registered capital of the Company by injecting RMB80 million cash into the Company. In consideration of and in exchange for such capital contribution, the Company issued 185,000,000 Domestic Shares and 80,000,000 Domestic Shares to Teda Holding and TEDA Asset Company, respectively on its establishment, which represented approximately 70% and approximately 30% of the shareholding of the Company immediately prior to the Placing. As at the Latest Practicable Date, Teda Holding and TEDA Asset Company held 185,000,000 and 80,000,000 Domestic Shares, respectively. As part of the Reorganisation, in July 2006, the Company acquired from TEDA Asset Company the remaining 40% equity interest in TBW.

GROUP STRUCTURE

The following chart sets out the shareholding and the principal members of Binhai Logistics Group and the Company's associated companies immediately upon completion of the Placing, assuming that the Over-allotment Option is not exercised:



Notes:

1. Teda Holding is a company incorporated in the PRC with limited liability and one of the promoters of the Company. It was a State-owned enterprise established on 28 May 1985 and is wholly-owned by the TEDA Administrative Commission (天津經濟技術開發區管理委員會).

2. TEDA Asset Company is a State-owned enterprise and one of the promoters of the Company and was established on 9 August 1994.

3. The Company is principally engaged in investment holding in the PRC.

4. Tianjin Alps Teda Logistics is owned as to 52% by the Company and 48% by Alps Logistics. It is a subsidiary of the Company under the GEM Listing Rules and has been accounted for as a jointly-controlled entity of the Company in the accountants' report as set out in appendix I to this prospectus. Under the prevailing joint venture agreement of Tianjin Alps Teda Logistics, its board of directors shall comprise of eight members, of which four of them are appointed by the Company and the remaining four members by Alps Logistics. Tianjin Alps Teda Logistics is principally engaged in the provision of logistics and supply chain solutions for the electronic components sector. Save for being a substantial shareholder of Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics and a customer and supplier of Binhai Logistics Group, Alps Logistics was not related to any members of Binhai Logistics Group as at the Latest Practicable Date. Alps Logistics is a connected person under the GEM Listing Rules for its being the substantial shareholder of Tianjin Alps Teda Logistics, the Company's subsidiary.

5. Dalian Alps Teda Logistics is owned as to 50% by the Company and 50% by Alps Logistics. It is a Jointly-controlled Entity of the Company. Dalian Alps Teda Logistics is principally engaged in the provision of logistics and supply chain solutions and procurement logistics services in the PRC. Under the prevailing joint venture agreement of Dalian Alps Teda Logistics, its board of directors shall comprise of six members, of which three of them are appointed by the Company and the remaining three members by Alps Logistics. Save for being a substantial shareholder of Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics and a customer and supplier of Binhai Logistics Group, Alps Logistics was not related to any members of Binhai Logistics Group as at the Latest Practicable Date. Alps Logistics is a connected person under the GEM Listing Rules for its being the substantial shareholder of Tianjin Alps Teda Logistics, the Company's subsidiary.

6. Tianjin Fengtian Logistics is owned as to 52% by the Company, approximately 36.2% by Toyota Tsusho, approximately 7.3% by Kamigumi Company Limited and approximately 4.5% by Toyota Transportation Corporation. It is a subsidiary of the Company under the GEM Listing Rules. Tianjin Fengtian Logistics is principally engaged in the provision of logistics and supply chain solutions for the automobiles and car components sector. Under the prevailing joint venture agreement of Tianjin Fengtian Logistics, its board of directors shall comprise of five members, of which three of them are appointed by the Company, one member by Toyota Tsusho and the remaining one member by Kamigumi Company Limited and Toyota Transportation Corporation alternatively every two years. Toyota Tsusho is a connected person under the GEM Listing Rules for its being the substantial shareholder of Tianjin Fengtian Logistics, the Company's subsidiary. Save for being a shareholder of Tianjin Fengtian Logistics, neither Kamigumi Company Limited nor Toyota Transportation Corporation was related to any member of Binhai Logistics Group as at the Latest Practicable Date.

7. TBW is principally engaged in the provision of warehousing services in the PRC. It is a subsidiary of the Company under the GEM Listing Rules.

8. Yuan Da Logistics is principally engaged in warehousing services in the PRC. It is a subsidiary of the Company under the GEM Listing Rules.

9. Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. is owned as to 35% by the Company, 35% by 上海斯迪爾電子交易市場經營管理有限公司 (Shanghai Sidier Electronic Trading Market Operation and Management Co., Ltd.) and 30% by 北方國際信託投資股份有限公司 (Northern International Trust Investment Co., Ltd.). It has been accounted for as an associated company of the Company in the accountants' report as set out in appendix I to this prospectus. Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. will be principally engaged in the provision, operation and management of electronic business-to-business platform for dealings in steel materials. Under the prevailing articles of association of Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd., its board of directors shall comprise of five members, of which two of them are appointed by the Company,

two members by Shanghai Sidier Electronic Trading Market Operation and Management Co., Ltd. and the remaining one member by Northern International Trust Investment Co., Ltd. Northern International Trust Investment Co., Ltd is a connected person under the GEM Listing Rules for its more than 30% interest are held by Teda Holding and its subsidiaries. Save for being a shareholder of Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd., Shanghai Sidier Electronic Trading Market Operation and Management Co., Ltd. was not related to any member of Binhai Logistics Group as at the Latest Practicable Date.

10. Tianjin Port Automobile Logistics is owned as to 50% by TBW, 30% by Tianjin Port Electrical Engineering Co., Ltd. (天津港灣電力工程有限公司) and 20% by Tianjin Port Container Freight Co., Limited (天津港集裝箱貨運有限公司). Under the prevailing articles of association of Tianjin Port Automobile Logistics, its board of directors shall comprise of six members, whom shall be elected by the shareholders at the general meetings, provided that the staff representative director shall be elected by its staff. It has been accounted for as an associated company of the Company in the accountants' report as set out in appendix I to this prospectus. Tianjin Port Automobile Logistics is principally engaged the provision of integrated roll-on/roll-off logistics services for imported automobiles at the Tianjin Port Ro-Ro Terminal. Save for being a shareholder of Tianjin Port Automobile Logistics, neither Tianjin Port Electrical Engineering Co., Ltd. nor Tianjin Port Container Freight Company Limited was related to any member of Binhai Logistics Group as at the Latest Practicable Date.

11. Tianjin Teda Materials Recycling Co., Ltd. is owned as to 40% by TBW, 35% by 天津海潤國際貨運代理有限公司 (Tianjin Hairun International Freight Forwarding Agency Co., Ltd.) and 25% by 天津開發區四達倉儲有限公司 (Tianjin Development Zone Sida Warehousing Co., Ltd.). It has been accounted for as an associated company of the Company in the accountants' report as set out in appendix I to this prospectus. Tianjin Teda Materials Recycling Co., Ltd. is inactive as at the Latest Practicable Date. Save for being a shareholder of Tianjin Teda Materials Recycling Co., Ltd., neither Tianjin Hairun International Freight Forwarding Agency Co., Ltd nor Tianjin Development Zone Sida Warehousing Co., Ltd was related to any member of Binhai Logistics Group as at the Latest Practicable Date.

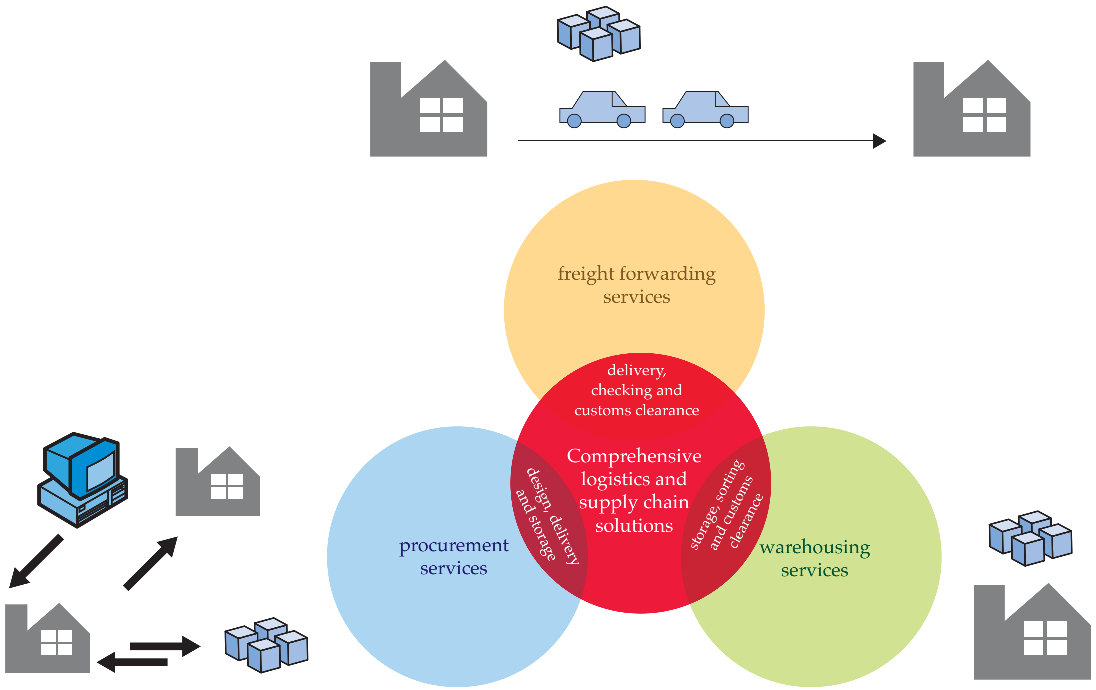
12. Binhai Yuan Sheng is owned as to 55% by Yuan Da Logistics and 45% by Mr. Xiao Hua Kang (肖華康) respectively. It is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in the provision of warehousing, delivery and other logistics services relating to steel materials. Under the prevailing articles of association of Binhai Yuan Sheng, its board of directors shall comprise of five members, out of which three members are appointed by Yuan Da Logistics and two members are appointed by Mr. Xiao Hua Kang. Save for being a shareholder and a director of Binhai Yuan Sheng, Mr. Xiao Hua Kang was not related to any member of Binhai Logistics Group as at the Latest Practicable Date.

13. The public shareholding of 27.56% will include 8,860,000 H Shares held by NSSF Council, which represent approximately 2.51% of the total issued share capital of the Company, on the assumption that the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, NSSF Council will hold 10,189,000 H Shares, representing 2.78% of the total issued share capital of the Company.

BUSINESS OF BINHAI LOGISTICS GROUP

Binhai Logistics Group is principally engaged in the provision of comprehensive logistics and supply chain solutions in the PRC. Its major clients are automobile manufacturers and manufacturers of electronic products. Binhai Logistics Group designs and implements custom-made logistics and supply chain solutions for its customers with an aim to ensuring accurate inventory flow, precise warehousing, pre-production preparation management and timely freight forwarding services for its customers. Binhai Logistics Group's solutions are designed to manage the inventory level of its customers and shorten the lead time for delivery of production materials to customers' manufacturing plants thereby enhancing the efficiency of the manufacturing operations of its customers.

The diagram below illustrates the comprehensive logistics and supply chain solutions provided by Binhai Logistics Group:



Logistics and supply chain solutions

Binhai Logistics Group designs and implements tailor-made supply logistics and supply chain solutions for its customers. The purpose of these solutions is to assist the customers in managing the movement of production materials or components from the suppliers to manufacturers, and the finished goods from the manufacturers to end-users. Binhai Logistics Group also provides logistics solutions in respect of finished goods, such as automobiles, with an aim to optimising the supply and distribution of these finished goods as efficiently as possible.

Design and planning

In order to provide a suitable logistics and supply chain solution for its customers, Binhai Logistics Group will first obtain from its customers their instructions, requirements and information relating to the suppliers and the types, quantities and specifications of the production materials, components or, as the case may be, the finished goods to be supplied, the production schedules, delivery dates and locations of delivery. Such instructions, requirements and information will be transmitted into Binhai Logistics Group's automated information management system to plan the supply chain process and for monitoring to ensure accurate and efficient flow of the production materials or components to be supplied or, where applicable, the finished goods to be delivered.

In general, Binhai Logistics Group will develop plans with its customers in relation to, among others, (a) the procurement plan, including the locations of the suppliers, the point of delivery and the delivery schedule, the quantities and specifications of the production materials and components to be supplied, and the inspection process upon receipt of the delivery; (b) the warehousing plan, including the classification, packaging and storage of these production materials, components or finished goods received and the warehouse management in the warehouse of the customers or Binhai Logistics Group; (c) production flow plan, including the coordination between the customers and Binhai Logistics Group regarding the customers' production needs, so as to ensure that these production materials and components can be delivered to the customers' production line accurately and on a JIT basis; (d) freight forwarding plan, including the means, routes and costs for freight forwarding of the production materials, components and/or finished goods from the suppliers from and to warehouses and/or production plants; and (e) the outsourcing of any of the warehousing or freight forwarding process to third party logistics service providers.

Implementation

After the concrete logistics and supply chain solution has been agreed with its customers, Binhai Logistics Group will devise its logistics services to implement the solution agreed.

The production materials or components to be supplied may be imported from overseas or supplied by designated suppliers in the PRC. For parts supplied by designated suppliers in the PRC, Binhai Logistics Group will coordinate with the suppliers and the customers for delivery to the warehouse of the customers or Binhai Logistics Group for classification, labelling, simple pre-production processing and/or storage, and will be delivered to the customers' production lines at such times and in such quantities according to the production requirements of the customers. For production materials or components imported from overseas, Binhai Logistics Group will also assist its customers in handling customs clearance procedures. In respect of some commonly used production materials, such as resins, electronic production materials and steel materials, Binhai Logistics Group also offers material procurement services for its customers, details of which are set out in the sub-paragraph headed "Procurement services" below. At the instructions of its customers, Binhai Logistics Group will also arrange for transportation of the finished products from the production lines to the ultimate destinations, or to Binhai Logistics Group's warehouses and regional distribution centres for temporary storage pending distribution. By implementing the logistics and supply chain solution, the customers will be able to enjoy the economic benefits of having a shorter lead time for delivery and lower inventory level of the requisite production materials and components, and to ensure the flow of production materials, components and finished goods in accordance with their productions and sales requirements.

Procurement services

As part of its custom-made supply chain solutions and since 2003, Binhai Logistics Group offers procurement services in respect of certain commonly used production materials, such as resins and electronic production materials, to its existing customers for logistics and supply chain solutions services in order to lower their cashflow requirements at the pre-production stage and at the same time satisfy the customer's demand for inventory delivery services. Since July 2007, Binhai Logistics Group also offers procurement services in respect of steel materials to its customers, which also include trading companies. The supply chain management solutions traditionally offered by logistics services companies normally involve the actual procurement of production materials by the customers themselves, and the logistics services companies will arrange for the storage of these production materials in warehouses and the just-in-time delivery thereof in accordance with the customers' production requirements. Nevertheless, in order to ensure that there will be sufficient production materials to meet the production requirements and to hedge the risk of price fluctuations or shortage of supplies, customers will normally need to purchase the requisite production materials with sufficient lead time, thus they will need to incur costs on purchasing production materials before such production materials are actually used for production. The procurement services guarantee the customers of Binhai Logistics Group with sufficient supplies of production materials ahead of their production plan without exposing themselves to the risk of price fluctuation of materials and reduce the customers' pre-production cashflow requirements for bulk purchasing the production materials required, as the customers will generally only be required to pay the purchase price of the production materials upon expiry of the applicable credit period or, in respect of procurement for steel materials, upon taking delivery of such materials. Similar procurement service has been offered by some of the logistics companies in the world as part of their supply chain management solutions. Sales to the top three customers in respect of the procurement services for resins, electronic production materials and steel derived in Dalian Alps Teda Logistics and the Company, including the members of Alps Group, accounted for approximately 82.4%, 84.2% and 63.6% of the total sales attributable to the material procurement services and steel procurement services of Binhai Logistics Group for each of the three years ended 31 December 2007, respectively.

Through long-term cooperation with its electronic products manufacturer customers, Binhai Logistics Group understands the specifications and quantities of resins and electronic production materials required by customers for their future production requirements by fixing the selling price, quantity and specifications of the materials to be procured and time for delivery between Binhai Logistics Group and the customers for the procurement services at the time the orders are placed by the customers, Binhai Logistics Group can procure the requisite quantities of resins and electronic production materials of the prescribed specifications from third party suppliers in advance of its customers' production schedules. Under such an arrangement, Binhai Logistics Group has to liaise with different suppliers separately and acquire and store the resins and electronic production materials so acquired at its own risk at its warehouses, and they will be delivered to its customers at such time and in such quantity in accordance with the customers' production requirements. The purchase price for the resins and electronic production materials procured will generally be settled by the customers upon expiry of the applicable credit period. No prepayment will be made by the customers for the procurement services for resins and electronic production materials. The credit terms granted to the customers are generally in the range of 30 to 90 days from the date of invoice. Invoices in respect of a series of procurement services will generally be issued to the customers on a monthly basis in respect of the procured materials delivered to such customers during that month.

In July 2007, Binhai Logistics Group offers procurement services to its customers in respect of steel materials. Steel materials are usually purchased in bulk and are purchased on a payment-versus-delivery basis. As such, manufacturers using steel as production materials or its procurement agents usually need to incur significant procuring costs at its pre-production or procurement stage. With a view to streamline the operation and to assist the manufacturers or their procurement agents in optimizing their cashflow requirement, Binhai Logistics Group offers procurement services to its customers in this respect by procuring the steel materials of such quantity and specifications as required by such customers from the designated steel material suppliers and, at the same time, agreeing to re-sell and deliver such steel materials to such customers on different settlement terms. While the steel materials procured by Binhai Logistics Group were generally paid by Binhai Logistics Group on or shortly before taking delivery of the steel materials by Binhai Logistics Group by way of banker's acceptances in favour of the suppliers, pursuant to which Binhai Logistics Group is generally required to reimburse the bank on the day falling on the six months after the respective dates of the banker's acceptances, the customers are only required to pay for such steel materials, either by cash or banker's acceptance, at the time when they take delivery thereof but in any event no later than agreed period ranging from 50 to 90 days after the relevant procurement order is made by Binhai Logistics Group. To secure payment of the purchase price by the customers, Binhai Logistics Group generally requires the customers to pay deposit for an amount representing 20% of the purchase price of the procured material prior to the provision of the steel procurement services, and the steel materials procured will either be delivered to Binhai Logistics Group's warehouse for its management and custody, or to the warehouse designated by Binhai Logistics Group and the customer but will be subject to management and custody of Binhai Logistics Group or third parties designated by Binhai Logistics Group, until the customers take delivery of the steel materials and pay for the purchase price thereof. In addition, Binhai Logistics Group will charge its customer for its service fees for providing the relevant logistics and warehouse management services.

During the Track Record Period and up to the Latest Practicable Date, Binhai Logistics Group had provided procurement services in respect of resins, electronic production materials and steel materials only. Binhai Logistics Group will only procure steel materials for its customers upon their request, while it will procure resins and/or electronic production materials either upon the customers' request or as part of its strategic purchases in the market by purchasing the relevant materials in advance before customers' request. In deciding whether and the extent of such strategic purchases, the management of Binhai Logistics Group will normally consider whether the market prices of such materials are relatively low or may increase significantly in the near term, whether the materials are common commodity products, whether the materials can be stored easily without incurring significant cost, the usual lead time and size of purchase required to obtain supply of the materials from the suppliers and the expected demand of the materials by the customers. Binhai Logistics Group does not have any procurement policy as to the proportion between strategic purchases and purchases upon customers' request, and strategic purchases will be made by Binhai Logistics Group from time to time as and when the management considers appropriate, taking into account the above factors. The Group's inventories were approximately RMB8,100,000, RMB12,953,000 and RMB68,130,000 as at 31 December 2005, 2006 and 2007, respectively. Provision for inventories in the amount of nil, nil and RMB512,000 had been made by the Group for each of the three years ended 31 December 2007, respectively. The Directors confirm that Binhai Logistics Group had not faced any material difficulties in selling the procured materials during the Track Record Period.

Benefited from the acceleration of the development plan of Tianjin Binhai New Area implemented by the PRC government, the Directors believe that Tianjin Port stands to becoming the principal international trading and logistics hub for steel in northern China. Binhai Logistics Group has planned to place more resources in its steel procurement services, as a value-added service to its logistics and supply chain solutions and it is expected that the turnover of the Group attributable to the procurement services will be increased in the near future.

Binhai Logistics Group's procurement services constitute part of its custom-made supply chain solutions, but its method of revenue recognition is different from that of the other logistics and supply chain solution rendered by Binhai Logistics Group, separate analysis of the Group's revenue attributable to the procurement services of steel materials and other production materials, and other logistics services and supply chain management has been presented in accordance with the relevant financial reporting standards in note 3 to part A of the accountant's report as set out in appendix I to this prospectus.

Automobile logistics services

Leveraging on its long-term business relationship with Toyota Group, a multinational conglomerate renowned for manufacture of vehicles, Binhai Logistics Group has extensive expertise and experience in providing automobile logistics services, which require sophisticated solutions and involves pre-delivery preparation and processing.

Binhai Logistics Group provides a full range of automobile logistics services involving pre-delivery exterior inspection, transportation planning, multi-model transportation, as well as customs clearance for automobiles manufactured in the PRC or imported from overseas.

Given Binhai Logistics Group's expertise and experience in automobile logistics services, Binhai Logistics Group has the requisite expertise in offering the pre-delivery exterior inspection services to its customers as its value-added services in addition to the customers' own quality control measures, to ensure that vehicles are in good shape and comply with the customers' specifications prior to delivery.

For automobiles manufactured in the PRC, Binhai Logistics Group performs the general inspection limited to the exterior of the finished automobiles at the assembly line of the customers, and arrange delivery to their storage yard pending distribution. Upon instructions from the customers, Binhai Logistics Group will arrange for distribution of these automobiles to the designated 4S shops in the PRC.

For automobiles imported into the PRC, Binhai Logistics Group assists its customers in complying with the requisite importing customs clearance procedures and documentation requirements within the PRC, and delivers the imported automobiles to the sites designated by the customers for storage and pre-delivery exterior inspection. Upon instructions from the customers, Binhai Logistics Group will arrange for distribution of these automobiles to the designated the 4S shops in the PRC.

In March 2006, Binhai Logistics Group established Tianjin Port Automobile Logistics, a joint venture with Tianjin Port Electrical Engineering Co., Ltd (天津港灣電力工程有限公司) and Tianjin Port Container Freight Co., Ltd, (天津港集裝箱貨運有限公司) for providing integrated roll-on/roll-off logistics services for imported automobiles at the Tianjin Port Ro-Ro Terminal. Tianjin Port Ro-Ro-Terminal is one of the principal ports for import and export of vehicles in northern PRC. The logistics services provided by Binhai Logistics Group include on-spot inspection of imported automobiles at the dock, transportation of the automobiles to the storage yard and storage management services.

During the Track Record Period, Binhai Logistics Group provided automobile logistics services to Toyota Group for various models or vehicles manufactured in the PRC, and models imported from overseas, for example, LEXUS.

BUSINESS MODEL

The Business and the services involved

Binhai Logistics Group is principally engaged in the provision of comprehensive logistics and supply chain solutions in the PRC. As value-added services for the logistics and supply chain solutions, Binhai Logistics Group also provides related services such as procurement services for manufacturing customers. Please refer to the sub-section headed "Business of Binhai Logistics Group" under the section headed "Business" of this prospectus for further details.

Revenue structure

There are generally three types of revenue structures for the comprehensive logistics and supply chain solutions and procurement services by Binhai Logistics Group during the Track Record Period and up to the Latest Practicable Date:

(i) in respect of the logistics and supply chain services (other than the material procurement services as referred to in paragraphs (ii) and (iii) below), Binhai Logistics Group generates its income by charging its customers a service fee for its services, which will be agreed with its customers and determined by reference to the nature, quantities and weight of products to be delivered and handled, area and time for storage, pre-production processing and packing cost, fees for customs clearance, the time and human resources required, the distance of freight forwarding services required and the complexity of the supply chain and/or logistics services involved.

(ii) in respect of the procurement services for resins and electronic production materials offered by Binhai Logistics Group to its customers, Binhai Logistics Group generates its income by charging its customers the selling price of production materials to be agreed between the parties on a case-by-case basis prior to the relevant procurement. As the procurement services form part of Binhai Logistics Group's comprehensive logistics and supply chain solutions, Binhai Logistics Group will also charge a service fee in respect of such other logistics and supply chain solution services in the manner as referred to in paragraph (i) above.

(iii) in respect of the procurement services for steel offered by Binhai Logistics Group to its customers, Binhai Logistics Group generates its income by charging its customers the negotiated price comprising the estimated purchase cost and related service fee in respect of such other logistics and supply chain solution services in the manner as referred to in paragraph (i) above.

Fee collection procedures after rendering of services

Binhai Logistics Group has to prepare billing summaries of the outstanding service fees for the management's confirmation before billing requests are issued to the customers for fee collection. In general, Binhai Logistics Group prepares such billing summaries on a monthly basis or upon having rendered services with respect to specific customers.

In general, Binhai Logistics Group will issue billing requests to the customers on a monthly basis or after Binhai Logistics Group having rendered services. For the logistics and supply chain solution services (other than procurement services), Binhai Logistics Group generally issues invoices to long-term customers with recurrent business on a monthly basis in respect of the logistics functions, such as warehousing and freight forwarding, rendered and completed during that month, while invoices are generally issued to other customers upon completion of the services rendered. In general, the duration for Binhai Logistics Group to complete its service under each job order ranges from one day to one week in respect of freight forwarding services, and from one week to one month in respect of warehousing services. The duration of job orders depends on, among others, the nature of the logistics and supply chain management services involved, the distance of the freight forwarding services and the complexity of the supply chain management and/or logistics services involved.

In respect of the procurement services for resins and electronic production materials provided by Binhai Logistics Group to its customers, Binhai Logistics Group will generally issue billing requests to the customers after delivery of the products to the customers and the customers are requested to settle the outstanding fees against upon expiry of the applicable credit period. The credit terms granted to the customers for the procurement services for resins and electronic production materials are generally in the range of 30 to 90 days.

For the steel procurement services provided by Binhai Logistics Group to its customers, the customers are only required to pay for such steel materials at the time when they take delivery thereof but in any event no later than agreed period ranging from 50 to 90 days after the relevant procurement order is made by Binhai Logistics Group.

Revenue recognition

Revenue from its customers is recognised upon completion of each single logistics function comprising the logistics and supply chain solutions, such as warehousing and freight forwarding, except in respect of its revenue generated from the procurement services, which is recognised when goods are delivered and title is passed to the customers.

LOGISTICS INFRASTRUCTURE

With an extensive logistics infrastructure, Binhai Logistics Group has been able to implement its logistics and supply chain solutions effectively and offer comprehensive logistics services to its customers. This includes Binhai Logistics Group's network of warehouses, regional distribution centres and ancillary office premises, established freight forwarding facilities and advanced warehouse management systems and other information technology systems.

Warehouses, regional distribution centres and ancillary office premises

Details of the warehouses, regional distribution centres and ancillary office premises owned by Binhai Logistics Group as at the Latest Practicable Date are shown below:

Address	**Approximate site area** *(sq. m.)*	**Approximate gross floor area** *(sq. m.)*
No. 21 Bohai Road, TEDA, Tianjin	19,124.29	6,656.02
No. 15 the Eleventh Street, TEDA, Tianjin	70,451.19	24,346.47
Dian Chi Road, Dalian Free Trade Zone, Liaoning Province	8,502.73	9,015.98
No. 39 Bohai Road, TEDA, Tianjin	249,622.33 *(Note 1)*	31,053.35
East of Haifang Road, West of Yuejin Road, Container Cargo Distribution Centre of Tianjing Port, Tianjin	90,144.00 *(Note 2)*	N/A
North of the Sixth Avenue, East of Bohai Road, TEDA, Tianjin	52,183.62 *(Note 3)*	N/A

Notes:

1. The site comprises warehouses with an aggregate gross floor area of about 31,053.35 sq. m. and a container stacking yard which are supported by container loading, unloading and storage facilities owned by Binhai Logistics Group and dedicated rails which Binhai Logistics Group is allowed to operate.

2. Binhai Logistics Group acquired this site by entering into a land grant contract with Tianjin State Land Resources and Buildings Administrative Bureau on 5 June 2007. As advised by the Company's PRC legal advisers, there is no significant legal impediment for Binhai Logistics Group to obtain land use right certificate in respect of the site at Tianjin Port after the land grant fee is fully settled. The site is held for the development of container stacking yard and construction of warehousing facilities, the development of which is expected to be completed at the second half of 2008.

3. The site is held for the construction of storage and warehousing facilities, the development of which is expected to be completed at the second half of 2008.

Details of the warehouses, regional distribution centres and ancillary office premises leased to Binhai Logistics Group as at the Latest Practicable Date are shown below:

Address	**Approximate gross floor area** *(sq. m.)*
No. 202, 2/F, No. 258 Xinling Road, Waigaoqiao Bond Zone, Shanghai	326.40
Room 503, No. 800 Baoyang Road, Baoshan District, Shanghai	40.50
South Part of No. 13 Factory, No. 175 West Maojing Road, Shanghai Songjiang Export Processing Zone, Shanghai	1,626.73
Warehouse B6 and Office B202, B203 and B204, Customs Administrative Warehouse, No. 19, the Third Avenue, Zone D Konggang International Logistics Area, Tianjin	733.48
Units 1403-04, Hongyu Plaza, No. 68 Renmin Road, Zhongshan District, Dalian, Liaoning Province	385.68
Unit 304, No. 90 Yingke Road, Ganjingzi District, Dalian, Liaoning Province	32.00
No. 206, 2/F, Huiyou Garden, Dandong Development Area, Dalian, Liaoning Province	23.60

Address	Approximate gross floor area *(sq. m.)*
Nos. 10–11, 24–25 Zhongbeixie Industrial Park, Zhongbei Town, Xiqing District, Tianjin	7,534.18 (plus steel structured ancillary area of 1,884.48 and carpark area of 4,386.34)
Portion of Zone A-C of Dalian Automobile Port Warehouse, Dalian, Liaoning Province	2,167.17
1/F, No. 791 Guangming Road, Pudong New District, Shanghai	75.435
B1-1, Phase II, Prologis Teda Logistics Centre, North of the Ninth Avenue, West of Bohai Road and East of Jingshan Railway, TEDA, Tianjin	5,497.70 (plus canopy area of 189)
Unit 719, F Zone, Chubao Whole Sale Market, North of Shunyi Road, South of Nancang Road, Beichen District, Tianjin	17.00
Dongma Village, Zhongbei Town, Xingqi District, Tianjin	5,261.00 (plus car park area of 4,212.00)

Address	Approximate gross floor area *(sq. m.)*
No. G, Zone C, No. 2 Warehouse and portion of office, Electronic Industrial Park, Xixia Road, New Area, Wuxi, Jiangsu Province	640.00
Unit 201, No. 88 Yingke Road, Ganjingzi District, Dalian, Liaoning Province	100.00

Among the warehouses of Binhai Logistics Group, Binhai Logistics Group has established bonded warehouses at Dalian Free Trade Zone and Tianjin Binhai New Area to be used as bonded warehouse. Finished goods and production materials imported and stored in these bonded warehouses, which are subsequently exported out of the PRC or otherwise delivered out of the bonded warehouses for delivery to other bonded warehouses in the PRC within a prescribed period of one year in general, are not regarded as imported goods and therefore customers are not required to pay import duties and to apply for import certificates. This can lower the customers' procurement costs and enhance customers' competitiveness in terms of its logistics costs.

TBW's two high-ended warehouses in Tianjin Binhai New Area comply with high warehouse standards and are equipped with advanced warehouse management system and facilities. They are located at prime location in the vicinity of Tianjin Port, 5 km from Xingang, Tianjin in the east, 38 km from Tianjin Airport and 180 km from Beijing International Airport. They are supported by an extensive highway and railway networks, which facilitates air, sea, road and railway freight forwarding throughout the PRC. These warehouses are also supported by a container stacking yard with a site area of about 249,622.33 sq. m., dedicated rails which are linked to major railway networks, and with container loading, unloading and other storage facilities owned by Binhai Logistics Group.

On 29 December 2006, Binhai Logistics Group entered into a land grant contract with the TEDA Land Administrative Logistics Bureau pursuant to which Binhai Logistics Group acquired a piece of land at TEDA with a site area of approximately 52,183.62 sq. m. for establishing new storage and warehousing facilities in TEDA at the land grant fee of RMB10,958,560.20, which had been paid in full by the Group as at the Latest Practicable Date out of its internal resources (including banking facilities available to the Group). The consideration of the land has been arrived at after arm's length negotiation. No independent valuation had been conducted on the acquisition of the site at TEDA. It is estimated that the total cost for acquiring and developing the land at TEDA will amount to approximately RMB20 million, which has been financed by a short-term bank loan granted by Citic Bank on 3 December 2007 for a term of one year from 3 December 2007 to 3 December 2008 at the interest rate of 7.29% per annum, the repayment of which will be satisfied by the net proceeds from the Placing.

In addition, on 20 October 2006, the Group entered into a compensation agreement with Tianjin Port International Logistics Development Co., Ltd. ("**Tianjin Port International**") pursuant to which Tianjin Port International has agreed to procure the transfer to the Group a piece of land situated at Tianjin Port, and to procure the constructions of the relevant public utilities and infrastructure thereof for the construction and development of a container stacking yard, storage and warehousing facilities for containers and container cargoes and such other ancillary services including container cargo consolidation and de-consolidation services which involve the loading and unloading operations of cargos into and out of containers, at a consideration of RMB530/sq. m. of the site to be transferred. Under the compensation agreement, the exact site area was to be determined by Tianjin State Land Resources and Buildings Administrative Bureau (天津市國土資源和房屋管理局) under the relevant land grant contract, and the land grant fees payable to Tianjin State Land Resources and Buildings Administrative Bureau under the relevant land grant contract shall be payable by Tianjin Port International. In accordance with the compensation agreement, the Group entered into a land grant contract with Tianjin State Land Resources and Buildings Administrative Bureau on 5 June 2007 for the acquisition of the piece of land at Tianjin Port with a site area of approximately 90,144 sq. m. at the land grant fees of RMB43,269,120, which was determined with reference to the valuation report prepared by an independent PRC valuation firm in December 2006.

Pursuant to the compensation agreement, the total consideration payable by the Group for the acquisition of the site shall be RMB47,776,320, of which approximately RMB10.5 million had been paid by the Group up to the Latest Practicable Date. The Directors expect to pay the balance of the consideration on or before 30 June 2008. It is anticipated that the aggregate costs for acquiring and developing the site will amount to approximately RMB100 million, which will be financed by the Group out of the net proceeds of the Placing.

The Directors believe that, with these additional facilities and Binhai Logistics Group's existing facilities in Tianjin Binhai New Area, Binhai Logistics Group will be able to offer efficient integrated sea-railway or sea-highway freight forwarding services to its customers to save their transportation costs and meet their delivery requirements.

The warehouses, regional distribution centres and ancillary office premises currently owned and leased by Binhai Logistics Group are located within the vicinity of the customers covering the major cities of the PRC, such as Dalian, Tianjin, Shanghai and Wuxi, some of which are equipped with automated management systems and other information technology systems for providing precise warehouse management for its customers' goods, supplier's information management and other support functions such as real time online tracking of the locations and delivery status of the goods. Binhai Logistics Group has obtained the requisite licences and permits in providing warehousing services. Please refer to the sub-section headed "Legal proceedings and regulatory compliance" in this section for further details of these licences and permits.

Binhai Logistics Group has obtained the requisite long term title certificates in respect of its own principal operating site and/or premises, except for the site at Tianjin Port, which the Group has entered into the land grant contract for the acquisition of the land for its future development. As advised by the Company's PRC legal advisers, there is no significant legal impediment for Binhai Logistics Group to obtain the relevant land use right certificates in respect of the land at Tianjin Port after the land grant fee is fully settled. Pursuant to the Administrative Regulations of the Quality of the Construction Work in Progress (建設工程質量管理條例), the property owner can commence its use of the property when the completed construction has been inspected and the quality of which has been accepted. Binhai Logistics Group has commenced or will commence using its owned properties in accordance with the PRC applicable laws and regulations.

There are certain legal defects in respect of certain tenancies relating to Binhai Logistics Group's warehouses and ancillary office premises, the details of which are classified in terms of nature of legal defects as follows:

	Address	**Approximate Gross floor area** *(sq. m.)*	**Usage**	**Duration of the tenancy agreement**	**Approximate amount of the average monthly rental** *(RMB)*
(I)	**The lessor has not obtained the building ownership certificate in respect of the leased building**				
	Nos. 10–11, 24–25 Zhongbeixie Industrial Park, Zhongbei Town, Xiqing District, Tianjin	7,534.18 *(Note)*	Warehousing use	1 January 2006 – 15 September 2008 (in respect of Part I of the lease as referred to in the property valuation report set out in appendix III to this prospectus)	51,455
				1 January 2006 – 30 June 2009 (in respect of Part II of the lease as referred to in the property valuation report set out in appendix III to this prospectus)	46,489
	Units 1403-04, Hongyu Plaza, No. 68 Renmin Road, Zhongshan District, Dalian, Liaoning Province	385.68	Office use	For a term of two years from 1 July 2007	15,875
	Room 503, No. 800 Baoyang Road, Baoshan District, Shanghai	40.50	Office use	1 January 2008 – 31 December 2008	5,163

	Address	Approximate Gross floor area *(sq. m.)*	Usage	Duration of the tenancy agreement	Approximate amount of the average monthly rental *(RMB)*
(I)	**The lessor has not obtained the building ownership certificate in respect of the leased building**				
	Unit 304, No. 90, Yingke Road, Ganjingzi District, Dalian, Liaoning Province	32	Office use	4 March 2008 – 3 March 2009	2,920
(II)	**A combination of (I) and the former tenancy agreement expired and the property is currently leased on a tenancy at-will basis**				
	No. 201, No. 88 Yingke Road, Ganjingzi District, Dalian, Liaoning Province	100	Office use	1 January 2006 – 31 December 2006	10,500
(III)	**The lessor is not the registered owner of the leased land and building**				
	No. 2 Warehouse and portion of office, No. G, Zone C, Electronic Industrial Park, Xixia Road, New Area, Wuxi, Jiangsu Province	640	Warehousing and office uses	1 August 2007 – 31 July 2008	12,630

The aggregate gross floor area of the defective properties leased by the Group for warehousing use represented approximately 9.3% of the total gross floor area of warehouses owned and leased by the Group as at the Latest Practicable Date.

The Directors consider that these defective properties are not significant to the operation of the Group taken into account that some of these properties are used by the Group for non-warehouse uses, such as offices and car parks, which are not crucial to the Group's operation. In respect of these properties which are used by the Group as warehouses (i.e. the warehouses numbered B4 and B10 as in the valuation report set out in appendix III to this prospectus), the Directors consider that they are not significant and crucial to the business and operation of the Group given that (i) the percentage of the aggregate gross floor area of these warehouses out of the total gross floor areas used by the Group as warehouses is not significant. In particular, the Group is currently expanding the warehousing facilities of Tianjin Fengtian Logistics with a gross floor area of approximately 5,610.00 sq. m. The construction is expected to be completed and come into operation in the second half of 2008. Since then, the percentage of the aggregate gross floor area of these warehouses out of the total gross floor areas used by the Group as warehouses will decrease from approximately 9.3% to approximately 8.7%. Such percentage will further be reduced to approximately 0.4% when the Group ceases to use and vacate from the warehouse property numbered B10 by early termination of the relevant tenancy agreement after commencement of operation of the newly expanded warehouse of Tianjin Fengtian Logistics in the second half of 2008; (ii) these warehouses are not strategically located in Tianjin Binhai New Area where the Group is headquartered and intends to expand its logistics business; (iii) the expected minimal cost and effort will be involved to move out from these warehouses to other warehouses with proper legal titles; (iv) the area of the warehouse numbered B4 is approximately 340 sq. m only and is insignificant to the operation of the Group; (v) the logistics and supply chain solutions offered by Binhai Logistics Group is a one-stop integrated process encompassing transportation, customs clearance, pre-production processing and warehousing functions, rather than for pure leasing of warehouses. In particular, the function of these warehouses is to facilitate the movement and flow of merchandise by serving as a stopover centre for temporary storage pending further delivery in accordance with the delivery schedule of the customers. As such, the specific location of these warehouses is not crucial to the operation of the Group as it can design itself which and how its warehouse and freight forwarders' networks can be used with great flexibility in order to best implement the logistics solutions. Apart from the warehouse numbered B10, the Group currently has, and will have additional warehouses facilities in Tianjin Binhai New Area that can facilitate the implementation of the Group's logistics solutions in an efficient manner.

As advised by the Company's PRC legal advisers, there is no statutory requirement under the PRC laws and regulations for the property owners to obtain the land title certificates before the commencement of the use of the properties. Under the Administrative Measures Regarding Leasing of Urban Housing (城市房屋租賃管理辦法), the landlords are not allowed to lease these properties to the Group without first obtaining the building ownership certificates in respect thereof and complying with the registration requirements of the tenancies under such measures. As advised by the Company's PRC legal advisers, under the PRC Contract Law, any agreement will be deemed null and void if such agreement infringes the mandatory requirements under the relevant laws and administration regulations. Since the Administrative Measures Regarding Leasing of Urban Housing is the departmental regulation, non-compliance of such departmental regulation will not render the tenancy agreement null and void under the PRC Contract Law. The relevant tenancy agreements constitute valid agreements between the relevant lessors and the Group, and the Group, the capacity of lessee, is entitled to use these properties pursuant to the relevant tenancy agreements.

As advised by the Company's PRC legal advisers, there is no express stipulation in the applicable PRC laws and regulations that imposes penalty on the Group for its illegal use of the defective properties for the legal defects involved in respect of certain tenancies of the Group as described above. Although no legal consequences or liabilities on the part of the landlord in respect of the breach of such restriction have been stipulated in such measures and no penalty has been imposed against the Group due to the illegal use of the defective property in the capacity of the lessee of these properties during the Track Record Period, the tenancy agreements for these leased properties may not be enforceable against third parties having the requisite title or authority to use the properties, and such third parties have the right to evict the Group from the relevant leased properties. In light of the fact that the leased properties with legal defects in the tenancy agreements thereof are not subject to special building requirements, nor is there special requirement for sophisticated machinery and production facilities to be installed in these premises, and it is expected that it may take not more than five days and incur not more than RMB50,000 for reallocation. Given that these types of office and warehouse are readily available in the vicinity to the existing premises and anticipate that the risk of being evicted from these properties is minimal, the Group has no present plan to reallocate these properties. In respect of tenancy agreement of the Group's office at No. 201, No. 88 Yingke Road, Ganjingzi District, Dalian, Liaoning Province, which had already expired and is currently leased on a tenancy at-will basis, the Group is currently arranging for the renewal of the relevant expired tenancy agreement. Besides, in respect of certain properties without the relevant title certificate, the Group has procured the relevant lessor to obtain the building ownership certificate in respect thereof. In addition, as certain lessors and/or Teda Holdings have undertaken to assist to find alternative properties if the relevant members of Binhai Logistics Group is requested to relocate due to these defects, the Directors are of the view that the potential legal defects in certain tenancy agreements will not impose material adverse effect on the business and operation of Binhai Logistics Group. Each of Teda Holding and TEDA Asset Company has entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each present member of Binhai Logistics Group), pursuant to which each of them has jointly and severally agreed to indemnify the Group against, among other, all relocation costs and expenses and penalties arising from the leasing, use or occupation of the relevant leased properties as more particularly described in the valuation report set out in appendix III to this prospectus. Please refer to the sub-section headed "Other Information" in appendix VI to this appendix for further details of the deed of indemnity.

Freight forwarding facilities

Binhai Logistics Group has established a freight forwarding network spanning across Tianjin, Dalian, Shanghai and Guangdong. As at 31 December 2007, it had its own fleet of 136 trucks with an aggregate net book value attributable to the Group of approximately RMB14,560,000 and there were seven trucks under lease which were of similar handling capacity of the owned trucks and used for freight forwarding services. Binhai Logistics Group did not own any freight forwarding facilities other than the trucks for road freight forwarding services as at the Latest Practicable Date. In addition, the Group had collaborations with about 100 third party freight forwarders, comprising about 90 road freight forwarders, five sea freight forwarders and five air freight forwarders. In general, Binhai Logistics Group had maintained business relationship ranging from two to four years with the road, sea and air freight forwarders. Binhai Logistics Group also engages sea and air freight forwarders through freight forwarding agencies.

The Group has also subcontracted its overseas freight forwarding and warehousing services to Alps Logistics and its associates in respect of the logistics and supply chain solutions offered to Alps Group. The subcontracting fees paid to Alps Logistics and its associates for its overseas freight forwarding and warehousing services represented approximately 3.0%, 5.1% and 2.7% of the total subcontracting fees paid by the Group for each of the three years ended 31 December 2007, respectively. The Directors consider that it is in the interest of the Group to have outsourced such part of services to Alps Logistics and its associates given their history of cooperation and their familiarity with the requirements of Alps Group. The Directors do not consider any undue reliance on Alps Logistics and its associates in respect of the Group's overseas logistics services as there are a lot of logistics companies offering similar services over the world. Binhai Logistics Group is not bound by the joint venture agreement or other agreements to subcontract the overseas freight forwarding and warehousing services to Alps Logistics and/or its associates. Please refer to the sub-section headed "Continuing Connected Transactions" in this section for details of these services.

As routes for local and overseas freight forwarding services as well as the overseas warehousing arrangements for each customer need to be custom-made and are dependent on the customer's particular requirements, the Directors are of the view that it is more cost-efficient to subcontract these services to third party subcontractors rather than incurring such capital investments in vehicles and maintenance and operational expenses on its own.

Save for Alps Services Purchase Agreement and Dalian Alps Services Purchase Agreement as referred to in the sub-section headed "Continuing Connected Transactions" in this section, Binhai Logistics Group does not have any long-term agreements with the third party subcontractors in respect of any services from them. In general, most subcontracting agreements between Binhai Logistics Group and its subcontractors were made on case-by-case basis or for a term of not more than one year. The usual terms of

Binhai Logistics Group's subcontracting agreement with the third party freight forwarders are as follows:

(i) Road freight forwarding services

The subcontracting agreements entered into between Binhai Logistics Group and the road freight forwarders are generally for a term in the range from three months to one year, pursuant to which the road freight forwarders are primarily responsible for arranging delivery of the production materials or components in accordance with the instructions, operation standard and the delivery schedules of Binhai Logistics Group, and providing suitable trucks to facilitate delivery of specific materials or components. The subcontracting fees will generally be due and payable by Binhai Logistics Group within the credit terms ranging from 30 days to 60 days and will be determined between the parties by reference to the handling capacity of the trucks and the distance of the final destination. In some cases, Binhai Logistics Group may require the road freight forwarder to pay a security deposit for securing its performance and/or for compensating any damages to the goods due to its defaults in rendering its freight forwarding services. Such amount (after deducting any compensation which may be made) will be refunded to the freight forwarder upon expiry of the subcontracting agreement. In some cases, road freight forwarders are also responsible for maintaining insurance coverage of the trucks, drivers, goods in transit and third party insurance.

(ii) Sea freight forwarding services

The subcontracting agreements entered into between Binhai Logistics Group and the sea freight forwarders are generally for a term of one year or less. Sea freight forwarders are primarily responsible for arranging transportation in containers on their vessels or other ocean-liner services operated by them. The fees payable by Binhai Logistics Group will be determined by reference to the final destination of the goods to be delivered. Such fees will generally be due and payable by Binhai Logistics Group within one month after receipt of debit notes/invoices issued by the sea freight forwarders. Binhai Logistics Group shall assist the freight forwarders in the processing of any cargo claim arising from rendering the transportation services.

(iii) Air freight forwarding services

The subcontracting agreements entered into between Binhai Logistics Group and the air freight forwarders are generally for a term of one year or less. Air freight forwarders are primarily responsible for providing air freight forwarding services on terms of the transportation agreements entered into between Binhai Logistics Group (on behalf of the air freight forwarders) and its customers. The fees payable by Binhai Logistics Group will generally be due and payable by Binhai Logistics Group within 30 days after receipt of the settlement reports issued by the freight forwarders. The subcontracting fees will be charged by reference to the freight forwarding costs provided for in the transportation agreements signed by Binhai

Logistics Group on behalf of the air freight forwarders and the customers. Binhai Logistics Group shall report to the freight forwarders and shall be liable for any loss and damages to the delivery orders and ancillary documents in its custody. The air freight forwarders may require Binhai Logistics Group to procure guarantees from banks and/or other guarantees in favour of the air freight forwarders to secure any liabilities arising from the agreements.

During each of the three years ended 31 December 2007, the costs attributable to all the subcontractors of the Group amounted to approximately RMB254,255,000, RMB323,973,000 and RMB488,337,000, which accounted for approximately 57.9%, 54.5% and 61.0% of the cost of sales of the Group respectively. Save for Alps Logistics and its associates in respect of their overseas freight forwarding and warehousing services, and one of the top five suppliers of the Group which is owned as to 10% by Toyota Tsusho, none of the subcontractors of the Group during the Track Record Period has any relationship with the directors, substantial shareholders or members of senior management of the Company or its subsidiaries, or their respective associates and they are Independent Third Parties. The Directors confirm that Binhai Logistics Group did not face any material difficulties when sourcing freight forwarders during the Track Record Period.

Capitalising on the extensive experience in providing freight forwarding services as part of its logistics and supply chain solutions accumulated since Binhai Logistics Group was founded in the 1990s and the collaboration with the road, sea and air freight forwarders, Binhai Logistics Group has been able to offer and implement efficient transportation plans for its customers, including frequent and regular distribution and delivery by the application of the transportation techniques like milk run, whereby goods can be collected and transported from and to points-of-delivery in a single trip, and by processing customs clearance procedure on the online electronic platform catering for the customers' needs in their production process.

Binhai Logistics Group has obtained the requisite licences and permits in providing its freight forwarding services. Please refer to the sub-section headed "Legal proceedings and regulatory compliance" in this section for further details of these licences and permits.

Information technology systems

Binhai Logistics Group's logistics and supply chain operations are supported by a number of sophisticated information technology systems:

Warehouse management system – Binhai Logistics Group has developed and configured its warehouse management system on the platform of Exceed WMS, a software system developed by third party software developer. Binhai Logistics Group owns the warehouse management system and such warehouse management system caters for the specific needs of its customers and is designed to handle inventory tracking and control, on-line tracking of the locations and delivery status of goods, inbound and outbound inventory movement management and other warehouse management functions. For each of the three years ended 31 December 2007, TBW has expensed approximately nil, nil and RMB1,660,000 for the acquisition and maintenance of Exceed WMS, respectively.

ACCS (Alps Cargo Center System) is another system specifically developed by Alps Logistics for the warehouse management of electronic components that supports the management of a diverse varieties of different quantities of inventory. Binhai Logistics Group has been granted the licence to use ACCS and is entitled to maintenance services, at a monthly fixed fee and maintenance fee. For each of the three years ended 31 December 2007, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics have expensed approximately RMB591,000, RMB515,000 and RMB986,000 for obtaining licence and maintenance services over the use of ACCS (inclusive of the licence and maintenance fees of TESS).

The grant of licence over the use of ACCS by Alps Logistics will constitute the continuing connected transaction upon Listing. As required under the GEM Listing Rules, Alps Services Purchase Agreement has been entered into by the Group and Alps Logistics to cater for the licensing arrangement for the period up to 31 December 2010, subject to early termination by service of written notice of no less than one month by the parties thereto on the other. Under Alps Services Purchase Agreement, there is no specific restriction which confines the application of ACCS on any specific services to be rendered by the Group. For each of the three years ending 31 December 2010, it is expected that the licence and maintenance fees in respect of ACCS to be paid by the Group will be not more than approximately RMB1,000,000, RMB1,000,000 and RMB1,000,000, respectively. Please refer to the sub-section headed "Continuing Connected Transactions" in this section for further details.

TWMS (Toyotsu Warehouse Management System) is a professional warehouse management system introduced by an associate of Toyota Tsusho, which caters for the storage of vehicle components. It allows Binhai Logistics Group to use TWMS by way of a licence at will, that is, it may withdraw the licence at any time by giving reasonable notice by taking into account all circumstances leading to the notice at the material time and no fixed time for termination of such licence. For each of the three years ended 31 December 2007, Tianjin Fengtian Logistics has expensed approximately RMB172,000, RMB334,000 and RMB84,000 for obtaining maintenance services in respect of TWMS.

Import and export services system – TESS (Total Export Shipping System), which forms an integral part of ACCS, is a professional information system introduced by Alps Logistics which provides logistics value-added services for the handling of shipping and customs clearance documents for the import and export of electronic components.

Global positioning system ("GPS") – a satellite-based system to provide 24-hour real-time information in relation to the position of automobiles. The truck fleet commanded by Binhai Logistics Group is generally equipped with GPS to allow Binhai Logistics Group to optimise the use and management of its freight forwarding facilities and to lower the transportation cost by better monitoring and allocating its truck fleet when devising more efficient transportation plan and route.

Binhai Logistics Group had obtained valid licences for the use of all its information technology systems as at the Latest Practicable Date.

The information technology systems assist and facilitate Binhai Logistics Group in handling inventory tracking and control, data collection and database management, and thereby enabling Binhai Logistics Group to design warehousing and transportation plans efficiently and optimising the efficiency in monitoring the movement and storage of materials and products within and across the warehouses and points of delivery. On 18 April 2008, the Company entered into Alps Services Purchase Agreement, pursuant to which Binhai Logistics Group secured the use of ACCS by way of licence for a period up to 31 December 2010. The Directors consider that Binhai Logistics Group has not unduly relied on any of these information technology systems in that (i) these systems are principally used for enhancing the efficiency for the collection and management of data, which can be done manually or by other means without the application of such systems; and (ii) the functions of ACCS and TWMS can also be performed by Binhai Logistics Group's own warehouse management system (Exceed WMS) or other information technology systems available in the market with necessary adjustments and modifications. In the event that the use of ACCS and TWMS is terminated by the joint venture partners and/or their respective associate, the Directors estimate that it may take not more than three months and incur not more than RMB1,000,000 for modifying Binhai Logistics Group's existing information technology system or developing a replacement system to cater for the customers' needs.

Therefore, the Directors consider that any withdrawal of licences over the use of the relevant information technology systems will not impose significant operational and financial impact on Binhai Logistics Group.

SALES AND MARKETING

All Binhai Logistics Group's sales during the Track Record Period were derived from its provision of logistics and supply chain solutions services. During the Track Record Period, the Group charges its customers for its logistics and supply chain solutions services mainly by reference to the services specified by the customers, including the nature, quantities and weight of products to be delivered and handled, area and time for storage, pre-production processing and packaging cost, fees for customs clearance, the time and human resources required, the distance of freight forwarding services required, complexity of the supply chain and/or logistics services involved.

In respect of its procurement services for resins and electronic production materials, Binhai Logistics Group charges its customers mainly by reference to the selling price of production materials to be agreed between the parties on a case-by-case basis.

In respect of the steel procurement services, Binhai Logistics Group charges its customers the agreed price comprising the estimated purchase cost and related services fee in respect of such other logistics and supply chain solution services.

In general, most of the service contracts between Binhai Logistics Group and its customers are made on case-by-case basis with detailed arrangement in respect of the logistics services to be agreed by separate orders. The usual terms of the service contracts in respect of the logistics and supply chain management and procurement services are as follows:

(a) Logistics and supply chain management services

The service contracts entered into between Binhai Logistics Group and the customers are generally for a term ranging from one to six years, pursuant to which Binhai Logistics Group is primarily responsible for arranging for delivery of the materials or products in accordance with the instruction and delivery schedule of the customers, executing customs clearance, inbound and outbound inventory and warehousing management, pre-production processing and packing, and preparing periodic logistics and inventory reports upon the request of the customers, where applicable. Bills in respect of the services rendered during the month may be issued to its customers on a monthly basis. The credit terms granted to the customers are generally in the range of 30 to 90 days from the date of invoice. In some cases, Binhai Logistics Group may be required by the customers to maintain insurance covering the goods in transit and the relevant insurance fees will be included in the services fees charged to the customers. For warehousing services, Binhai Logistics Group may require its customers to pay deposit to secure any payment due from the customers during the term of the contracts. The balance of such amount will be refunded to the customers upon expiry of the relevant contracts.

(b) Procurement services

The contracts entered into between Binhai Logistics Group and its customers for procurement services for resins and electronic production materials are generally for a term of one year, pursuant to which Binhai Logistics Group is primarily responsible for procuring and supplying the production materials as designated by the customers by separate orders placed from time to time, and conducting inspection on the production materials upon delivery in accordance with the requirements set by the customers. In general, the title of ownership over the procured materials will be passed from Binhai Logistics Group to the customers upon satisfactory inspection on the products by the customers. The credit terms granted to the customers are generally in the range of 30 to 90 days from the date of invoice. Invoices in respect of a series of procurement services will generally be issued to the customers on a monthly basis in respect of the procured materials delivered to such customers during that month.

Binhai Logistics Group may be required to maintain insurance over the procured materials prior to the passing of title thereof to the customers.

For the steel procurement services provided by Binhai Logistics Group to its customers, the customers are required to pay for steel materials procured at the time when they take delivery thereof but in any event no later than agreed period ranging from 50 to 90 days after the relevant procurement order is made by Binhai Logistics Group. To secure payment of the purchase price by the customers, Binhai Logistics Group generally require the customers to pay deposit for an amount representing 20% of the purchase price of the procured materials prior to the provision of the steel procurement services, and the steel materials procured will either be delivered to Binhai Logistics Group's warehouse for its management and custody, or to the warehouse designated by Binhai Logistics Group and the customers but will be subject to Binhai Logistics Group's management and custody of Binhai Logistics Group or third parties designated by Binhai Logistics Group, until the customers take delivery of the steel materials and pay for the purchase price thereof.

Save for Alps Services Supply Agreement and Toyota Services Supply Agreement as referred to in the paragraph headed "Continuing Connected Transactions" in this section and a service contract entered into with one of the top five customers, being a member of Toyota Group, for the provision of logistics and supply chain solutions in respect of the car components for a term of six years, Binhai Logistics Group does not normally enter into long term contract with its customers in respect of its services to them.

Binhai Logistics Group aims to expand its existing customer base. The Directors believe Binhai Logistics Group's logistics know-how and experience in the field and its logistics infrastructure form a solid foundation for marketing its services to customers in the PRC.

1. Business referrals

Tianjin Fengtian Logistics, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics are in the form of joint venture set up for providing logistics services to the joint venture partners and their affiliated companies, namely, Toyota Group and Alps Group. By establishing the strategic business alliance with Toyota Group and Alps Group, Binhai Logistics Group has been able to have access to the management and operation practices of the joint venture partners, such as the introduction of information technology systems and technical assistance and consultation. These joint ventures are also managed by well-experienced management team. Such business alliances provide a platform where Binhai Logistics Group can better understand what and how to meet the needs of such customers. Therefore, Binhai Logistics Group has been able to secure stable business relationship with Toyota Group and Alps Group for years. The Directors believe that Binhai Logistics Group is well-positioned to secure business directly from its joint venture partners and their affiliated companies.

Binhai Logistics Group's existing customers have from time to time referred new business opportunities to Binhai Logistics Group.

2. Tender

Logistics service providers are usually invited to present proposals to bid for logistics contracts from potential customers. Upon receiving the invitation, Binhai Logistics Group's sales and marketing team will review the customers' requirements and prepare for the tender. Upon the acceptance of the tender by the customer, Binhai Logistics Group will negotiate the detailed terms for the services and enter into service agreements with the customer.

3. Proactive approach to potential customers

Binhai Logistics Group's sales and marketing team regularly explores new business opportunities with potential customers. If Binhai Logistics Group is selected as the service provider, it will usually enter into fixed term contracts, generally ranging from one to six years, with the customers.

CUSTOMERS

Customers of Binhai Logistics Group principally include Toyota Group, Alps Group consisting of about 70 members in aggregate as at 31 December 2007. Most of its major customers have business relationship with Binhai Logistics Group for more than four years.

During each of the three years ended 31 December 2007, the five largest customers of the Group, including the members of Alps Group and Toyota Group, accounted for approximately 63.3%, 69.3% and 64.4% of the total turnover of the Group for the respective periods. During each of the three years ended 31 December 2007, the largest customer of the Group accounted for approximately 36.7%, 27.4% and 19.2% of the Group's total turnover for the respective periods. During the Track Record Period, none of the Directors, the Initial Management Shareholders nor any Shareholder who, to the knowledge of the Directors, hold more than 5% of the issued share capital of the Company nor their respective associates has any interests in the five largest customers of the Group.

CREDIT POLICY

Binhai Logistics Group regularly evaluates the credit and payment history of its customers and the trading relationship with them in order to determine its credit policy with individual customers. In general, Binhai Logistics Group issues invoices to its customers on monthly basis for all individual services rendered during that month or, as the case may be, upon completion of the services. It generally grants the credit terms ranging from 30 days to 90 days from the date of the invoice to its existing and new customers for logistics and supply chain services and procurement services (other than procurement services for steel materials). During the Track Record Period, sales conducted by Binhai Logistics Group were generally denominated in RMB and were mainly settled by telegraphic transfer. For the steel procurement services provided by Binhai Logistics Group, the customers are required to pay for the steel materials procured, either by way of cash or banker's acceptances, at the time when they take delivery thereof but in any event no later than the agreed period ranging from 50 to 90 days after the relevant procurement order is made by Binhai Logistics Group.

The recoverability of the accounts receivables is reviewed on a regular basis by reference to the ageing of outstanding receivables. In the event that the collection of trade receivables is in doubt, the senior management of Binhai Logistics Group will assess the likelihood of recovering such outstanding receivables on a case-by-case basis, and based on such assessment, make allowance for bad and doubtful debts. The trade receivables of nil, approximately RMB120,000 and approximately RMB569,000 were impaired and provided for as at 31 December 2005, 2006 and 2007, respectively. No provision had been made for impairment of the trade receivables in 2005 as the Group recorded trade receivables with ageing over one year and subsequently identified as doubtful was immaterial.

The average debtors' turnover days of the Group decreased from 55 days in 2005 to 51 days in 2006, and further decreased to 50 days in 2007. The improvement in the average collection time of the trade receivables of the Group was mainly due to the implementation of more stringent credit control policy. Regular review on the outstanding trade receivables are conducted by the management of the members of Binhai Logistics Group on a monthly or weekly basis and follow-up work are performed by the operation staff for recovery of the outstanding trade receivables.

SUPPLIERS

Binhai Logistics Group generally sources its suppliers, including freight forwarders and procurement material suppliers, by way of business referrals. The principal suppliers of Binhai Logistics Group are freight forwarders to which Binhai Logistics Group subcontracts part of its freight forwarding services.

To secure services from suitable road freight forwarders, Binhai Logistics Group will first assess the ability of suppliers candidates in performing logistics and transportation functions in different aspects as follows:

- business scope, registered capital and organisation structure of the supplier
- number and working experience of the staff
- equipment and information systems applied
- licences and permits obtained
- working procedure in performing freight forwarding services to be adopted

Operation department of the members of Binhai Logistics Group will then prepare the supplier's evaluation report and compile a list of qualified suppliers for endorsement and approval by the senior management. The staff of Binhai Logistics Group may also conduct on-site inspection so as to better assess and evaluate the performance of the suppliers.

Upon identifying suitable road freight forwarders, Binhai Logistics Group will then negotiate the contract terms and conditions with the relevant freight forwarders. In general, the subcontracting agreements between Binhai Logistics Group and its subcontractors were made for a term of not more than one year. In some cases, the suppliers may be required to undergo a probation period and become formally appointed as subcontractors upon acknowledgement of its performance by Binhai Logistics Group. Although Binhai Logistics Group has not entered into any long term contracts with its suppliers for their services other than Alps Services Purchase Agreement and Dalian Alps Purchase Agreement as referred to in the sub-section headed "Continuing Connected Transactions" in this section, the Directors confirm that Binhai Logistics Group did not experience any material difficulties in outsourcing its freight forwarding services during the Track Record Period. Please refer to paragraph headed "Freight forwarding facilities" in the sub-section headed "Logistics infrastructure" in this section for further details of the usual terms of sub-contracting agreements.

Binhai Logistics Group monitors the performance of the subcontractors by conducting performance appraisal on an annual or half-yearly basis. If the performance of the subcontractors is out of satisfaction, Binhai Logistics Group will notify the subcontractors with request for rectification and improvement. Any subcontractor which fails to pass the appraisal for two consecutive times or more will be disqualified to provide subcontracting services and its name will be removed from the list of qualified suppliers of Binhai Logistics Group.

In respect of sea and air freight forwarding services, Binhai Logistics Group identifies and sources suitable freight forwarders in accordance with the specific requirements of the customers, the vessel/flight schedule and costs incurred in relation thereto.

During the three years ended 31 December 2007, the costs attributable to all the subcontractors of the Group amounted to approximately RMB254,255,000, RMB323,973,000 and RMB488,337,000, which accounted for approximately 57.9%, 54.5% and 61.0% of the cost of sales of the Group, respectively.

During the Track Record Period, the top five suppliers of the Group were all related to freight forwarding services. Amounts payable to the suppliers (other than procurement material suppliers) are generally denominated in RMB with credit terms ranging from 30 to 60 days and are generally settled by way of telegraphic transfer. For procurement material suppliers other than steel suppliers, the credit terms granted by the suppliers are generally ranging from 30 to 90 days and are generally settled by way of telegraphic transfer. For steel suppliers, the purchase price for the steel materials procured were generally payable on or shortly before taking delivery of the steel materials by Binhai Logistics Group by way of bankers' acceptances in favour of the suppliers, pursuant to which Binhai Logistics Group was generally required to reimburse the bank on the day falling six months after the respective dates of the banker's acceptances. During the Track Record Period, the average creditors' turnover days was approximately 44 days, 40 days and 61 days, respectively. In 2006, the average creditor turnover days became shorter as Binhai Logistics Group advanced the settlement of payables to suppliers so as to maintain better business relationship with them. The average creditors' turnover days of the Group increased from 40 days in 2006 to 61 days in 2007 was mainly resulted from increase in bills payable by the Group upon the purchase and taking delivery of steel materials from steel suppliers by way of banker's acceptances as aforesaid, while the relevant cost of sales of some of the steel materials procured had not yet been recognised by the Group during the year until the customers take delivery of these steel materials subsequent to 31 December 2007.

The Directors confirm that Binhai Logistics Group did not suffer from any material liquidity problem arising from any mis-match between the timing for receipt of payment from customers and the settlement of fees payable to freight forwarders during the Track Record Period, as Binhai Logistics Group generally issues invoices to its customers on monthly basis for all individual services rendered during that month (including such freight forwarding services rendered by Binhai Logistics Group through its subcontractors) or, as the case may be, upon completion of the services, and the time involved in providing each freight forwarding service is generally short. Binhai Logistics Group can generally charge its customers for the freight forwarding services shortly after settlement of the relevant freight forwarders charges.

Binhai Logistics Group has been able to closely monitor its accounts receivables and the collection thereof. The average debtors' turnover days of the Group reduced from 55 days in 2005 to 50 days in 2007, which represents the increasing efficiency in trading debt collection and thereby lowering the impact on liquidity resulting any such mis-match.

During each of the three years ended 31 December 2007, the five largest suppliers accounted for approximately 28.8%, 22.6% and 25.1% of the total costs of sales for the respective periods, while the amount payable by the Group to its single largest supplier accounted for approximately 7.9%, 5.8% and 8.1% of the total costs of sales of the Group for the respective periods. During the Track Record Period, none of the Directors, the Initial Management Shareholders nor any Shareholder who, to the knowledge of the Directors, hold more than 5% of the issued share capital of the Company nor their respective associates, has any interests in any of the five largest suppliers of the Group.

Inventory management

As at 31 December 2005, 2006 and 2007, the Group had ending inventories in the amount of approximately RMB8,100,000, RMB12,953,000 and RMB68,130,000, respectively. Binhai Logistics Group's inventory principally comprises the production materials procured by it pending sales and delivery to its customers for its procurement services or as part of its strategic purchases in the market. During each of the three years ended 31 December 2007, the average inventory turnover days of the Group were 66 days, 80 days and 159 days respectively. The Group's inventory turnover days fluctuated due to the varying stock level which the Group maintained according to the increase or decrease in the demand on production materials from customers of procurement services in the upcoming months.

The Group's inventories are stated at lower of cost and net realisation value. Cost is calculated using weighted average method. The Group does not have a general inventory provision policy. Inventories will be written off when the senior management considers the items of no realisable value. Provision for inventories in the amount of nil, nil and RMB512,000 had been made by the Group for each of the three years ended 31 December 2007, respectively.

Binhai Logistics Group has established control measures on physical inventory management. Daily physical stock inspection and system data input are handled by warehouse administrators. They are assigned with the responsibility of ongoing tracking of inventory data in the management information system of Binhai Logistics Group. There are also random inventory taking attended by personnel of finance department from time to time. Binhai Logistics Group had not experienced any material inventory losses during the Track Record Period.

COMPETITION

Binhai Logistics Group faces competition, both from existing logistics services providers and other new entrants to the industry. The regulatory entry barriers in the industry, that is, and the obtaining of other licences and permits and the compliance of the requisite capital and/or other human resources requirements, are more particularly referred to in the sub-section headed "Legal proceedings and regulatory compliance" in this section. Besides, the Directors believe that, in order to remain competitive in the industry by offering comprehensive logistics services to customers, a logistics services provider needs to build up a network of warehouses and distribution centres, to maintain collaboration with reliable freight forwarders, to use sophisticated information technology systems, to possess extensive experience in the provision of comprehensive logistics services and to have strong clienteles. These entry barriers may not deter new entrants. The Directors consider that the logistics infrastructure of Binhai Logistics Group is sufficient to enable it to render comprehensive logistics services to its customers and compete with the existing market players. Binhai Logistics Group seeks to distinguish itself from its competitors through the quality of its services and the dedication of its experienced management team.

In respect of the automobile and car components sector, the Directors believe that major automobile manufacturers, such as Toyota Group, tend to establish partnerships and long-term relationships with reliable logistics service providers. In the view that logistics service providers have to deal with sensitive information of automobile manufacturers, including inventory data, as well as the specifications of new automobile models under development or to be launched, the credibility, reputation and track record of a logistics service provider will be critical. Taking into account the past business relationships between Binhai Logistics Group and Toyota Group, and the experience of Binhai Logistics Group in the automobile logistics industry, the Directors believe that the current competition in this sector is limited.

In respect of the electronics components sector, the Directors consider that the market will continue to be competitive. The Directors also expect that competition in other sectors of the logistics industry in the PRC will become increasingly vigorous in the near future as such industry gradually opens to foreign investors after China's accession to the WTO. Leveraging on its position in the logistics industry in the PRC, the Directors consider that Binhai Logistics Group has its own competitive edge to capture new business opportunities in the PRC.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, no members of Binhai Logistics Group is engaged in any pending or threatened litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance to be pending or threatened by or against Binhai Logistics Group that would have a material adverse effect on the results of operations or financial conditions of Binhai Logistics Group.

As advised by the Company's legal advisers as to PRC laws, Binhai Logistics Group has obtained the following licences and permits, which were valid and effective as at the Latest Practicable Date, for the operations of its business in the PRC:

Name of Binhai Logistics Group member	**Name of the licences/permits**
The Company	Business licence
Tianjin Fengtian Logistics	(1) Business licence (2) Road Freight Forwarding Operation Permit (道路運輸經營許可證) (3) Declaration and Inspection Agencies Registration Certificate (代理報檢單位註冊登記證) (4) International Freight Forwarding Agencies Filing Certificate (1) (國際貨運代理企業備案表(一)) (5) PRC Customs Clearance Entity Registration Certificate (中華人民共和國海關報關企業報關註冊登記證書)
TBW	(1) Business licence (2) PRC Customs Bonded Warehouse Registration Certificate (中華人民共和國海關保稅倉庫註冊登記證書) (3) Filing certificate for the provision of International Freight Forwarding Agencies Business in Tianjin (天津市從事國際貨代業務備案單) (4) Filing Registration Certificate for Foreign Trade Operation Entities (對外貿易經營者備案登記表)

Name of Binhai Logistics Group member	Name of the licences/permits
Yuan Da Logistics	Business licence
Tianjin Alps Teda Logistics	(1) Business licence (2) Road Freight Forwarding Operation Permit (道路運輸經營許可證) (3) International Freight Forwarding Agencies Filing Certificate (1) (國際貨運代理企業備案表（一）) (4) Filing certificate for the provision of International Freight Forwarding Agencies Business in Tianjin (天津市從事國際貨代業務備案單) (5) PRC Civil Aviation Freight Forwarding Sales Agency Business Operation Approval Certificate (中國民用航空運輸銷售代理業務經營批准證書) (6) Coastal Port Storage Site Hygiene Permit (國境口岸儲存場地衛生許可證) (7) Domestic Road Freight Forwarding Enterprise for Customs-Supervised Goods Registration Certificate (境內公路運輸企業載運海關監管貨物註冊登記證書) (8) International Sea Freight Forwarding Ancillary Industry Operation Qualification Registration Certificate (國際海運輔助業經營資格登記證) (9) Non-vessel Shipment Business Operation Qualification Registration Certificate (無船承運業務經營資格營記證) (10) International Air Transport Association Operation Qualification Certificate (國際航空運輸協會經營資格證書) (11) PRC Customs Clearance Entity Registration Certificate (中華人民共和國海關報關企業報關註冊登記證書)
Dalian Alps Teda Logistics	Business licence Road Freight Forwarding Operation Permit (道路運輸經營許可証)
Binhai Yuan Sheng	Business licence

As advised by the Company's legal advisers as to PRC laws, Binhai Logistics Group has obtained all necessary licences and permits for operations of its existing businesses in the PRC and all such licences and permits remain valid and effective as at the Latest

Practicable Date. The Directors confirm that during the Track Record Period, Binhai Logistics Group has complied with the relevant laws and regulations in conducting its business in all material respects.

The qualification requirements under the relevant PRC laws and regulations for engaging in the existing businesses of Binhai Logistics Group in the PRC and the compliance thereof by the relevant members of Binhai Logistics Group throughout the Track Record Period are set out below:

Business	**Principal regulatory qualifications requirements**	**Compliance by Binhai Logistics Group**
International freight forwarding agencies business	*Minimum registered capital requirements* (a) enterprises engaging in international sea freight forwarding agency services must have registered capital of at least RMB5,000,000 (b) enterprises engaging in international air freight forwarding agency services must have registered capital of at least RMB3,000,000 (c) enterprises engaging in international road freight forwarding agency services or international courier services must have registered capital of at least RMB2,000,000 (d) where an enterprise engages in two or more of the businesses as referred to in (a) to (c) above, the higher of the applicable minimum registered capital requirement shall apply (e) the registered capital shall be increased by RMB500,000 for each branch establishment established by the enterprise	The registered capital of Tianjin Fengtian Logistics as at 1 January 2005 amounted to US$5,345,600, which was further increased to US$8,645,600 in May 2005. The registered capital of Tianjin Alps Teda Logistics amounted to US$6,000,000 throughout the Track Record Period

Business	Principal regulatory qualifications requirements	Compliance by Binhai Logistics Group
	Qualification of operational staff The enterprise must have at least five skilled staff who have engaged in international freight forwarding agency business for at least three years	Each of Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics have at least five skilled staff who have been engaged in international freight forwarding agency business for at least three years
Road freight forwarding business	Foreign-funded enterprise must have obtained the Road Freight Forwarding Operation Permit (道路運輸經營許可證) issued by provincial competent departments of communications	Each of Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics has obtained valid Road Freight Forwarding Operation Permit (道路運輸經營許可證) throughout the Track Record Period
Civil aviation freight forwarding sales agency business	*Minimum registered capital requirements* (a) enterprises engaging in sales agency businesses covering international flights or flights from/to Hong Kong, Macau or Taiwan must have paid-up registered capital of at least RMB1,500,000 (b) enterprises engaging in sales agency businesses covering domestic flights (other than flights from/to Hong Kong, Macau or Taiwan) must have paid-up registered capital of at least RMB500,000	The registered capital of Tianjin Alps Teda Logistics amounted to US$6,000,000 throughout the Track Record Period

Business	Principal regulatory qualifications requirements	Compliance by Binhai Logistics Group
	Qualification of operational staff The enterprise must have at least three air freight forwarding sales personnel who have obtained the requisite qualification certificate	Tianjin Alps Teda Logistics had at least three air freight forwarding sales personnel who have obtained the requisite qualification certificate
Non-vessel shipping business	The enterprise must apply for registration of bill of lading with the competent local department of communications and pay a security deposit of RMB800,000	Tianjin Alps Teda Logistics has paid the requisite security deposit with the relevant department of communications
Customs clearance business	*Minimum registered capital requirement* The enterprise must have registered capital of at least RMB1,500,000	The registered capital of Tianjin Fengtian Logistics as at 1 January 2005 amounted to US$5,345,600, which was further increased to US$8,645,600 in May 2005. The registered capital of Tianjin Alps Teda Logistics amounted to US$6,000,000 throughout the Track Record Period
	Minimum customs clearance staff The enterprise must have at least five staff members who are responsible for handling the customs clearance operations	Each of Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics had at least five staff members who were responsible for handling its customs clearance operations

Business	Principal regulatory qualifications requirements	Compliance by Binhai Logistics Group
	Working experience of customs clearance staff The customs clearance staff must have at least five years of experience in foreign trading or customs clearance operations	Each customs clearance staff of Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics had at least five years of experience in foreign trading or customs clearance operations
	Clean record No records of revocation of registration qualifications by the China Customs for reasons of smuggling or violations of the law	As confirmed by the TEDA Customs, each of Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics had complied with the relevant laws and regulations regarding import and export, and had not been liable for any administrative penalty by the TEDA Customs
Domestic road freight forwarding services for customs-supervised goods	*Minimum registered capital requirement* The enterprise must have registered capital of at least RMB2,000,000	The registered capital of Tianjin Alps Teda Logistics amounted to US$6,000,000 throughout the Track Record Period
	Business experience The enterprise must have engaged in the freight forwarding business for at least one year	Tianjin Alps Teda Logistics has engaged in the freight forwarding business for more than one year

Business	Principal regulatory qualifications requirements	Compliance by Binhai Logistics Group
Import and export inspection and quarantine declaration agencies business	*Minimum registered capital requirement* The enterprise must have registered capital of at least RMB1,500,000	Tianjin Fengtian Logistics has obtained the Declaration and Inspection Agencies Registration Certificate (代理報檢單位註冊登記證). The registered capital of Tianjin Fengtian Logistics as at 1 January 2005 amounted to US$5,345,600, which was further increased to US$8,645,600
	Minimum qualified staff The enterprise must have at least ten staff members who have obtained the requisite qualification certificates	Tianjin Fengtian Logistics had at least ten staff who have obtained the requisite qualification certificate

ENVIRONMENTAL PROTECTION

Pursuant to the PRC Prevention of Atmospheric Pollution Law (中華人民共和國大氣污染防治法), the polluting materials discharged by motor vehicles should not exceed the prescribed emission level and motor vehicles are required to attend and pass the annual examination on its emission level conducted by the relevant administrative authority. During the Track Record Period, the motor vehicles owned by Binhai Logistics Group for road freight forwarding services had passed such annual examination conducted by the relevant administrative authorities for environmental protection. In 2007, Binhai Logistics Group has also obtained the certificate of approval in respect of the Environmental Management System ISO 14001:2004 which is applicable to the offering of logistics services of automobile parts and complete build units. Pursuant to the PRC Prevention of Environmental Noise Pollution Law (中華人民共和國環境噪聲污染防治法), noise arising from the industrial and manufacturing activities should not exceed the prescribed emission level. Binhai Logistics Group had complied with the relevant environmental protection laws, including the PRC Prevention of Environmental Noise Pollution Law, and had not been penalized by the environmental protection administration during the Track Record Period. There were no accidents and fatalities which had material adverse impact on the business of Binhai Logistics Group during the Track Record Period. Given that business of Binhai Logistics Group does not involve discharges of other polluting materials or storage of hazardous and polluting goods, the Directors are of the view that the business and operation of Binhai Logistics Group do not cause material damage to the environment during the Track Record Period. As such, no specific measures have been undertaken by, and no significant expenditure had been incurred by, Binhai Logistics Group during the

Track Record Period in relation to environmental protection. As advised by the Company's PRC legal advisers, Binhai Logistics Group has complied with the applicable environmental protection laws and regulations in the PRC and had not been subject to any administrative penalty as a result of any breach of environmental protection laws or regulations in the PRC.

INTELLECTUAL PROPERTY RIGHTS

The Group has applied for registration of its trademark in the PRC and has registered its trademark in Hong Kong. Please refer to the paragraph "Intellectual Property Rights" in appendix VI to this prospectus for further details.

INSURANCE

Binhai Logistics Group maintains insurance coverage in respect of its properties, trucks and employees. It also maintains insurance coverage of the goods stored in the warehouses of Binhai Logistics Group. Depending on the terms of the relevant sale and purchase agreement of the relevant goods, the primary responsibility of maintaining insurance covering the damages or loss to the goods in transits lies with the buyers or the sellers of the goods and Binhai Logistics Group are not generally required to maintain insurance for the goods of its customers. While Binhai Logistics Group has already maintained insurance covering its logistics infrastructures, including but not limited to its freight forwarding facilities and warehouses, which are crucial to the operation of its business, the Directors consider that Binhai Logistics Group's insurance coverage in respect of its assets and business is sufficient.

Binhai Logistics Group also provides social insurance for its employees as required by the PRC social security regulations, such as insurance for retirement, unemployment, sickness and industrial injuries suffered by Binhai Logistics Group's employees. For the three years ended 31 December 2007, the total amount of social insurance paid by the Group was approximately RMB7,336,000, RMB11,549,000 and RMB16,271,000, respectively.

STATEMENT OF ACTIVE BUSINESS PURSUITS

The following paragraphs describe the active business pursuits undertaken by Binhai Logistics Group from 1 January 2005 to the Latest Practicable Date.

FOR THE PERIOD FROM 1 JANUARY 2005 TO 31 DECEMBER 2005

Business development and strategy

The increase in the importance of the PRC as the production and processing base of electronic products and automobiles fuelled the growth of the PRC logistics industry in these sectors. During the period, Binhai Logistics Group continued to develop its business relation with its existing customers. With its expertise and extensive experience in providing supply chain and logistics services in the electronic and automobile industries, Binhai Logistics Group had been able to reinforce its customer base in these sectors.

Binhai Logistics Group focused on expanding the business of the imported automobile sector. The number of imported automobiles handled by Binhai Logistics Group increased from approximately 180 vehicles in 2004 to approximately 4,900 vehicles in 2005.

Furthermore, in July 2005, Binhai Logistics Group began to expand the business of TBW by increasing its registered capital from RMB8 million to RMB80 million by injection cash and land resources. A site at Tianjin Binhai New Area with a site area of about 249,622.33 sq. m. was injected to TBW during the period, which formed the foundation for Binhai Logistics Group in its business development in Tianjin Binhai New Area.

Sales and marketing

Binhai Logistics Group had a turnover of approximately RMB496,666,000 and the profit attributable to the equity holders of the Company of approximately RMB28,714,000 during the period. The growth in the automobile and electronic industries in the PRC resulted in the increasing demands for Binhai Logistics Group's services.

Human resources

As at 31 December 2005, Binhai Logistics Group had 991 full time employees. A breakdown of the employees by function is shown below:

Administration	47
Finance	20
Information technology	2
Sales and operations	922
Total	991

FOR THE PERIOD FROM 1 JANUARY 2006 TO 31 DECEMBER 2006

Business development and strategy

During the period, Binhai Logistics Group achieved a steady growth in revenue from its logistics and supply chain services. In line with the development of Tianjin Binhai New Area, Binhai Logistics Group continued to introduce advanced warehouse management system and experienced management team into Binhai Logistics Group, and constructed two high-ended warehouses on its site at Tianjin Binhai New Area with an aggregate gross floor area of approximately 21,951.95 sq. m.

Binhai Logistics Group established Tianjin Port Automobile Logistics in March 2006 for providing integrated roll-on/roll-off logistics services for imported automobiles at the Tianjin Port Ro-Ro Terminal. The logistics services include on-spot inspection of imported automobiles at the dock, transportation of the automobiles to storage yard and storage management services. In conjunction with Tianjin Fengtian Logistics' automobile logistics and customs clearance service, Binhai Logistics Group is capable of providing one-stop logistics solutions for imported automobiles to its customers.

During the year, Binhai Logistics Group established Yuan Da Logistics so as to engage in container consolidation and de-consolidation services to complement the logistics services of the Group.

To further strengthen its logistics infrastructure, in December 2006, Binhai Logistics Group acquired a piece of land at TEDA with a site area of approximately 52,183.62 sq. m. by entering into a land grant contract with the TEDA Land Administration Bureau, which is intended to be used by the Group for establishing new storage facilities in TEDA.

Sales and marketing

The Group had a turnover of approximately RMB709,940,000 and the profit attributable to equity holders of the Company of approximately RMB47,578,000 during the period, representing an increase of approximately 42.9% and 65.7% from that for the year ended 31 December 2005.

With the introduction of these bonded warehouses and the related facilities as aforesaid, Binhai Logistics Group continued to expand its customer base and its customers included international-based enterprises, such as Metso Minerals (Tianjin) Co., Ltd.

Human resources

As at 31 December 2006, Binhai Logistics Group had 1,253 full time employees. A breakdown of the employees by function is shown below:

Administration	59
Finance	31
Information technology	6
Sales and operations	1,157
Total	1,253

FOR THE PERIOD FROM 1 JANUARY 2007 TO THE LATEST PRACTICABLE DATE

Business development and strategy

During the period, Binhai Logistics Group dedicated itself to making full use of its excellent logistics infrastructure in Tianjin Binhai New Area and continued to improving its strategic partnership with renowned multinational giant.

Binhai Logistics Group has entered into an agreement for the acquisition of a piece of land situated at the Tianjin Port during the period, with a site area of approximately 90,144.00 sq. m. for the development of a container stacking yard, storage and warehousing facilities for containers and container cargoes and such other ancillary service including container consolidation and de-consolidated services. In July 2007, Binhai Logistics Group introduced new procurement services by procuring steel materials for its customers.

In September 2007, Binhai Logistics Group established Binhai Yuan Sheng and Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd., which is principally engaged in the provision of the warehousing, delivery and other logistics services relating to steel materials, and will be principally engaged in the provision, operation and management of electronic business-to-business platform for dealings in steel materials, respectively.

To further reinforce its foundation to expand the customer base, Binhai Logistics Group is currently expanding the warehousing facilities of Tianjin Fengtian Logistics with a gross floor area of approximately 5,610.00 sq. m.

Sales and marketing

The Group had a turnover of approximately RMB949,609,000 and the profit attributable to equity holders of the Company of approximately RMB64,371,000 during 2007, representing an increase of approximately 33.8% and 35.3% from that of 2006.

Human resources

As at 29 February 2008, Binhai Logistics Group had 1,349 full time employees. A breakdown of the employees by function is shown below:

Administration	75
Finance	34
Information technology	9
Sales and operations	1,231
Total	1,349

RELATIONSHIP WITH ALPS GROUP AND TOYOTA GROUP

Establishment of sino-foreign equity joint ventures

Based on the information available from the website of Alps Logistics, Alps Logistics has formed six logistics companies (inclusive of Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics) which are in the form of joint venture in the PRC, Malaysia and the United States. Based on the annual report of Toyota Tsusho for the year 2007, Toyota Tsusho has formed nine joint ventures (inclusive of Tianjin Fengtian Logistics) engaging in the logistics business in the PRC, Japan, India, Indonesia and Columbia. Binhai Logistics Group first commenced its logistics business by the establishment of Tianjin Alps Teda Logistics in July 1995. In 1996, Binhai Logistics Group invested in Tianjin Fengtian Logistics with Toyota Tsusho so as to diversify its logistics business to the automobile and car component sector. In 2003, Binhai Logistics Group established Dalian Alps Teda Logistics with Alps Logistics to engage in bonded warehousing services.

The joint venture arrangement in respect of each of Tianjin Fengtian Logistics, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics with Toyota Group and Alps Group has been subsisting throughout the Track Record Period and up to the Latest Practicable Date. Through the establishment of these joint ventures with Alps Logistics and Toyota Tsusho and with Binhai Logistics Group's expertise in the provisions of logistics and supply chain solutions for automobiles and electronic products and components, Binhai Logistics Group has been able to establish business relationships with their respective affiliated companies since then. Binhai Logistics Group has maintained business relationship with each of Alps Group and Toyota Group for 12 years and 11 years respectively. These sino-foreign equity joint ventures had been the principal contributors to the Group's profitability during the Track Record Period. While Binhai Logistics Group's business with Alps Group in the past had been conducted through Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics only, the Directors are not aware of any matter that may prevent the Alps Group from engaging other members of Binhai Logistics Group for providing other logistics and/or supply chain services in the future.

Major customer groups of Binhai Logistics Group

Binhai Logistics Group has been offering the logistics and supply chain solutions in respect of the electronics products and components to Alps Group and has been the logistics services provider to Toyota Group specialising in automobiles and car components during the Track Record Period. Although the sino-foreign equity joint ventures established with Alps Group and Toyota Group, namely Tianjin Fengtian Logistics, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics, were not established and operated exclusively for the purpose of conducting business with Alps Group and Toyota Group and no priority will be given to them when conducting business, nor Alps Group and Toyota Group are bound to use the services provided by Binhai Logistics Group, Binhai Logistics Group has been able to establish a close business relationship with Alps Group and Toyota Group. For each of the three years ended 31 December 2007, about 55, 65 and 70 members of Alps Group and Toyota Group were the customers of Binhai Logistics Group respectively, and transactions had been entered between each of such customers and Binhai Logistics Group separately. During each of the three years ended 31 December 2007, the overall sales attributable to the members of Alps Group amounted to approximately RMB151,245,000, RMB165,868,000 and RMB163,391,000 respectively, which accounted for approximately 30.5%, 23.4% and 17.2% of the Group's total sales for the corresponding periods. During each of the three years ended 31 December 2007, the overall sales attributable to the members of Toyota Group amounted to approximately RMB291,577,000, RMB501,586,000 and RMB669,323,000 respectively, which accounted for approximately 58.7%, 70.7% and 70.5% of the Group's total sales for the corresponding periods.

Technical support and logistics services providers of Binhai Logistics Group

During the Track Record Period, the Group had subcontracted its overseas freight forwarding and warehousing services to Alps Logistics and/or its associates in respect of the logistics and supply chain solutions offered to Alps Group by the Group. While Binhai Logistics Group's operation has been supported by its sophisticated information technology systems, a number of which has been introduced from Alps Logistics and Toyota Tsusho and/or their respective associates, namely, ACCS, TESS and TWMS, Alps Logistics and Toyota Tsusho, had by each of them or through their respective associates, granted licence over the use of such information technology systems, or as the case may be, maintenance services over the relevant information technology system. To facilitate the proper and efficient operation of the designated information technology system, Toyota Tsusho and/or its associates also provide technical support by offering on-spot training. Please refer to the sub-section headed "Continuing Connected Transactions" in this section for further details.

RELATIONSHIP WITH TEDA HOLDING AND TEDA ASSET COMPANY

Teda Holding is a state-owned enterprise established in the PRC and is wholly owned by TEDA Administrative Commission, which is a government authority performing unified management in TEDA on behalf of the People's Government of Tianjin. Teda Holding is an operating unit responsible for the management of state-owned assets, companies or other operating institutions in TEDA as authorised by TEDA Administrative Commission. It is principally engaged in the provision of electricity, water, gas and road infrastructure facilities and real estate development.

TEDA Asset Company is a state-owned enterprise established in the PRC and is wholly-owned by the TEDA Financial Bureau, which is an administrative department of TEDA Administrative Commission responsible for the financial affairs of TEDA. It is principally engaged in the investment and management of state-owned assets, assessment and capital verification of state-owned assets, development and consultation of real estate, and construction and leasing of facilities.

Both Teda Holding and TEDA Asset Company are controlled by TEDA Administrative Commission.

Teda Holding and TEDA Asset Company are the Initial Management Shareholders. Immediately following the listing of the Shares on GEM, Teda Holding and TEDA Asset Company will hold approximately 50.57% and 21.87% of the issued share capital of the Company assuming that the Over-allotment Option is not exercised, or 48.49% and 20.97% of the entire issued share capital of the Company, assuming that the Over-allotment Option is exercised in full respectively.

Management independence

The daily operation of Binhai Logistics Group is managed by the senior management of Binhai Logistics Group, namely Mr. Zhang Jian, Mr. Liu Li Ming and Mr. Kwong Kwan Tong, supported by senior management team consisting of general managers and deputy general managers of each member of Binhai Logistics Group. Mr. Zhang Jian, being an executive Director, had been the manager of investment management department of Teda Holding and Mr. Sun Quan, being an executive Director as well as Mr. Xing Jihai, being the Supervisor, are concurrently the deputy manager of assets management department and the director of finance center and supervisor of Teda Holding respectively. Mr Tian

Shuyong, a shareholder representative Supervisor, is concurrently working as a project manager of TEDA Asset Company. As a Director and a Supervisor, Mr. Sun Quan and Mr. Xing Jihai are obliged to observe their duties as stated in the Articles of Association. In particular, the Articles of Association provides that where a Director or a Supervisor, or any person connected with him, is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or a proposed contract, transaction or arrangement with the Company (other than his contract of service), he shall declare the nature and extent of his interest to the Board at the earliest opportunity. Moreover, unless he has so disclosed his interest and such a contract, transaction or arrangement has been approved by the Board at a meeting in which the interested party is not counted in the quorum and has refrained from voting, any such contract, transaction or arrangement is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by such Director or Supervisor. In order to further minimize any potential conflicts of interests due to the overlapping positions held by a Director or a Supervisor, under the Articles of Association, the interested Director or Supervisor will abstain from attending such part of the meeting where the proposed transaction or arrangement in which he is interested will be discussed. On the above basis, the Directors consider that the measures against conflicts of interests as prescribed under the Articles of Association are sufficient.

Mr. Zhang Jian, the executive Director, resigned from all the positions he held in Teda Holding and its subsidiaries and associates (other than that of Binhai Logistics Group) on 23 April 2008. Save as aforesaid, none of the senior management of Teda Holding and TEDA Asset Company has taken managerial positions in Binhai Logistics Group, nor has any member of the senior management of Binhai Logistics Group taken any managerial positions in Teda Holding and TEDA Asset Company. As a separate entity, the Company has established independent managerial structure with its decision making power being vested in the Board and the senior management of Binhai Logistics Group. The Company has its own department for staff administration and determining staff remuneration.

Financial independence

The Company has established an independent finance and accounting department and has maintained separate accounting system. All personnel in the finance and accounting department are not engaged in any position in Teda Holding and TEDA Asset Company. Each member of Binhai Logistics Group has undergone and will continue to undergo an independent audit for financial statements.

Binhai Logistics Group has been able to satisfy its working capital needs from internal resources and bank borrowings. In accordance with the Measures in respect of the Recognition of Qualification of Civil Aviation Freight Forwarding and Sales Agency of the PRC (中國民用航空運輸銷售代理資格認可辦法), the applicant should submit, among others, the supporting document for financial guarantee to China Air Transport Association for the application of the qualification on the air freight forwarding and sales agency. Teda Holding has previously provided a joint liability guarantee with no fixed amount in respect of the obligations of Tianjin Alps Teda Logistics from time to time arising from its business operation of the air freight forwarding and agency services, which had been released and replaced by a guarantee by Binhai Logistics Group. As at the Latest Practicable Date, there was no financial assistance in form of security and guarantee from Teda Holding and TEDA Asset Company. In addition, the premises in which Binhai Logistics Group operates its business are independent of, and separate from each of Teda Holding and TEDA Asset Company and their respective fellow subsidiaries (other than Binhai Logistics Group). Binhai Logistics Group has been able to exercise absolute control over its assets without the interference from each of Teda Holding and TEDA Asset Company. The Directors consider that Binhai Logistics Group is able to demonstrate its financial independence from each of Teda Holding and TEDA Asset Company.

Business independence

Each of Teda Holding and TEDA Asset Company has been carrying out businesses with focuses which are clearly delineated from that of Binhai Logistics Group. The Directors are of the view that Binhai Logistics Group does not experience any significant interference exerted by each of Teda Holding and TEDA Asset Company, nor is there any conflict of interest between Binhai Logistics Group and each of Teda Holding and TEDA Asset Company in the formulation and implementation of the business development strategies. As at the Latest Practicable Date, the customers and suppliers of Binhai Logistics Group were not related to Teda Holding or TEDA Asset Company.

In light of the above, the Directors are of the view that Binhai Logistics Group is independent of each of Teda Holding and TEDA Asset Company or their respective associates in terms of business operation, financial operation, management and human resources.

NON-COMPETE UNDERTAKING BY TEDA HOLDING AND TEDA ASSET COMPANY

Each of Teda Holding and TEDA Asset Company has confirmed that it has no intention to conduct businesses competing, directly or indirectly, with that of Binhai Logistics Group in the future. In order to further delineate the respective businesses of each of Teda Holding and TEDA Asset Company and that of Binhai Logistics Group and to protect Binhai Logistics Group from potential competition from each of Teda Holding and TEDA Asset Company in the future, each of Teda Holding and TEDA Asset Company has given an irrevocable non-compete undertaking in favour of Binhai Logistics Group on 30 March 2008, pursuant to which Teda Holding and TEDA Asset Company has, among other matters, irrevocably and unconditionally undertaken with Binhai Logistics Group that at any time during which the H Shares are listed on the Stock Exchange and for so long as each of Teda Holding and TEDA Asset Company and their respective associates hold, whether individually or taken together, 30% or more of the total issued Shares or is regarded as a controlling Shareholder of the Company under the GEM Listing Rules:

1. each of them shall not, and shall procure their respective associates (other than Binhai Logistics Group) not to, within the PRC and overseas:

   (i) whether individually or with other person, directly or indirectly invest, engage, participate and/or operate in any form of business, including but not limited to joint venture, joint investment, cooperation, partnership, share subscription or lending, that constitute or may constitute direct or indirect competition with the businesses that Binhai Logistics Group is currently and from time to time carrying on, including but not limited to the provision of logistics and supply chain solutions and procurement services and such businesses as described in this prospectus; and

(ii) provide support in any form to persons other than Binhai Logistics Group to invest, participate, engage and/or operate any business that constitute or may constitute direct or indirect competition with the businesses that Binhai Logistics Group is currently and from time to time carrying on.

2. in the event that each of Teda Holding and TEDA Asset Company or any of their respective associates (other than Binhai Logistics Group) were given any business opportunities that is or may involve direct or indirect competition with the businesses of Binhai Logistics Group, each of Teda Holding and TEDA Asset Company shall unconditionally and use their respective reasonable endeavours to procure the relevant customers to engage Binhai Logistics Group for the business opportunity and shall assist Binhai Logistics Group to obtain such business opportunity in the same terms as being offered to Teda Holding or TEDA Asset Company or (as the case may be) their respective associates.

The Directors consider that the terms of the non-compete undertaking are fair and reasonable as far as the Company and the Shareholders are concerned.

None of Teda Holding or TEDA Asset Company is directly or indirectly interested in any business apart from Binhai Logistics Group's businesses which competes or is likely to compete with Binhai Logistics Group's businesses.

CONTINUING CONNECTED TRANSACTIONS

Prior to the Listing, the Group has had business transactions with certain entities, which, under the GEM Listing Rules, will be considered to be connected persons of the Company immediately upon Listing. The transactions set out below will constitute continuing connected transactions of the Company under the GEM Listing Rules, upon Listing. **In this paragraph, all references to the Group are to the Company and its subsidiaries (notwithstanding that one of such subsidiaries, namely Tianjin Alps Teda Logistics, is accounted for as a Jointly-controlled Entity in the accountants' report as set out in appendix I to the prospectus) and all references to amounts paid or payable to or by the Group are 100% of such amounts paid or payable to or by such members of the Group.** These amounts are not the same as the corresponding items in the accountants' report as set out in appendix I to this prospectus for the financial results of the Jointly-controlled Entities have been proportionately consolidated in the accountants' report.

Relationship between the Group and Toyota Tsusho

Toyota Tsusho, which holds approximately 36.2% equity interest in Tianjin Fengtian Logistics, a non-wholly owned subsidiary of the Company, is a substantial shareholder of the Company's subsidiary. Therefore, under the GEM Listing Rules, Toyota Tsusho and its associates (as defined in the GEM Listing Rules) are connected persons of the Company.

Under the GEM Listing Rules, for so long as Toyota Tsusho remains as a connected person of the Company, the following transactions between Toyota Tsusho and/or its associates would constitute connected transactions upon Listing.

1.1 Nature and reasons for the services provided by the Group to Toyota Tsusho and/or its associates

During the Track Record Period, the Group had from time to time offered logistics services and supply chain solutions for automobiles and car components to Toyota Tsusho and/or its associates.

Toyota Tsusho and its associates are members of Toyota Group. Toyota Group is one of the leading manufacturers in the automobiles and car components industry. It has established numerous trade operations, joint ventures and affiliates which engage in the manufacture and trading of automobiles and car components in the PRC. Leveraging on the expertise and technology in automobiles and car components logistics services, Tianjin Fengtian Logistics is able to provide logistics services and supply chain solutions for automobiles and car components which are tailored to the logistics characteristics of Toyota Group.

Historical Transaction Amounts

The service fees paid by Toyota Tsusho and/or its associates to the Group in respect of logistics services and supply chain solutions for automobiles and car components during the Track Record Period are as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Logistics services and supply chain solutions for automobiles and car components	55,829	54,553	45,248

Pricing basis

The Company entered into a master services agreement ("**Toyota Services Supply Agreement**") with Toyota Tsusho on 18 April 2008 in providing the services described above for the period up to 31 December 2010 as required under the GEM Listing Rules.

Pursuant to Toyota Services Supply Agreement, the service fees payable by Toyota Tsusho and/or its associates to the Group shall be determined by reference to the services specified by Toyota Tsusho and/or its relevant associates including the nature and quantities of goods to be delivered and handled, the time and human resources required, the distance of freight forwarding services and the complexity of the logistics and supply chain solutions (such as processing and packaging cost and fees for customs clearance, where applicable) and on terms no more favourable to Toyota Tsusho and/or its relevant associates than those available to independent third parties.

Annual monetary caps for the three years ending 31 December 2010

The maximum aggregate transaction value for each of the three years ending 31 December 2010 was determined based on Toyota Services Supply Agreement and taking into account the historical figures for the provision of the services to the Toyota Tsusho and/or its associates, the anticipated growth in demand in the automobiles and car components industry, the commencement of operation of the newly-constructed warehousing facilities of Tianjin Fengtian Logistics in the second half of 2008 to fill the anticipated growth of logistics business and the projected growth rate of about 10% of logistics services to be provided by the Group to Toyota Tsusho and/or its associates by reference to the average growth rate of approximately 10% of the national logistics expenditure in the PRC. According to the China Logistics Yearbook 2006 published by the National Bureau of Statistics of China and the National Logistics Operation Report 2006 published by China Association of Warehouses and Storage, the PRC national logistics expenditure increased by approximately 16.76%, 12.86% and 13.45% in 2004, 2005 and 2006, respectively. The Directors anticipated that the maximum aggregate annual value will not exceed the following caps:

	Year ending 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Logistics services and supply chain solutions for automobiles and car components	55,000	60,000	66,000

The Directors, including the independent non-executive Directors, consider that the transactions pursuant to Toyota Services Supply Agreement will be carried out in ordinary course of business of the Group and on normal commercial terms which are fair and reasonable and are in the interests of the Shareholders as a whole. The Directors, including the independent non-executive Directors, consider that the basis of the relevant annual monetary caps of the transactions are fair and reasonable and in the interests of the Shareholders as a whole.

1.2 Nature and reasons for the services provided by Toyota Tsusho and/or its associates to the Group

During the Track Record Period, Toyota Tsusho had, by itself or through its associates, from time to time provided technological consultation and assistance to the Group. As the key information technology systems used for designing supply chain solutions for automobiles and car components are designated and introduced by Toyota Tsusho and/or its associates, on-spot training from the technical staff of Toyota Tsusho and/or its associates is therefore necessary for proper and efficient operation of the information technology systems. Toyota Tsusho and/or its associates also provide technical support by offering maintenance services over the designated information technology system, namely TWMS.

Historical Transaction Amounts

The service fees paid by the Group to Toyota Tsusho and/or its associates in respect of technological consultation and assistance during the Track Record Period are as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Technological consultation and assistance	1,500	409	815

Pricing basis

The Company entered into a master services agreement ("**Toyota Services Purchase Agreement**") with Toyota Tsusho on 18 April 2008 to obtain the services described above for the period up to 31 December 2010 as required under the GEM Listing Rules.

Pursuant to Toyota Services Purchase Agreement, the service fees in respect of technical assistance payable by the Group to Toyota Tsusho and/or its associates shall be determined on a reimbursement basis by reference to the accommodation, traveling expenses and daily expenses of the technical personnel actually incurred.

Pursuant to Toyota Services Purchase Agreement, the services fees in respect of the maintenance of TWMS shall be determined by reference to a monthly fixed fee and on terms no less favourable to the Group than those available to independent third parties.

Annual monetary caps for the three years ending 31 December 2010

The maximum aggregate transaction value for each of the three years ending 31 December 2010 was determined based on Toyota Services Purchase Agreement and taking into account the historical figures for the provision of the services by Toyota Tsusho and/or its associates, the anticipated growth in demand in the automobiles and car components industry and the projected growth rate of about 10% of the technological consultation and assistance services provided by Toyota Tsusho and/or its associates by reference to the average growth rate of approximately 10% of the national logistics expenditure in the PRC. According to the China Logistics Yearbook 2006 published by the National Bureau of Statistics of China and the National Logistics Operation Report 2006 published by China Association of Warehouses and Storage, the PRC national logistics expenditure increased by approximately 16.76%, 12.86% and 13.45% in 2004, 2005 and 2006, respectively. The Directors anticipate that the maximum aggregate annual value will not exceed the following caps:

	Year ending 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Technological consultation and assistance	1,100	1,200	1,300

The Directors, including the independent non-executive Directors, consider that the transactions pursuant to Toyota Services Purchase Agreement will be carried out in ordinary course of business of the Group and on normal commercial terms which are fair and reasonable and are in the interests of the Shareholders and the Group as a whole. The Directors, including the independent non-executive Directors, consider that the basis of the relevant annual monetary caps of the transactions are fair and reasonable and in the interests of the Shareholders as a whole.

Relationship between the Group and Alps Logistics

Alps Logistics, which holds 48% equity interest in Tianjin Alps Teda Logistics, a non-wholly owned subsidiary of the Company, is a substantial shareholder of the Company's subsidiary. Therefore, under the GEM Listing Rules, Alps Logistics and its associates (as defined in the GEM Listing Rules) are connected persons of the Company. Dalian Alps Teda Logistics, being an associate of Alps Logistics which holds 50% equity interest thereof, is also considered as a connected person of the Company.

Under the GEM Listing Rules, for so long as Alps Logistics remains as a connected person of the Company, the following transactions between Alps Logistics and/or its associates (including Dalian Alps Teda Logistics) would constitute connected transactions upon Listing.

2.1 Nature and reasons for the services provided by the Group to Alps Logistics and/or its associates (including Dalian Alps Teda Logistics)

During the Track Record Period, the Group had from time to time offered logistics and supply chain solutions for electronic parts and components to Alps Logistics and/or its associates (including Dalian Alps Teda Logistics).

Alps Logistics and its associates are members of Alps Group. Alps Group is an international conglomerate which is renowned for its logistics services of delivery, storage and forwarding of the electronic parts. Alps Logistics has built up an extensive logistics network spanning across Asia, South East Asia and North America. Some affiliates of Alps Group are also electronic parts and components manufacturers with their manufacturing plants based in the PRC. Taking advantage of the well-established transportation network of the Group and the practical know-how acquired in the course of cooperation with Alps Logistics, the Directors consider that transactions can be conducted cost efficiently and are mutually beneficial to both parties.

Historical Transaction Amounts

The service fees paid by Alps Logistics and/or its associates (including Dalian Alps Teda Logistics) to the Group in respect of logistics services and supply chain solutions during the Track Record Period are as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Logistics services and supply chain solutions	73,265	109,413	93,164

Pricing basis

The Company entered into a master services agreement ("**Alps Services Supply Agreement**") with Alps Logistics on 18 April 2008 to provide the services described above for the period up to 31 December 2010 as required under the GEM Listing Rules.

Pursuant to Alps Services Supply Agreement, the service fees payable by Alps Logistics and/or its associates (including Dalian Alps Teda Logistics) to the Group will be determined by reference to the nature and quantities of goods to be delivered and handled, the time and human resources required, the distance of freight forwarding services and the complexity of the logistics and supply chain solutions (such as processing and packaging cost and fees for customs clearance) and on terms no more favourable to Alps Logistics and/or its relevant associates (including Dalian Alps Teda Logistics) than those available to independent third parties.

Annual monetary caps for the three years ending 31 December 2010

The maximum aggregate transaction value for each of the three years ending 31 December 2010 was determined based on Alps Services Supply Agreement and taking into account the historical figures for the provision of services to the Alps Logistics and/or its associates (including Dalian Alps Teda Logistics), the projected growth rate of about 10% of the logistics services to be provided by the Group to Alps Logistics and/or its associates (including Dalian Alps Teda Logistics) by reference to the average growth rate of approximately 10% of the national logistics expenditure in the PRC. According to the China Logistics Yearbook 2006 published by the National Bureau of Statistics of China and the National Logistics Operation Report 2006 published by China Association of Warehouses and Storage, the PRC national logistics expenditure increased by approximately 16.76%, 12.86% and 13.45% in 2004, 2005 and 2006, respectively. The Directors anticipate that the maximum aggregate annual value will not exceed the following caps:

	Year ending 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Logistics services and supply chain solutions	101,000	111,000	122,000

The Directors, including the independent non-executive Directors, consider that the transactions pursuant to Alps Services Supply Agreement will be carried out in ordinary course of business of the Group and on normal commercial terms which are fair and reasonable and are in the interests of the Shareholders as a whole. The Directors, including the independent non-executive Directors, consider that the basis of the relevant annual monetary caps of the transactions are fair and reasonable and in the interests of the Shareholders as a whole.

2.2 Nature and reasons for the services provided by Alps Logistics and/or its associates (including Dalian Alps Teda Logistics) to the Group

During the Track Record Period, the Group had subcontracted its overseas freight forwarding and warehousing services to certain associates of Alps Logistics in respect of the logistics and supply chain solutions offered to Alps Group by the Group, and such subcontracting fee had been fully reimbursed by such associates out of the service fees charged by the Group for the corresponding logistics and supply chain solutions offered to Alps Logistics and/or its associates. Alps Logistics had also licensed the use of the warehouse management system and information technology system developed by Alps Logistics.

Dalian Alps Teda Logistics had also provided bonded warehousing, customs clearance and road freight forwarding services to the Group during the Track Record Period.

Historical Transaction Amounts

The service fees paid by the Group to Alps Logistics and/or its associates in respect of overseas freighting forwarding and warehousing services, the licence over the use of the warehouse management system and information technology system and the services fees paid by the Group to Dalian Alps Teda Logistics in respect of bonded warehousing, customs clearance and road freight forwarding services during the Track Record Period are as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Overseas freight forwarding and warehousing services	46,293	51,289	38,153
Licence over the use of the warehouse management system and information technology system	407	315	705
Bonded warehousing, customs clearance and road freight forwarding services	5,861	8,305	12,114
Total:	52,561	59,909	50,972

Pricing basis

The Company has entered into a master services agreement ("**Alps Services Purchase Agreement**") with Alps Logistics on 18 April 2008 to obtain the overseas freight forwarding and warehousing services and the licence over the use of the warehouse management system and information technology system for the period up to 31 December 2010 as required under the GEM Listing Rules.

Pursuant to Alps Services Purchase Agreement, the service fees in respect of overseas freighting forwarding and warehousing services payable by the Group to Alps Logistics and/or its associates will be determined by reference to the nature and quantities of goods to be delivered and handled, the time and human resources required, the distance of freight forwarding services required and area and time for storage and on terms no less favourable to the Group than those available to independent third parties.

Pursuant to Alps Services Purchase Agreement, the licence fees for the use of the warehouse management system and information technology system will be determined by reference to a monthly fixed fees and maintenance fee and on terms no less favourable to the Group than those available to independent third parties.

The Group has entered into a master service agreement ("**Dalian Alps Services Purchase Agreement**") with Dalian Alps Teda Logistics on 18 April 2008 to obtain the bonded warehousing, customs clearance and road freight forwarding services for the period up to 31 December 2010 as required under the GEM Listing Rules.

Pursuant to Dalian Alps Services Purchase Agreement, the service fees in respect of bonded warehousing, customs clearance and road freight forwarding services payable by the Group to Dalian Alps Teda Logistics will be determined by reference to the nature and quantities of goods to be delivered and handled, the time and human resources required, the distance of freight forwarding services required and area and time for storage and on terms no less favourable to the Group than those available to independent third parties.

Annual monetary caps for the three years ending 31 December 2010

The maxinum aggregate transaction value in respect of the overseas freight forwarding services for each of the three years ending 31 December 2010 was determined based on Alps Services Purchase Agreement and taking into account the historical figures for the provision of services by Alps Logistics and/or its associates and the average growth rate of approximately 10% of the national logistics expenditure in the PRC. According to the China Logistics Yearbook 2006 published by the National Bureau of Statistics of China and the National Logistics Operation Report 2006 published by China Association of Warehouses and Storage, the PRC national logistics expenditure increased by approximately 16.76%, 12.86% and 13.45% in 2004, 2005 and 2006, respectively. Alps Logistics has granted the licence over the use of the warehouse management system and information technology system to Tianjin Alps Teda Logistics as well as three and four of its branches for each of the two years ended 31 December 2007, respectively.

The maximum aggregate transaction values in respect of the bonded warehousing, customs clearance and road freight forwarding services of the three years ending 31 December 2010 were determined based on Dalian Alps Services Purchase Agreement and taking into account the historical figures for the provision of services by Dalian Alps Teda Logistics and the average growth rate of approximately 10% of the national logistics expenditure in the PRC.

The Directors anticipate that the maximum aggregate annual value will not exceed the following caps:

	Year ending 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Overseas freight forwarding and warehousing services	44,000	48,000	53,000
Licence over the use of the warehouse management system and information technology system	1,000	1,000	1,000
Bonded warehousing, customs clearance and road freight forwarding services	13,000	14,500	16,000
Total:	58,000	63,500	70,000

The Directors, including the independent non-executive Directors, consider that the transactions pursuant to Alps Services Purchase Agreement and Dalian Alps Services Purchase Agreement will be carried out in ordinary course of business of the Group and on normal commercial terms which are fair and reasonable and are in the interests of the Shareholders as a whole. The Directors, including the independent non-executive Directors, consider that the basis of the relevant annual monetary caps of the transactions are fair and reasonable and in the interests of the Shareholders as a whole.

WAIVER FROM THE STRICT COMPLIANCE WITH CHAPTER 20 OF THE GEM LISTING RULES

Upon Listing, all transactions set out in the paragraph headed "Continuing Connected Transactions" above constitute non-exempt continuing connected transactions (other than transactions numbered 1.2 which are subject to reporting and announcement requirements only) ("**Continuing Connected Transactions**") under the GEM Listing Rules, and are therefore subject to reporting, announcement and independent shareholders' approval requirements under Rules 20.47 and 20.48 of the GEM Listing Rules.

The Directors, including the independent non-executive Directors, consider that the Continuing Connected Transactions will be carried out in ordinary course of business of the Group and on normal commercial terms which are fair and reasonable and are in the interests of the Shareholders as a whole. The Directors, including the independent non-executive Directors, consider that the maximum aggregate annual values in respect of each of the Continuing Connected Transactions for the three years ending 31 December 2010 are fair and reasonable and in the interest of the Shareholders as a whole.

The Directors consider that strict compliance with the announcement and/or independent shareholders' approval requirements would be impractical, unduly burdensome and would add unnecessary administrative costs to the Company. Accordingly, the Company has applied to the Stock Exchange, and the Stock Exchange has agreed, to grant waivers to the Company from strict compliance with the announcement and/or independent shareholders' approval requirements under Rules 20.47 and 20.48 of the GEM Listing Rules, provided that the Continuing Connected Transactions are conducted in compliance with the conditions (including the relevant maximum aggregate annual values) imposed by the Stock Exchange and the applicable requirements under Chapter 20 of the GEM Listing Rules.

In the event of any further amendments to the GEM Listing Rules imposing more stringent requirements than as of the date of this prospectus which are applicable to the Continuing Connected Transactions, the Company will take immediate steps to ensure compliance with such requirements within a reasonable time.

The Sponsor is of the view that each of the Continuing Connected Transactions and its respective maximum aggregate annual transaction values are fair and reasonable and in the interests of the Shareholders as a whole, and each of which had been carried out in ordinary course of business of the Group and on normal commercial terms.

The Board consists of seven Directors, three of which are independent non-executive Directors. The Directors are appointed by the shareholders of the Company for a term of three years and are entitled to reappointment thereafter, in accordance with the Articles of Association. The functions and duties conferred on the Board include: convening shareholders' meetings and reporting its work to the shareholders at these meetings, implementing the shareholders' resolutions, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposal for dividend distribution and for the increase or reduction of capital as well as exercising other powers, functions and duties as conferred by the Articles of Association.

The Company Law requires a joint stock company with limited liability to establish a supervisory committee. The supervisory committee of the Company consists of six Supervisors, of which, two of them are shareholder representative supervisors who are elected, and may be removed, by the shareholders in a general meeting, two members are the staff representative supervisors and the remaining supervisors are independent supervisors who do not hold any position of the Company. The term of office of the Supervisors is three years, renewable upon re-appointment in accordance with the Articles of Association. A Supervisor cannot concurrently hold the position of a director or financial controller of the Company or be a member of the senior management. The functions and powers conferred on the supervisor committee include: verifying financial reports and other financial information proposed at shareholder's meetings by the Directors and overseeing the actions of the Directors and other senior management personnel in connection with the discharge of their duties. The supervisory committee may initiate legal proceedings against the Directors on the behalf of the Company.

DIRECTORS

Executive Directors

Mr. Zhang Jian (張艦), aged 50, is the chairman and general manager of the Company. He joined the Company as the chairman of the Board in June 2006. He graduated from the semiconductor physics and devices profession (半導體物理與器件專業) of the electronic engineering department of Tianjin University (天津大學) with a bachelor degree in engineering in 1982. He obtained a master degree in business administration from the National University of Singapore in 2003 and is a senior electrical engineer accredited by the Tianjin Municipal Engineering Evaluation Committee (天津市工程系列高評委) . From 1984 to 1985, he performed administrative secretarial work in Tianjin Economic and Technological Development Area Corporation, the predecessor of Teda Holding. From 1985 to 1987, he worked as a project manager at Teda Industrial Investment Co., Ltd. (天津開發區工業投資公司). From 1987 to 1995, he worked as a deputy manager in Heat and Power Company of Teda Holding (泰達控股熱電公司), a company controlled by Teda Holding, the Controlling Shareholder and an Initial Management Shareholder. From 1995 to 23 April 2008, he had been the manager of the investment management department of Teda Holding. He is the former director of Tianjin Binhai Energy & Development Co., Ltd. (天津濱海能源發展股份有限公司) (Stock code: 000695), a company listed on the Shenzhen Stock Exchange. He is currently the chairman of Tianjin Alps Teda Logistics, Dalian Alps Teda Logistics, Tianjin Fengtian Logistics, TBW, Yuan Da Logistics and Tianjin Teda Sidier

Electronic Trading Market Operation and Management Co., Ltd. and the vice chairman of Tianjin Port Automobile Logistics, the chairman of the supervisory committee of Tianjin Jinbin Development Co., Ltd (天津津濱發展股份有限公司) (Stock code: 000897), a company listed on the Shenzhen Stock Exchange. Both Tianjin Jinbin Development Co., Ltd. and Tianjin Binhai Energy & Development Co., Ltd. are the affiliated companies of Teda Holding, the Controlling Shareholder and an Initial Management Shareholder. Save as disclosed, each of them was independent of and not related to any member of the Binhai Logistics Group. While Mr. Zhang, being a supervisor of Tianjin Jinbin Development Co., Ltd., plays a supervisory role and is not involved in the daily management of Tianjin Jinbin Development Co., Ltd., and will therefore not prevent from discharging his duties as an executive Director as required under the GEM Listing Rules. Save as disclosed above, Mr. Zhang did not hold any directorship in any listed company during the Track Record Period.

Mr. Sun Quan (孫泉), aged 41, is an executive Director of the Company. He joined the Company in June 2006. He graduated from the international economics faculty of Nankai University (南開大學) with a bachelor degree in economics in 1988. He obtained a master degree in economics from Nankai University and a master degree in business administration from Roosevelt University of Chicago, the United States of America in 1999 and 2004 respectively. From 1997 to 2001, he worked in the planning department of Tianjin Economic and Technological Development Area Corporation and was responsible for corporate development strategy research and operational management planning. He is a former director of Water Company of Teda Holding (泰達控股自來水公司), Gas Company of Teda Holding (泰達控股燃氣公司) and Heat and Power Company of Teda Holding (泰達控股熱電公司), all being controlled by Teda Holding, the Controlling Shareholder and an Initial Management Shareholder. He joined Teda Holding in 2001 and is currently working as the deputy manager of the assets management department of Teda Holding. He is currently a director of Tianjin Alps Teda Logistics, Dalian Alps Teda Logistics, Tianjin Fengtian Logistics and TBW, all being private companies established in the PRC. Mr. Sun Quan did not hold any directorship in any listed company during the Track Record Period.

Non-executive Directors

Mr. Ding Yi (丁一), aged 42, is a non-executive Director. He joined the Company in October 2006. He graduated from the school of industrial management engineering of Institute of Technology (天津理工學院) (currently known as Tianjin University of Technology (天津理工大學)) and obtained a bachelor degree in engineering in 1989. From 1989 to 1993, he worked in the Heat and Power Company of Teda Holding (泰達控股熱電公司). From 1993 to 1997, he worked in the operation management office of Tianjin Economic and Technological Development Area Corporation. From 1997 to 1999, he worked in the office of general manager of Tianjin Economic and Technological Development Area Corporation. From 1999 to 2001, he worked in the investment management department of Tianjin Economic and Technological Development Area Corporation. From 2001 to present, he has been working as the director and general manager of Tianjin Jinbin Expressway Management Co., Ltd. (天津津濱高速管理有限公司), an Independent Third Party and a private company established in the PRC. Mr. Ding did not hold any directorship in any listed company during the Track Record Period.

Mr. Zhang Jun (張軍), aged 40, joined the Company as a non-executive Director in October 2006. He obtained a bachelor degree in education from Beijing Normal University (北京師範大學) and completed a postgraduate course on international economics at Nankai University (南開大學) in 1990 and 1998 respectively. He also completed a postgraduate course on business administration at TEDA College Nankai University (南開大學泰達學院) in 2001. From 1992 to 2001, he worked in the General Office of the TEDA Administrative Commission (天津經濟技術開發區管理委員會辦公室). From 2001 to present, he has been working in Teda Holding. Mr. Zhang did not hold any directorship in any listed company during the Track Record Period.

Independent non-executive Directors

Mr. Zhang Limin (張立民), aged 52, joined the Company as an independent non-executive Director in September 2006. Mr. Zhang is an independent non-executive Director who fulfills the requirements under Rule 5.05(2) of the GEM Listing Rules. He obtained a doctoral degree in economics from Tianjin Institute of Finance and Economics (天津財經學院) (currently known as Tianjin University of Finance and Economics (天津財經大學)) in 1992. He is a professor in accounting accredited by Teaching Duties Evaluation Committee of Tianjin Higher Education Bureau (天津高教局教師職務評委會) and a qualified teacher for institutes of higher learning accredited by the Department of Education of Guangdong Province (廣東省教育廳). Mr. Zhang is also a non-practising member of the Chinese Institute of Certified Public Accountants, a member and joint vice-chairman of the fifth executive committee of the China Audit Society and vice chairman of the fourth executive committee of Guangdong Provincial Audit Society. He is a professor and postgraduates' tutor at the management school of Sun Yat-sen University (中山大學). Since 2000, Mr. Zhang has been working as deputy chief accountant and undertaken professional technical advisory duties at Shenzhen Pengcheng Certified Public Accountants. He has been involved in the auditing of financial statements of banks and listed companies and relevant business advisory work. He is an independent director of Shenzhen Chiwan Wharf Holdings Co., Ltd. (深圳赤灣港航股份有限公司) (Stock code: 000022), Shenzhen Airport Co., Ltd (深圳市機場股份有限公司) (Stock code: 000089) and Shenzhen Changcheng Investment Holding Co., Ltd (深圳市長城投資控股股份有限公司) (Stock code: 000042), all being companies listed on the Shenzhen Stock Exchange. He is a former independent director of China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司) (Stock code: 200039), a company listed on the Shenzhen Stock Exchange. He is also a director of SORL Auto Parts Inc. (Stock symbol: SORL), a company listed on the NASDAQ Global Market. Save as disclosed above, Mr. Zhang did not hold any directorship in any listed company during the Track Record Period.

Mr. Luo Yongtai (羅永泰), aged 62, joined the Company as an independent non-executive director in September 2006. He obtained a scientific degree in economic science (specialized in industry) from the National Academy of Sciences of Ukraine in 2003. He is a professor in management engineering accredited by Teaching Title Evaluation Committee of Tianjin Education Committee (天津教委教師職稱評委會) and a qualified higher education teacher recognized by the PRC Education Committee. He is the chair professor and tutor of postgraduates of the profession of management of Tianjin University of Finance and Economics (天津財經大學). He is a former independent director of Tianjin Reality

Development (Group) Company Limited (天津市房地產發展（集團）股份有限公司) (Stock code: 600322) and currently an independent director of Tianjin Quanye Bazaar (Group) Co., Ltd. (天津勸業場（集團）股份有限公司) (Stock code: 600821), both being companies listed on the Shanghai Stock Exchange. He is also an independent director of Tianjin TEDA Co., Ltd. (天津泰達股份有限公司) (Stock code: 000652), a company listed on the Shenzhen Stock Exchange and an independent non-executive director of Zhongyu Gas Holdings Limited (中裕燃氣控股有限公司) (Stock code: 8070), a company listed on the GEM of the Stock Exchange. Save as disclosed above, Mr. Luo did not hold any directorship in any listed company during the Track Record Period.

Mr. Liu Jing Fu (劉景福), aged 44, joined the Company as independent non-executive Director in September 2006. He obtained master degree in business administration from Nankai University (南開大學) in 2000. He is a senior engineer accredited by the Ministry of Railways of the PRC. He is a member of the Standardization Administration of the PRC (中國國家標準化管理委員會). He is currently the chairman and general manager of China Railway Modern Logistics Technology Co., Ltd. (中鐵現代物流科技股份有限公司), a state-owned enterprise established in the PRC. Mr. Liu has accumulated years of experience in the management of the operation of logistics business. Mr. Liu did not hold any directorship in any listed company during the Track Record Period.

SUPERVISORS

Shareholder representative supervisors

Mr. Xing Jihai (邢吉海), aged 56, joined the Company as a shareholder representative supervisor of the Company in September 2006. He is the chairman of the supervisory committee of the Company. He completed a professional certificate course in the financial accounting profession of 天津市經濟管理幹部學院 (currently known as Tianjin Polytechnic University 天津工業大學) in 1995. He also completed a postgraduate course on business administration at TEDA College Nankai University (南開大學泰達學院) in 2001 and is an accountant in industrial accounting accredited by Tianjin First Light Industry Bureau Accounting Profession Medium Intermediary Duties Evaluation Committee (一輕局會計專業中級職務評委會). He has working experience in the field of financial accounting for over 30 years. From 1997 to 2000, he was the section chief of the Financial Bureau of Teda. From 2000 to present, he has been working as the director of the finance center and supervisor of Teda Holding. He is also a director of Tianjin Jinbin Development Co., Ltd (天津津濱發展股份有限公司) (Stock code: 000897) and Tianjin TEDA Co., Ltd. (天津泰達股份有限公司) (Stock code: 000652), both being companies listed on the Shenzhen Stock Exchange as well as the chairman of the supervisory committee of Tianjin Binhai Energy & Development Co., Ltd. (天津濱海能源發展股份有限公司) (Stock code: 000695), a company listed on the Shenzhen Stock Exchange.

Mr. Tian Shuyong (田樹勇), aged 37, was appointed as a shareholder representative supervisor of the Company in October 2006. He graduated from the computer and application profession of Northeast Heavy Machinery College (東北重型機械學院) (currently known as Yanshan University (燕山大學)) and obtained a bachelor degree in engineering in 1992. He then obtained a master degree in business administration from Nankai University (南開大學) in 2002. From October 2002 to present, he has been working as a project manager of TEDA Asset Company.

Independent supervisors

Mr. Ren Gang (任剛), aged 43, joined the Company as an independent supervisor in July 2007. He graduated from the profession of law of China Central Radio and TV University (中央廣播電視大學) (in cooperation with China University of Political Science and Law (中國政法大學)) in 2006. From October 1986 to present, he has been working at the Law Office of the TEDA (泰達律師事務所) as solicitor and partner.

Ms. Lu Xia (呂霞), aged 39, joined the Company as an independent supervisor of the Company in July 2007. She graduated from the economic management profession of the Correspondence Institute of the Party School of the Central Committee of the Chinese Communist Party (中共中央黨校函授學院) and completed a postgraduate course in the financial management profession at Nankai University (南開大學) in 2002. She is a senior accountant appraised by the Tianjin Municipal Accounting Profession Senior Duties Evaluation Committee (天津市會計專業高級職務評審委員會). She is currently working in Tianjin Optical Electrical Group Co., Ltd. (天津光電集團有限公司) as deputy general manager and its group companies as director and supervisor.

Staff representative supervisors

Mr. Yu Ang (俞昂), aged 35, joined the Company as a staff representative supervisor of the Company in July 2007. He graduated from the college of online education of the Beijing Jiaotong University (北京交通大學) majoring in electronic commerce in 2006. He is currently a project manager at the business development department of the Company and has been appointed by the Company to take up the duties of deputy general manager of Yuan Da Logistics. He is a director of Yuan Da Logistics. From June 2004 to present, he has been working in the Teda branch of Industrial Bank Co., Ltd. (興業銀行天津開發區支行) as assistant of the branch manager.

Mr. Tong Xin (同心), aged 27, joined the Company in 2006. He was appointed as a staff representative supervisor of the Company in July 2007. He obtained a degree in law from Tianjin Normal University (天津師範大學) in 2003 and further registered for the postgraduate study of private law with the Faculty of Law and Economy of University of Savoie (法國國立薩瓦大學經濟與法學學院研究院) for the university year 2005/2006. From January 2007 to July 2007, he worked in the administrative office of Yuan Da Logistics as supervisor of legal affairs. He is currently a supervisor in the administrative office (legal affairs) of the Company.

SENIOR MANAGEMENT

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

Mr. Liu Li Ming (劉利明), aged 50, joined the Group in 1996. He is the operation controller of the Group and is currently the deputy general manager of Tianjin Fengtian Logistics. He is also a director of TBW.

Mr. Kwong Kwan Tong (鄺焜堂), aged 42, joined the Company in 2006 and is the financial controller of the Company. He is also the qualified accountant and company secretary of the Company. He is responsible for the overall financial management, budgeting and reporting of the Group. Please see his biography set out in sub-paragraph headed "Qualified Accountant and Company Secretary" below.

Qualified Accountant and Company Secretary

Mr. Kwong Kwan Tong , aged 42, is the qualified accountant and company secretary of the Company on a full-time basis. He is one of the senior management of the Group. He joined the Company in September 2006 and is currently the financial controller. He is also a director of TBW. He is currently a member of Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants and an associate of The Chartered Institute of Management Accountants. Mr. Kwong has working experience of over 20 years in the finance and accounting field. Before joining the Group, he had worked as the financial controller of Eternal Unity International Limited, a private company incorporated in Hong Kong.

Compliance Officer

Mr. Zhang Jian, an executive Director, is also the compliance officer of the Company. Please see his biography set out in sub-section headed "Executive Directors".

BOARD COMMITTEES

Audit Committee

The Company has established an audit committee on 19 March 2008 with its written terms of reference in compliance with Rule 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and to provide advice and recommendation to the board of Directors.

The audit committee has three members comprising the three independent non-executive Directors, namely Mr. Zhang Limin, Mr. Luo Yongtai and Mr. Liu Jing Fu. Mr. Zhang Limin has been appointed as the Chairman of the audit committee.

Remuneration Committee

The Company has established a remuneration committee on 19 March 2008 with its written terms of reference pursuant to appendix 15 to the GEM Listing Rules. The remuneration committee has three members comprising a non-executive Director and two independent non-executive Directors namely Mr. Ding Yi, Mr. Luo Yongtai and Mr. Liu Jing Fu. The chairman of the remuneration committee is Mr. Luo Yongtai. The primary duties of the remuneration committee include reviewing the terms of remuneration packages, reviewing and approving the performance based remuneration by reference to the corporate goal and objectives of the company.

Nomination Committee

The Company has established a nomination committee on 19 March 2008 with its written terms of reference pursuant to appendix 15 to the GEM Listing Rules. The nomination committee has three members comprising an executive Director, and two independent non-executive Directors namely, Mr. Zhang Jian, Mr. Luo Yongtai and Mr. Liu Jing Fu. Mr. Zhang Jian has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee include nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointment.

STAFF

As at 29 February 2008, Binhai Logistics Group had 1,349 full time employees. A breakdown of the employees by function is shown below:

Job function	**Duties and responsibilities**	**Number**
Administration	Overall management of Binhai Logistics Group, strategic planning and development, formulation of the policy and business strategy of Binhai Logistics Group and supervising the daily business operation	75
Finance	Maintaining financial accounting system and monitoring the financial operation of Binhai Logistics Group	34
Information technology	Providing technical support as to the application and maintenance of the information technology systems used by Binhai Logistics Group	9
Sales and operation	Daily operation and management of logistics and supply chain services, business promotion and client and supplier management	1,231
Total		**1,349**

Relationship with staff

Binhai Logistics Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff. Binhai Logistics Group recognises its staff as the valuable assets to its continuous business development and organises social activities and sports functions for the staff from time to time.

Staff's remuneration

According to the applicable PRC laws and regulations, there is no statutory requirement for a company to pay retirement benefit contributions for its directors. For each of the three years ended 31 December 2007, staff costs amounted to approximately RMB36,697,000, RMB43,399,000 and RMB59,980,000 respectively. Employees of Binhai Logistics Group are remunerated with monthly salary subject to review according to the salary policy of Binhai Logistics Group.

Compliance Adviser

The Company will appoint Guotai Junan, which is the Sponsor, as the compliance adviser of the Company pursuant to Rule 6A.19 of the GEM Listing Rules. The term of the appointment shall commence on the Listing Date and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date, subject to early termination. During the term of appointment, Guotai Junan shall, as compliance adviser, among other things, guide and advise the Company as to compliance with the GEM Listing Rules and all other applicable rules, codes and guidelines in discharge of its duties under Chapter 6A of the GEM Listing Rules.

Guotai Junan does not have any shareholding interest in the Company or has any right to subscribe for or to nominate to subscribe in the Company.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately after completion of the Placing and assuming that the Over-allotment Option is not exercised, but without taking into account any H Shares which may be taken by any person under the Placing and which would affect the disclosure in this section, the following persons will be interested in 10% or more of the voting power at any general meeting of the Company:

Name	Number of Domestic Shares	Capacity	Approximate percentage of shareholding in the entire issued share capital of the Company immediately after completion of the Placing
Teda Holding	178,814,717	Beneficial owner	50.57%
TEDA Asset Company	77,325,283	Beneficial owner	21.87%

INITIAL MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, immediately after completion of the Placing and assuming that the Over-allotment Option is not exercised, but without taking into account any H Shares which may be taken by any person under the Placing and which would affect the disclosure in this section, the Initial Management Shareholders and the number of Shares held by them will be as follows:

Name	Number of Domestic Shares	Capacity	Approximate percentage of shareholding in the entire issued share capital of the Company immediately after completion of the Placing
Teda Holding	178,814,717	Beneficial owner	50.57%
TEDA Asset Company	77,325,283	Beneficial owner	21.87%

SIGNIFICANT SHAREHOLDERS

So far as the Directors are aware, immediately after completion of the Placing and assuming that the Over-allotment Option is not exercised, but without taking into account any H Shares which may be taken by any person under the Placing and which would affect the disclosures in this section, apart from the Substantial Shareholders and the Initial Management Shareholders referred to above, no existing Shareholder will be interested in 5% or more of the issued share capital of the Company and shall be regarded as significant shareholder (as defined in the GEM Listing Rules) of the Company.

RESTRICTIONS ON DISPOSAL OF DOMESTIC SHARES

Escrow Arrangement

Under Rule 13.16(1) of the GEM Listing Rules, a new applicant shall procure each of the initial management shareholder of the applicant shall place in escrow with an escrow agent and on such terms as are acceptable to the Stock Exchange, all its Relevant Securities for a period commencing on the date by reference to which disclosure of the shareholding of the initial management shareholder is made in the prospectus and ending on the date which is 12 months from the listing date, or where that initial management shareholder's Relevant Securities represent no more than 1% of the issued share capital of the applicant as at the listing date, a period commencing on the date by reference to which disclosure of the shareholding of the initial management shareholder is made in the prospectus and ending on the date which is six months from the listing date. All the Initial Management Shareholders of the Company are subject to the escrow arrangement under Rule 13.16(1) of the GEM Listing Rules.

The Directors consider that Rule 13.16(1) of the GEM Listing Rules is not applicable to the Domestic Shares held by the Initial Management Shareholders as the Domestic Shares are not represented by any form of physical scrip or title documents. This means that the subject matter for custody by the escrow agent under Rule 13.16(1) of the GEM Listing Rules do not physically exist in any physical form and it is therefore not possible to place any physical scrip or title document with an escrow agent as required under Rule 13.16(1) of the GEM Listing Rules for custody purposes. In other words, the Initial Management Shareholders may not be able to create or pledge or charge by depositing the title documents of their respective Domestic Shares or any part thereof.

Furthermore, pursuant to the Company Law, (i) shares subscribed by a promoter of a joint stock limited company may not be transferred within one year after the company's incorporation; and (ii) shares which were issued prior to the public offer of shares of the company may not be transferred within one year after the listing of the shares of the company on a stock exchange. As such, the Domestic Shares currently held by the Initial Management Shareholders, being the promoters of the Company, will also be subject to one year lock up period under the Company Law in addition to the lock up requirement under the GEM Listing Rules. The Domestic Shares held by the Initial Management Shareholders are subject to the restrictions imposed by the Company Law and are therefore not transferable for one year after the Listing Date.

Given the above, the Company has applied for waivers from strict compliance with Rule 13.16(1) of the GEM Listing Rules in respect of making physical escrow arrangements and the waiver has been granted by the Stock Exchange, provided that each of the Initial Management Shareholders will give the undertakings to the Company and the Stock Exchange pursuant to Rule 13.16(2) of the GEM Listing Rules as set out in the sub-paragraph headed "Non-disposal undertakings" below.

The Directors have jointly and severally undertaken with the Stock Exchange that they will not authorise, and will procure the Company not to authorise the transfer of, and the registration of any transfer of the Domestic Shares held by the Initial Management Shareholders within the period commencing on the date by reference to which disclosure of the shareholding of the initial management shareholder is made in the prospectus and ending on the date which is 12 months from the Listing Date. The Company undertook to the Stock Exchange that it will submit the Directors' undertakings to the relevant Administration for Industry and Commerce of the PRC for notification purposes.

Non-disposal undertakings

Each of the Initial Management Shareholders has undertaken to the Stock Exchange and the Company that for a period of 12 months from the Listing Date ("**Moratorium Period**") other than pursuant to Rule 13.18 of the GEM Listing Rules, it will not:

1. dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in the Relevant Securities; or

2. otherwise create (nor enter into any agreement to create) nor permit the registered holder to create (or to enter into any agreement to create) any options, rights, interests or encumbrances in respect of any such interest.

Each of the Initial Management Shareholders has further undertaken to the Stock Exchange and the Company that it will:

1. in the event that during the Moratorium Period, it pledges or charges any of its direct or indirect interest in the Relevant Securities pursuant to Rule 13.18 of the GEM Listing Rules, or pursuant to any rights or waivers granted by the Stock Exchange under Rule 13.18(4) of the GEM Listing Rules, immediately inform the Stock Exchange and the Company and disclose the details pursuant to Rules 17.43(1) to (4) of the GEM Listing Rules; and

2. where any of its interest in the Relevant Securities under sub-paragraph (1) above has been pledged or charged, inform the Company immediately in the event that it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Relevant Securities.

In the event that any form of physical scrip or title in such Domestic Shares, whether as a result of change of the applicable PRC laws and regulations or otherwise, is issued, the Initial Management Shareholders would have to respectively comply with the escrow arrangement requirements under Rules 13.16(1) of the GEM Listing Rules.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was as follows:

Number of shares	Nature	*RMB*	Approximate percentage of issued share capital
265,000,000	Domestic Shares	265,000,000	100%

Immediately after the completion of the Placing and assuming the Over-allotment Option is not exercised, the issued share capital of the Company will be as follows:

Number of shares	Nature	*RMB*	Approximate percentage of issued share capital
256,140,000	Domestic Shares	256,140,000	72.44%
97,460,000	H Shares to be issued and converted pursuant to the Placing *(Note)*	97,460,000	27.56%
353,600,000		353,600,000	100%

Note: Upon completion of the Placing and assuming the Over-allotment Option is not exercised, 8,860,000 H Shares will be converted from the Domestic Shares and held by NSSF Council, representing approximately 2.51% of the total issued share capital of the Company, as a result of a transfer by Teda Holding and TEDA Asset Company of such Domestic Shares to NSSF Council pursuant to the Provisional Administrative Measures for the Reduction of State-owned Shares.

Immediately after completion of the Placing, and assuming the Over-allotment Option is exercised in full, the issued share capital of the Company will be as follows:

Number of Shares	Nature	*RMB*	Approximate percentage of issued share capital
254,811,000	Domestic Shares	254,811,000	69.45%
112,079,000	H Shares to be issued and converted pursuant to the Placing *(Note)*	112,079,000	30.55%
366,890,000		366,890,000	100%

Note: Upon completion of the Placing and assuming the Over-allotment Option is exercised in full, 10,189,000 H Shares will be converted from Domestic Shares and held by NSSF Council, representing approximately 2.78% of the total issued share capital of the Company, as a result of a transfer by Teda Holding and TEDA Asset Company of such Domestic Shares to NSSF Council pursuant to the Provisional Administrative Measures for the Reduction of State-owned Shares.

Ranking

Domestic Shares and H Shares are all ordinary shares in the registered share capital of the Company. However, H Shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan or any country or jurisdiction other than the PRC and qualified domestic institutional investors of the PRC. Domestic Shares must be subscribed for and traded in RMB by natural or legal persons in the PRC or eligible foreign investors with the approval of the CSRC. All dividends in respect of H Shares are to be paid by the Company in Hong Kong dollars while all dividends in respect of Domestic Shares are to be paid by the Company in RMB.

According to the stipulations by the State Council Securities regulatory authority and the Articles of Association, the holders of the Domestic Shares may transfer their Domestic Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange provided that the transfer and trading of such transferred shares has obtained approval from the State Council securities supervisory and administrative authorities (including the CSRC). In addition, such transfer must have complied with the regulations, requirements and procedures prescribed by the relevant stock exchange. No approval of separate class meeting is required for the listing and trading of such transferred shares on an overseas stock exchange.

In this regard, if any holders of the Domestic Shares are to transfer their Domestic Shares to overseas investors for listing and trading on GEM, such transfer and conversion are subject to the approval of the State Council securities supervisory and administrative authorities (including the CSRC).

Based on the methodology and procedures for the transfer and conversion of the Domestic Shares into H Shares as disclosed below, the Company can apply for the listing of all or any portion of the Domestic Shares on GEM as H Shares in advance of any proposed transfer to ensure that the transfer process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the Company's H Share register. Any listing of additional Shares after the listing of the Company's H Shares on GEM is considered by the Stock Exchange to be a purely administrative matter. The relevant procedural requirements for the transfer and conversion of the Domestic Shares to H Shares are:

(1) holders of Domestic Shares obtain the requisite approval of CSRC or the authorised securities approving authorities of the State Council for the transfer of all or part of their Domestic Shares into H Shares;

(2) holders of Domestic Shares provide the Company a removal request in respect of a specified number of Shares together with the relevant documents of title;

(3) subject to obtaining the approval of the Board, the Company then issue a notice to its H share registrar with instructions that, with effect from a specified date, the H share registrar is to issue the relevant H Share certificates for such specified number of Shares to the holders of Domestic Shares;

(4) the specified number of Domestic Shares to be transferred to H Shares are then re-registered on the Company's H share register maintained in Hong Kong on condition that:

   (a) the Company's H share registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of the H share certificates; and

   (b) the admission of the H Shares (converted from Domestic Shares) to trade in Hong Kong will comply with the GEM Listing Rules and the general rules of CCASS and CCASS operational procedures in force from time to time;

(5) upon completion of the transfer and conversion, the shareholding of the relevant holders of Domestic Shares in the Company's domestic share register will be reduced by the number of Domestic Shares transferred and the number of H Shares in the Company's H share register will correspondingly increase by the same number; and

(6) the Company will comply with the GEM Listing Rules to inform the Shareholders and the public by way of an announcement not less than three days prior to the proposed effective date.

Save as mentioned above and the required approval for certain approvals affecting the Company, the notices and financial reports addressed to its shareholders, the resolution of disputes, the method of share registration and transfer for different parts of the register of members, and the appointment of receiving agent (all as provided for in the Articles of Association and summarised in Appendix V to this prospectus), Domestic Shares rank *pari passu* with H Shares, in particularly in the declaration, payment or distribution of dividends in full made after the date of this prospectus. Nevertheless, the transfer of Domestic Shares (including Domestic Shares held by the Directors, the Supervisors and the staff of the Company, if any) is subject to restrictions imposed by the PRC law from time to time. Domestic Shares have not been admitted for listing or dealing in any authorised trading facility such as the Securities Trading Automated Quotation System in the PRC.

Upon completion of the Placing, each of Teda Holding and TEDA Asset Company will be subject to the following regulatory transfer restrictions:

Under the Company Law, none of the Shares issued prior to the Placing may be transferred within a period of one year from the Listing Date. As all the existing Domestic Shares held by Teda Holding and TEDA Asset Company are issued prior to the Listing Date, none of them may dispose of its Domestic Shares within a period of one year from the Listing Date.

Each of Teda Holding and TEDA Asset Company, being the Initial Management Shareholders, has also undertaken to the Stock Exchange not to dispose of or agreeing to dispose of, or otherwise create or agree to create any options, rights, interests, or encumbrance in respect of, any of the Shares held by each of them for a period of 12 months from the Listing Date. Particulars of the undertakings are set out in the paragraph headed "Non-disposal undertakings" under the section headed "Substantial Shareholders, Initial Management Shareholders and significant Shareholders" in this prospectus.

TRANSFER OF STATE-OWNED SHARES

In accordance with the Provisional Administrative Measures for the Reduction of State-owned Shares and the relevant letter from the NSSF Council to the Company, Teda Holding and TEDA Asset Company are required to transfer to the NSSF Council such number of their Domestic Shares as in aggregate is equivalent to 10% of the number of the Placing Shares (8,860,000 Reduction Shares before the exercise of the Over-allotment Option, and an additional 1,329,000 Reduction Shares upon the exercise in full of the Over-allotment Option). At the time of the listing of the H Shares on GEM, such Domestic Shares will be converted into H Shares on one-for-one basis. These H Shares will not constitute any part of the Placing Shares. Neither Teda Holding, TEDA Asset Company nor the Company will receive any proceeds from the transfer by Teda Holding and TEDA Asset Company to the NSSF Council or any subsequent disposal of such Reduction Shares by the NSSF Council.

The transfer of state-owned shares by Teda Holding and TEDA Asset Company to the NSSF Council has been approved by SASAC on 22 October 2007. The conversion of those shares into H Shares has been approved by CSRC on 3 January 2008. The PRC legal advisers to the Company have advised the Company that both the transfer and the conversion, and the holding of Reduction Shares by the NSSF Council following such transfer and conversion, have been approved by the relevant PRC authorities and are legal under PRC laws, and the Reduction Shares held by NSSF Council upon completion of the Placing will not be subject to any lock-up restriction under the Company Law.

Minimum Public Float

Under the GEM Listing Rules, the minimum level of public float to be maintained by the Company at all times after listing is 25% of its share capital in issue from time to time, so long as no other securities (other than H Shares) have been issued by the Company to public.

In the event of any such issue of securities (other than H Shares) to the public, then (i) 100% of such H Shares must be held by the public; (ii) the percentage of H Shares in public hands shall not be less than 10% of the Company's total issued share capital; and (iii) the minimum level of public float of the aggregate of H Shares in issue and such other securities to be issued to the public shall remain at 25% of the Company's then total issued share capital. In accordance with Note 2(d) to Rule 11.23 of the GEM Listing Rules, no employees of the Company or its subsidiaries or an associate of such employee shall at the time of listing be regarded as members of the public.

Immediately upon completion of the Placing and assuming the Over-allotment Option is not exercised, approximately 27.56% of the Company's then total issued share capital will be in public hands. In the effect that the Over-allotment Option is exercised in full, approximately 30.54% of the Company's then total issued share capital will be in public hands. The Company will comply with the minimum public float requirements under the GEM Listing Rules upon the Listing.

The Company has been carrying on its business by itself and through its subsidiaries (which has the meaning ascribed to it under the GEM Listing Rules) and Jointly-controlled Entities. In this prospectus, all references to the "Group" includes the Company and its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of these subsidiaries, the present subsidiaries of the Company (which, for the avoidance of doubt, include Tianjin Alps Teda Logistics which is considered as a subsidiary of the Company under the GEM Listing Rules), whereas all references to the "Binhai Logistics Group" include the Group and the Jointly-controlled Entities (which, for the avoidance of doubt, include Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics).

Please note that the Group recognised its interests in the Jointly-controlled Entities using proportionate consolidation, and its share of each of the Jointly-controlled Entities assets, liabilities, income and expenses are combined with the Group's similar items, line by line, in the consolidated financial statements, as such, in this prospectus, unless otherwise specified, all references to revenues, profits and other financial information of the Group include those of the Jointly-controlled Entities to the extent that such information has been proportionately consolidated or otherwise reflected in the accountants' report on the Group set out in appendix I to this prospectus. It should be noted that the Company and its subsidiaries hold only up to 50% equity interest in the Jointly-controlled Entities, or hold more than 50% equity interest but do not unilaterally control the Jointly-controlled Entities.

TRADING RECORD

The following is a summary of the consolidated audited results of the Group for each of the three years ended 31 December 2007. The summary is prepared on the assumption that the current structure of the Group had been in place throughout the period under review. The summary should be read in conjunction with the accountants' report as set out in Appendix I to this prospectus and the discussion under the paragraph headed "Management discussion and analysis" below.

Consolidated income statements

		Year ended 31 December		
		2005	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*1*	496,666	709,940	949,609
Cost of sales		(439,125)	(594,502)	(800,570)
Gross profit		57,541	115,438	149,039
Other income		2,229	1,841	9,734
Administrative expenses		(15,393)	(26,820)	(38,734)
Share of results of associates		–	1,170	1,152
Finance costs		(2,024)	(1,323)	(748)
Profit before taxation		42,353	90,306	120,443
Taxation		(6,442)	(16,927)	(19,907)
Profit for the year		35,911	73,379	100,536

		Year ended 31 December		
		2005	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Attributable to:				
Equity holders of the Company		28,714	47,578	64,371
Minority interests		7,197	25,801	36,165
		35,911	73,379	100,536
Dividends/distribution	*2*	12,140	14,933	14,947
Earnings per share – basic	*3*	0.19	0.20	0.24

Notes:

1. Turnover represents the net amounts received and receivable for the logistics and supply chain solutions: (a) logistics and supply chain management services; (b) procurement services for resins and electronic production materials; and (c) steel procurement services provided by the Group to outside customers during the Track Record Period.

2. The amounts represent the dividend/distribution by the Company, one of the Company's subsidiaries and the Jointly-controlled Entity during the Track Record Period.

3. The calculation of the basic earning per share for each of the three years ended 31 December 2007 is presented for information only and is based on the profit for the year attributable to the equity holders of the Company during the respective periods and the weighted average number of 148,885,000, 238,724,000 and 265,000,000 Shares for respective year and on the assumption that the Reorganisation had been effective since 1 January 2005.

The above consolidated audited results of the Group comprise of the results of the Company's Jointly-controlled Entities, namely, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics, using proportionate consolidation in the accountants' report as set out in appendix I to this prospectus, and the Group's share of each of these Jointly-controlled Entities' assets, liabilities, income and expenses have been combined with that of similar items of the Group (excluding Tianjin Alps Teda Logistics), line by line, in the consolidated financial statements. Summary of the respective contributions attributable to the Company and its subsidiaries (excluding Tianjin Alps Teda Logistics) and the Jointly-controlled Entities (before intercompany elimination) to several key items of the Group's consolidated results during each of the three years ended 31 December 2007 is set out below:

	Year ended 31 December					
	2005		**2006**		**2007**	
	Company, its subsidiaries and associates *RMB'000*	**Jointly controlled entities** *RMB'000*	**Company, its subsidiaries and associates** *RMB'000*	**Jointly controlled entities** *RMB'000*	**Company, its subsidiaries and associates** *RMB'000*	**Jointly controlled entities** *RMB'000*
Turnover	307,687	189,002	512,628	197,328	737,288	212,354
Gross profit *(Note)*	22,657	34,884	77,703	37,735	108,383	40,656
Administrative expenses	6,032	9,361	14,403	12,417	23,251	15,484
Profit before taxation	15,273	27,080	65,070	25,236	95,091	25,351
Profit for the year	13,896	22,015	53,171	20,208	80,727	19,808
Profit attributable to equity holders of the Company by:						
Tianjin Alps Teda Logistics	–	20,183	–	19,084	–	18,495
Dalian Alps Teda Logistics	–	1,832	–	1,124	–	1,313

Note: *During the Track Record Period, the gross profit contributed by the Company, its subsidiaries and associates was primarily derived from its logistics and supply chain solutions for customers in the automobile and car component sector while that contributed by the Jointly-controlled Entities was primarily derived from its logistics and supply chain solutions for customers in the electronic component sector. As the logistics and supply chain solutions for electronic component sector involve more comprehensive and sophisticated services including procurement services, precise warehousing, pre-production management and processing as well as air freight forwarding agency services, the gross profit margin charged by the Jointly-controlled Entities was generally higher than that charged by the Company, its subsidiaries and associates during the Track Record Period.*

Consolidated balance sheets

	The Group As at 31 December 2005 *RMB'000*	2006 *RMB'000*	2007 *RMB'000*
Non-current assets			
Property, plant and equipment	101,428	182,699	194,364
Land use rights	56,079	54,860	64,689
Deposit paid for acquisition of property, plant and equipment	–	1,015	187
Deposit paid for acquisition of land use rights	–	–	11,829
Interests in associates	–	3,790	11,942
Goodwill	–	105	105
	157,507	242,469	283,116
Current assets			
Inventories	8,100	12,953	68,130
Trade and other receivables	99,387	120,113	214,823
Land use rights	1,332	1,335	1,449
Amounts due from related parties	34	55	19
Tax recoverable	2,054	–	–
Bank balances and cash	75,879	89,487	179,671
	186,786	223,943	464,092
Current liabilities			
Trade and other payables	69,505	91,359	246,094
Amounts due to related parties	–	42,553	40,044
Amounts due to a minority shareholder of a subsidiary	–	–	2,393
Dividend payable	5,380	3,669	28,119
Taxation payable	1,799	5,337	10,082
Bank borrowings	42,412	5,857	26,113
	119,096	148,775	352,845
Net current assets	67,690	75,168	111,247
	225,197	317,637	394,363
Capital and reserves			
Share capital	–	265,000	265,000
Reserves	183,135	(9,338)	40,086
Attributable to equity holders of the Company	183,135	255,662	305,086
Minority interests	42,062	61,975	83,537
	225,197	317,637	388,623
Non-current liabilities			
Deferred Income	–	–	5,740
	225,197	317,637	394,363

Summary of the respective attribution from the Company and its subsidiaries (excluding Tianjin Alps Teda Logistics) and the Jointly-controlled Entities (before intercompany elimiation) to the several key items of the Group's consolidated balance sheet as at 31 December 2005, 2006 and 2007 is set out below:

	As at 31 December					
	2005		2006		2007	
	Company, its subsidiaries and associates *(RMB'000)*	**Jointly-controlled entities** *(RMB'000)*	**Company, its subsidiaries and associates** *(RMB'000)*	**Jointly-controlled entities** *(RMB'000)*	**Company, its subsidiaries and associates** *(RMB'000)*	**Jointly-controlled entities** *(RMB'000)*
Property, plant and equipment	84,750	16,678	164,381	18,318	176,077	18,287
Non-current assets	**136,882**	**20,625**	**220,207**	**22,262**	**261,003**	**22,113**
Trade, bills and other receivables	63,075	36,312	78,427	41,686	167,133	47,690
Bank balances and cash	41,448	34,431	50,514	38,973	135,912	43,759
Current assets	**107,163**	**79,630**	**130,210**	**93,735**	**363,911**	**100,194**
Trade, bills and other payables	48,040	21,465	60,080	31,279	215,726	30,368
Bank borrowings	29,500	12,912	–	5,857	21,000	5,113
Current liabilities	**82,920**	**36,180**	**109,112**	**39,665**	**313,811**	**39,048**

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Binhai Logistics Group is principally engaged in provision of comprehensive logistics and supply chain solutions and procurement services. By capturing the business opportunities arising from the increasing merchandise flows in midst of the economic development in China, the Group experienced substantial growth both in turnover and profitability during the Track Record Period. The Group's turnover increased by approximately 42.9% from approximately RMB496,666,000 for the year ended 31 December 2005 to approximately RMB709,940,000 for the year ended 31 December 2006, and increased by approximately 33.8% from approximately RMB709,940,000 for the year ended 31 December 2006 to approximately RMB949,609,000 for the year ended 31 December 2007. The Group's net profit attributable to equity holders of the Company increased by approximately 65.7% to approximately RMB47,578,000 in 2006 from approximately RMB28,714,000 in 2005 while net profit margin improved to 6.7% in 2006 from 5.8% in 2005. The Group's net profit attributable to equity holders of the Company increased by approximately 35.3% to approximately RMB64,371,000 for the year ended 31 December 2007 from approximately RMB47,578,000 for the corresponding period in 2006 while the net profit margin was slightly improved to approximately 6.8% for the year ended 31 December 2007 from approximately 6.7% for the corresponding period in 2006.

Variability of performance

With its well-established customer base and expertise and experience in logistics services accumulated in the PRC, Binhai Logistics Group aims to further improve its future profitability by introducing logistics solutions to a wide spectrum of industries and enhancing its value-added services. Through diversifying its service offerings, Binhai Logistics Group intends to enlarge its customer base. Save for the master agreements entered into by the Group with each of Alps Logistics and Toyota Tsusho to govern the Group's continuing connected transactions for the three full financial years after listing in compliance with Chapter 20 of the GEM Listing Rules and a service contract entered into with one of the top five customers, being one of the members of the Toyota Group, for the provision of logistics and supply chain solutions in respect of car components, for a term of six years, the Group does not normally enter into long term contracts with its customers. For the above reasons and other factors as described in the paragraph headed "Major factors affecting the performance of Binhai Logistics Group" below, the Group's past performance may not be indicative of the Group's future performance.

Revenue model

The service fees received by Binhai Logistics Group for its provision of the logistics and supply chain solutions are calculated by reference to the services specified by the customers including the nature, quantities and weight of the products to be delivered and handled, area and time for storage, pre-production processing and packaging cost, fees for customs clearance, the time and human resources required, the distance of freight forwarding services required, complexity of the supply chain and/or logistics services involved.

In respect of the procurement services for resins and electronic production materials, Binhai Logistics Group charges its customers mainly by reference to the selling price of production materials to be agreed between the parties on a case by case basis.

In respect of the steel procurement services, Binhai Logistics Group charges its customers the agreed price comprising the estimated purchase cost and related services fee in respect of such other logistics and supply chain solution services.

Major factors affecting the performance of Binhai Logistics Group

Binhai Logistics Group's business, financial position and results of operations, as well as the period-to-period comparability of the results of operations, are significantly affected by the following factors:

PRC's automobile and electronic industry

Binhai Logistics Group's logistics services mainly targeted at the automobile and electronic sectors. The development of the automobile and electronic industry in China will affect, to a significant extent, Binhai Logistics Group's business and profitability. The prospect of China's automobile and electronic industry in turn depends on a number of factors such as state's policies for automobiles and electronic products industries, availability of consumer credit for cars or electronic products purchases and the macro-economic environment which may impact on consumer demands. Any cyclical downturn in the automobile or electronic sector in China will adversely affect the demand for the logistics services of the Group.

Binhai Logistics Group's business had during the Track Record Period benefited significantly from the economic growth in the PRC. To cope with the demands of continued economic growth, the PRC government has earmarked the liberalisation of the logistics industry in its 11th Five-year Plan, which covers the period from 2006 to 2010. Binhai Logistics Group aims to take advantage of the infrastructural and economic developments in Tianjin to enhance the breadth of its logistic services and to expand its customer base. If Binhai Logistics Group fails to open up new markets for its services, its turnover and profitability would decline.

Continuation of business relationship with major customers

Binhai Logistics Group's performance in the future will be adversely affected if its business relationships with Toyota Group and Alps Group cease. The electronic and automobile logistics sectors are highly specialised, and Binhai Logistics Group has developed appropriate technology support and expertise in delivering logistics services tailored to the logistics characteristics of car and electronic manufacturers. Nevertheless, any cessation of business relationship with Toyota Group and Alps Group or any decrease in orders from them will affect the Group's performance.

Pricing policy

Binhai Logistics Group's pricing is determined by reference to the nature of services required by the customers. Market forces of supply and demand will, however, influence the pricing policy of the Group's services. While the Group has entered into master agreements with each of Alps Logistics and Toyota Tsusho to govern the Group's continuing connected transactions each of them and their respective associates for the period up to 31 December 2010 in compliance with the GEM Listing Rules, these agreements are framework agreements and do not specify the minimum volume of services required to be provided by the Group nor the actual prices for the services. The actual prices charged by Binhai Logistics Group will be determined when the exact scope of services required is known. Save for the said master agreements and a service contract entered into with one of the top five customers, being one of the members of Toyota Group, for the provision of logistics and supply chain solutions in respect of car components, for a term of six years, the Group also does not enter into any long term contracts with its customers for its services to them. Competition in the market will affect Binhai Logistics Group's pricing policy.

Cost of sales

The Group's costs of sales principally comprise operation staff costs, costs of subcontractors and depreciation of property, plant and equipment.

During the Track Record Period, the costs of subcontractors accounted for the majority of the total costs of sales of the Group. Save for Alps Services Purchase Agreement and Dalian Alps Services Purchase Agreement as referred to in the sub-section headed "Continuing Connected Transactions" in the section headed "Business" in this prospectus, the Group does not enter into any long-term contracts with any of the third party subcontractors for any services from them and any increase in the costs of their services may impact on Binhai Logistics Group's profitability.

SIGNIFICANT ACCOUNTING POLICIES

Accounting estimates are an integral part of the financial statements prepared by the management and are based upon the management's then current judgments. A summary of the significant accounting policies used in the preparation of such financial statements is set forth in note 3, "Significant Accounting Policies" in the accountants' report set out in appendix I to this prospectus.

CRITICAL ACCOUNTING POLICY

In the process of applying the Group's accounting policies, management makes various estimates and judgments (other than those involving estimates) based on past experience, expectations of the future and other information. The key source of estimation uncertainty and the critical judgment that can significantly affect the amounts recognised in the financial information is disclosed below.

Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying amounts of trade and other receivables and doubtful debts expenses in the year in which such estimate is changed.

In general, the management of Binhai Logistics Group conducts review over the trade receivables from time to time and provision will be made for any bad and doubtful debt identified on case-by-case basis. During the Track Record Period, allowance for bad and doubtful debt had been made at a level from approximately 0.1% to approximately 0.4% of the trade receivables.

The trade receivables of nil, RMB120,000 and RMB569,000 were impaired and provided for as at 31 December 2005, 2006 and 2007, respectively.

Financial overview

Turnover

The table below presents the breakdown of revenue by business segments for the periods indicated.

	Year ended 31 December					
	2005		2006		2007	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Logistics and supply chain solutions	449,682	90.5	659,541	92.9	853,999	89.9
Procurement services for resins and electronics production materials	46,984	9.5	50,399	7.1	64,567	6.8
Steel procurement services	–	–	–	–	31,043	3.3
Total	496,666	100	709,940	100	949,609	100

During the Track Record Period, the Group recorded strong growth in terms of the revenue derived from the logistics and supply chain solutions which was primarily attributable to the increase in the business volume of logistics services for automobiles and car components handled by the Group during the period. The Group had a moderate growth in the turnover derived from the procurement services for resins and electronics production materials from 2005 to 2006, which was primarily due to the increase in business volume with some of the existing major customers during the period. There was a notable growth in terms of turnover derived from the procurement services for resins and electronic production materials of approximately 28.1% from RMB50,399,000 in 2006 to RMB64,567,000 in 2007, which was primarily due to the increase in business volume of an existing major customer during the year. In July 2007, the Group commenced its steel procurement business and generated revenue therefrom of approximately RMB31,043,000 during the year. Logistics and supply chain solutions encompass the process of the planning and the management of movement and storage of raw materials/products, which may involve the processes of customs declaration, inbound and outbound inventory management and arranging delivery of the materials. As part of the supply chain solutions, Binhai Logistics Group also provides procurement services for its customers by sourcing certain types of production materials so as to lower the cashflow requirements at the pre-production stage, as the customers will only be required to pay the purchase price of the production materials upon taking delivery of the materials required or upon expiry of the applicable credit period for the procurement services for resins, electronic production materials and steel. Please refer to the sub-section headed "Business of Binhai Logistics Group" under the section headed "Business" in this prospectus for further details.

Gross profit margin

The table below presents the breakdown of gross profit margin by business segments for the periods indicated.

	Year ended 31 December		
	2005	**2006**	**2007**
	%	%	%
Logistics and supply chain solutions	12.3	17.2	17.1
Procurement services for resins and electronics production materials	5.2	4.1	4.0
Steel procurement services	–	–	(0.1)
Overall gross profit margin	11.6	16.3	15.7

For the year ended 31 December 2006, the overall gross profit margin of the Group increased to approximately 16.3% from approximately 11.6% in 2005. The improvement in the overall gross profit margin was mainly due to the significant growth in demand for the logistics and supply chain solutions for automobiles and car components, the gross profit margin of which was improving during the period due to the increase in the number of imported automobiles handled by the Group, the gross profit margin of which was higher than that for domestic automobiles. The overall gross profit margin of the Group slightly declined to approximately 15.7% in 2007 from approximately 16.3% in 2006. This was primarily resulted from the gross loss from the steel procurement services of the Group as the operating expenses incurred was relatively high at the commencement of such new services.

The gross profit margin of the Group's logistics and supply chain solutions was improved from approximately 12.3% in 2005 to approximately 17.2% in 2006, which was due to the significant growth in demand for the logistics and supply chain solutions for automobiles and car components. In particular, Binhai Logistics Group recorded a notable increase in the number of the imported automobiles handled from approximately 4,900 in 2005 to approximately 26,000 in 2006. The gross profit margin of the logistics and supply chain solutions remained relatively stable at approximately 17.2% in 2006 and approximately 17.1% in 2007. The gross profit margin of the procurement services for resins and electronic production materials decreased from approximately 5.2% in 2005 to approximately 4.1% in 2006, which was primarily due to a higher rate of increase in the cost of sales associated with the increase in wages for operating staff of Dalian Alps Teda Logistics during the year. The gross profit margin of the procurement services for resins and electronic production materials remained stable for the year 2007.

The Group generally charges higher fees for its comprehensive logistics and supply chain solutions which involve the application of logistics expertise and techniques which are more sophisticated in nature than that for the procurement services for resins, electronic production materials and steel. Thus the gross profit margin of logistics and supply chain solutions was higher than that of the procurement services for resins, electronic production materials and steel during the Track Record Period.

Other income

For each of the three years ended 31 December 2007, other income generated by the Group was approximately RMB2,229,000, RMB1,841,000 and RMB9,734,000, respectively. Other income primarily includes the interest income from the bank deposits, subsidies and awards from local government authorities for the Group's contribution to the development of the local economics and compensation income received from the insurance company arising from the accident involving deformation of cartons. The government grants are generally non-recurring in nature.

Administrative expenses

For each of the three years ended 31 December 2007, the administrative expenses were approximately RMB15,393,000, RMB26,820,000 and RMB38,734,000 respectively, which represented approximately 3.1%, 3.8% and 4.1% of the Group's turnover for the respective period. The Group's administration expenses and other expenses primarily consists of the salaries for the administrative personnel, staff welfare, depreciation, office expenses and other expenses for general and administrative purposes.

No emolument was paid to Mr. Zhang Jian and Mr. Sun Quan, being the directors of the subsidiaries and the Jointly-controlled Entity of the Company, during the year ended 31 December 2005. As the Reorganisation had not taken place during the year and these companies were then held by, among others, Teda Holding instead of the Company, the then salaries and other emoluments of Mr. Zhang Jian and Mr. Sun Quan had been paid by Teda Holding instead of the Company's subsidiaries or Jointly-controlled Entities given that they were nominated as directors by Teda Holding. Since the completion of the Reorganisation in 2006, these subsidiaries and Jointly-controlled Entity had been reorganised under the Company for the purpose of Listing and the salaries and other emoluments of Mr. Zhang Jian and Mr. Sun Quan in respect of their executive roles in the Company, its subsidiaries and Jointly-controlled Entity have been paid by the Group directly since then to ensure its financial independence from the Shareholders.

Finance costs

As the Group has not relied heavily on external borrowing during the Track Record Period, the Group's finance costs have been maintained at a relatively low level, which were entirely the interest expenses for the bank borrowings. For each of the three years ended 31 December 2007, the finance costs of the Group amounted to RMB2,024,000, RMB1,323,000 and RMB748,000 respectively.

Taxation expenses

Since Binhai Logistics Group's operations are in the PRC, it is subject only to the PRC enterprise income tax during the Track Record Period.

For each of the three years ended 31 December 2007, the enterprise income tax paid by the Group was approximately RMB6,442,000, RMB16,927,000 and RMB19,907,000, respectively.

Under the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (中國外商投資企業和外國企業所得稅法) and the implementation rules thereof, both of which were abolished with effect from 1 January 2008, foreign invested enterprises in the PRC which is engaged in the manufacturing business for a term of operation of more than ten years were entitled to an exemption from the PRC income tax for a period of two years commencing from the first profit-making year of operation and would be entitled to a 50% tax relief on the applicable income tax rate for a period for three years thereafter, and any such foreign invested enterprises established in economic and technological development zones in the PRC were subject to PRC enterprises income tax at a preferential tax rate of 15%.

According to the "Approval on the reduction of income tax to be paid by Tianjin Fengtian Logistics" (Jin Guo Shui Jing (2005) No.65) issued by TEDA Tax Bureau on 19 August 2005, Tianjin Fengtian Logistics was recognised as a manufacturing enterprise since 2005 and was entitled to preferential tax policy. Tianjin Fengtian Logistics' first profit-making year was 2001, and it was entitled to a tax rate of 7.5% in 2005 as its third year of 50% relief, and was simultaneously entitled to exemption from regional income tax during its period of operation. Since 2006, Tianjin Fengtian Logistics was subject to the enterprise income tax rate of 15%.

According to the "Approval on the reduction of income tax to be paid by Tianjin Alps Teda Logistics" (Jin Guo Shui Jing (2005) No.55) by TEDA Tax Bureau on 19 August 2005, Tianjin Alps Teda Logistics was recognised as a manufacturing enterprise since 2005, and it has been entitled to a tax rate of 15% since 2005, and was simultaneously entitled to exemption from regional income tax during its period of operation.

Dalian Alps Teda Logistics is a foreign investment enterprise and was subject to income tax rate of 33% during the Track Record Period. According to the "Regulation of Encouraging Foreign Investment" (Da Zheng Fa (2000) No.21) issued by the local government of Dalian, it was exempted from the 3% regional income tax.

The other members of the Group were subject to the enterprise income tax levied at a rate of 33% of the taxable income determined in accordance with the relevant laws and regulations in the PRC for the Track Record Period, or as the case may be, from the relevant date of the establishment up to the Track Record Period.

The table below sets out the then prevailing tax rate applicable to each of the major operating subsidiaries and Jointly-controlled Entities of the Group during the Track Record Period:

Name of major operating subsidiary/ Jointly-controlled Entity	**2005**	**2006**	**2007**
TBW	33%	33%	33%
Tianjin Fengtian Logistics	7.5%	15%	15%
Tianjin Alps Teda Logistics	15%	15%	15%
Dalian Alps Teda Logistics	30%	30%	30%

For the year ended 31 December 2005 and 2006, the Group's effective tax rate was 15.2% and 18.7% respectively. The increase in the effective tax rate in 2006 was mainly attributable to the lapse of the 50% tax relief concession in respect of Tianjin Fengtian Logistics, a major operating subsidiary of the Company during the year. The effective tax rate of the Group decreased to 16.5% for the year 2007 from 18.7% for the year 2006 was mainly due to the utilisation of tax losses which were not recognised in the previous years by TBW, the Company and Yuan Da Logistics. As some members of the Group were entitled to preferential tax rate or tax relief concession during the Track Record Period, the Group's overall effective tax rate was therefore lower than the standard PRC enterprise income tax rate of 33% during the relevant periods.

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) promulgated by the People's Congress on 16 March 2007 which becomes effective on 1 January 2008, other than any preferential treatment available under PRC laws and regulations, both domestic enterprises and foreign investment enterprises are subject to a uniform enterprise income tax rate of 25%. As advised by the Company's PRC legal advisers, Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics, which are enterprises established prior to the promulgation of the new PRC Enterprise Income Tax Law having been entitled to a preferential tax rate in accordance with the then tax law or administrative regulations, there will be a transition period for the existing preferential tax rate during the five years after 1 January 2008 until the applicable enterprise income tax rate therefor is unified at 25% in accordance with such implementation regulations promulgated by the PRC State Council. It is expected that the Group's tax payment will increase in 2008 and will further increase following the expiry of the above preferential tax treatment currently enjoyed by the relevant members of the Group. Please refer to note 10 to the accountants' report set out in appendix I for further details.

COMPARISON OF OPERATING RESULTS

Comparison of results for each of the two years ended 31 December 2005 and 2006

Turnover

Turnover of the Group increased by approximately 42.9% from RMB496,666,000 in 2005 to RMB709,940,000 in 2006. The following table sets out the turnover of the Group by business segments in 2005 and 2006:

	Year ended 31 December		
	2005	**2006**	**Change**
	RMB'000	*RMB'000*	%
Logistics and supply chain solutions	449,682	659,541	46.7
Procurement services for resins and electronic production materials	46,984	50,399	7.3
Steel procurement services	–	–	–
	496,666	709,940	42.9

In 2005 and 2006, a significant portion of the Group's revenue was derived from the logistics and supply chain solutions. The Group recorded a significant growth of turnover in 2006 was mainly because of increase in turnover from logistics and supply chain solutions of 46.7% from approximately RMB449,682,000 for the year ended 31 December 2005 to RMB659,541,000 for the year ended 31 December 2006. The significant growth in turnover from logistics and supply chain solutions was mainly contributed by the increase in demand for logistics and supply chain solutions for automobiles driven by the rise in the national sales volume of automobiles in the PRC, the introduction of a new major customer which contributed to the growth in the logistics business for imported automobiles and the increase in business volume with an existing customer for domestic automobiles. As a result, the number of the imported and domestic automobiles handled by Teda Lopistics Group recorded an increase from over 128,000 vehicles in 2005 to over 220,000 vehicles in 2006. Turnover of the Group from the procurement services for resins and electronic production materials increased moderately by 7.3% to approximately RMB50,399,000 in 2006 from approximately RMB46,984,000 in 2005. Such increase was mainly as a result of the increase in business volume with some of the existing major customers during the period.

Cost of sales and gross profit margin

Cost of sales in 2006 increased substantially by approximately 35.4% to RMB594,502,000 in 2006 from RMB439,125,000 in 2005 as a result of the Group's significant growth in turnover for the same period. Rate of increase in cost of sales for the logistics and supply chain solutions and procurement services for resins and electronic production materials in 2006 were 38.4% and 8.4% respectively.

The following table sets out the cost of sales of the Group by business segments in 2005 and 2006:

	Year ended 31 December		
	2005	**2006**	**Change**
	RMB'000	*RMB'000*	*%*
Logistics and supply chain solutions	394,561	546,194	38.4
Procurement services for resins and electronic production materials	44,564	48,308	8.4
Steel procurement services	–	–	–
	439,125	594,502	35.4

The increase in the cost of sales of each of the logistics and supply chain solutions and the procurement services for resins and electronic production materials of the Group in 2006 was generally in line with the growth of turnover in the relevant segment. In 2006, the gross profit margin of the logistics and supply chain solutions increased from 12.3% in 2005 to 17.2% in 2006, which was due to the significant growth in demand for the logistics and supply chain solutions for automobiles and car components. In particular, Binhai Logistics Group recorded a notable increase in the number of the imported automobiles handled from approximately 4,900 in 2005 to approximately 26,000 in 2006, the gross profit margin of which was higher of approximately 28.5% as compared to that of domestic automobiles of approximately 4.5% in 2006. The revenue of the Group generated from the logistics and supply chain solutions for the imported and domestic automobiles amounted to approximately RMB19,094,000 and RMB173,330,000 in 2005 and approximately RMB139,193,000 and RMB179,295,000 in 2006, respectively.

Binhai Logistics Group generally charges higher fees for its services for imported automobiles, such as Lexus, which are considered as luxurious commodities and the degree of complexity in the logistics and supply chain management is higher by involving additional services, such as customs declaration and clearance. The improvement in the gross profit margin of the logistics and supply chain solutions uplifted the Group's overall gross profit margin from 11.6% in 2005 to 16.3% in 2006.

The gross profit margin of the procurement services for resins and electronic production materials decreased from approximately 5.2% in 2005 to approximately 4.1% in 2006, which is primarily due to higher rate of increase in cost of sales during the year. The cost of sale for procurement services for resins and electronic production materials increased by approximately 8.4% and it was mainly attributable to the increase in wages for operating staff of Dalian Alps Teda Logistics during the year.

Other income

Other income decreased by 17.4% from approximately RMB2,229,000 in 2005 to RMB1,841,000 in 2006, which was primarily due to the higher interest income from bank deposits, which was partially offset by the decrease in subsidy income. In 2005, Tianjin Alps Teda Logistics received subsidy in the amount of approximately RMB1,604,000 from the TEDA Financial Bureau as the 50% tax rebate in respect of corporate income tax paid in 2003 and 2004. Pursuant to Interim Regulations on the Encouragement of Investment and Development by Tertiary Industries in TEDA (天津經濟技術開發區鼓勵第三產業投資和發展的暫行規定), logistics enterprises governed by TEDA Administrative Commission can enjoy 100% financial support by receiving the portion of the corporate income tax levied and retained by TEDA for a period of two years commencing from the first profit-making year of operation; and is entitled to 50% financial support for a period of six years thereafter. Such interim regulations has been abolished in August 2006. Tianjin Alps Teda Logistics was no longer entitled to benefit such local government subsidy policy in 2006, nor was any other member of Binhai Logistics Group eligible to enjoy such subsidy policy during the Track Record Period. In 2006, the Group's subsidy income was primarily attributable to the 50% tax rebate from 上海市徐匯區招商中心漕河涇分中心 in respect of the tax paid by the Shanghai branch of Tianjin Fengtian Logistics in accordance with Introduction of Enterprises Award Agreement (引進企業獎勵協議書) signed between them on 17 November 2005. In 2006, the Group recorded compensation income in the amount of approximately RMB476,000, principally being the compensation paid by insurance company arising from deformation of cartons of Binhai Logistics Group.

Administrative expenses

Administrative expenses increased by approximately 74.2% to RMB26,820,000 in 2006 from RMB15,393,000 in 2005. Such increase was mainly attributable to the increase in the staff salaries and the staff welfare and benefits as the head count increased from 69 in 2005 to 96 in 2006 and the increase in office expenses. The increase in professional fees of approximately RMB2.6 million incurred in respect of the Reorganisation during the year also contributed to the increase in the administrative expenses in 2006. The professional fees mainly included legal and financial advisory and audit fees.

Finance costs

In the light of positive cashflow generated from the Group's operating activities, the increase in capital contribution from the then shareholders of the Group, the unsecured, non-interest bearing loan of RMB40,000,000 from TEDA Administrative Commission in 2006, the Group did not heavily rely on bank borrowing to support its operations. All of the Group's finance costs in 2005 and 2006 were attributable to the interest on the bank borrowings. The finance costs of the Group decreased by approximately 34.6% from RMB2,024,000 in 2005 to RMB1,323,000 in 2006.

Taxation expenses

The income tax expense increased by approximately 162.8% to RMB16,927,000 in 2006 from RMB6,442,000 in 2005. The increase was primarily due to the increase in taxable profit of the Group and the lapse of the 50% relief tax concession with respect to Tianjin Fengtian Logistics, which resulted in higher tax expenses in 2006.

Net profit attributable to the equity holders of the Company

As a result of the growth in the turnover and the improvement in the overall net profit margin of the Group, the net profit attributable to the equity holders of the Company in 2006 reached RMB47,578,000, representing an increase of approximately 65.7% from that of 2005. In 2006, the net profit margin of the Group increased to approximately 6.7% from approximately 5.8% in 2005. The increase was primarily due to the improvement in the overall gross profit margin, the decrease in finance costs incurred as a result of bank borrowing and the share of profits from Tianjin Port Automobile Logistics, which was established during the year.

Liquidity, gearing and interest coverage

The Group maintained a relatively strong liquidity position in 2005 and 2006. As at 31 December 2005 and 2006, the Group's cash and bank balances were RMB75,879,000 and RMB89,487,000 respectively.

The Group's gearing ratio calculated based on total debt to total assets was slightly improved from approximately 12.3% as at the end of 2005 to approximately 10.4% as at the end of 2006. Interest coverage during 2006 was 69.3 times (2005: 21.9 times) strong capability to serve the Group's debt.

Comparison of results for each of the two years ended 31 December 2006 and 2007

Turnover

The turnover of the Group increased by approximately 33.8% from RMB709,940,000 for the year 2006 to RMB949,609,000 for the year 2007. The following table sets out the turnover of the Group by business segments for each of the two years ended 31 December 2006 and 2007:

	Year ended 31 December		
	2006	**2007**	**Change**
	RMB'000	*RMB'000*	%
Logistics and supply chain solutions	659,541	853,999	29.5
Procurement services for resins and electronic production materials	50,399	64,567	28.1
Steel procurement services	–	31,043	–
	709,940	949,609	33.8

The reason for the increase in turnover of the Group for the year 2007 as compared to that of 2006 was mainly due to the introduction of a new customer, being a member of Toyota Group, which contributed notable growth in the Group's revenue of approximately RMB162,457,000 in 2007 for domestic and imported automobiles and car components. For the year 2007, the number of the imported automobiles handled by Binhai Logistics Group increased from over 26,000 vehicles for the year 2006 to over 49,000 vehicles for the year 2007. The number of the domestic automobiles handled by Binhai Logistics Group has been increased from over 193,000 vehicles for the year 2006 to over 278,000 vehicles for the year 2007. The revenue of the Group generated from the logistics and supply chain solutions for the imported and domestic automobiles amounted to approximately RMB229,935,000 and RMB213,798,000 for the year 2007, respectively. The gross profit margin of the logistics services for imported automobiles was approximately 26.4% which was higher than that of approximately 3.6% for domestic automobiles in 2007.

There was a notable growth in terms of turnover derived from the procurement services for resins and electronic production materials of approximately 28.1% from RMB50,399,000 in 2006 to RMB 64,567,000 in 2007, which was primarily due to the increase in business volume of an existing major customer during the year. In July 2007, the Group commenced its steel procurement business and generated revenue therefrom of approximately RMB31,043,000 during the year.

The two high-ended warehouses with an aggregate gross floor area of 21,951.95 sq. m. in Tianjin Binhai New Area which complied with high warehouse standards commenced operation in the second half of 2006 and became fully operational in 2007 also contributed to the increase in turnover of the Group during the period. Such warehouses are constructed by reference to certain building structural standards and lighting standards required by its customers, such as the exterior entrances are provided with flood lighting sufficient to recreate daylight conditions and sophisticated warehouse management system like Exceed WMS is installed, whereas other warehouses owned and leased by Binhai Logistics Group are generally not built by reference to such standard.

Cost of sales and gross profit margin

Cost of sales increased by approximately 34.7% to RMB800,570,000 for the year 2007 from RMB594,502,000 for the year 2006. Rate of increase in cost of sales for logistics and supply chain solutions and procurement services for resins and electronic production materials for the year ended 31 December 2007 were 29.5% and 28.3% respectively.

The following table sets out the cost of sales of the Group by business segments for each of the two years ended 31 December 2006 and 2007:

	Year ended 31 December		
	2006	**2007**	**Change**
	RMB'000	*RMB'000*	%
Logistics and supply chain solutions	546,194	707,546	29.5
Procurement services for resins and electronic production materials	48,308	61,964	28.3
Steel procurement services	–	31,060	–
	594,502	800,570	34.7

The increase in the cost of sales of each of the logistics and supply chain solutions and the procurement services for resins and electronic production materials of the Group in 2007 was generally in line with the respective growth of turnover in the relevant segment. The gross profit margin of the logistics and supply chain solutions remained relatively stable, at approximately 17.2% for the year 2006 and approximately 17.1% for the year 2007. The gross profit margin of procurement services for resins and electronic production materials was 4.0% and remained stable for the year 2007 (2006: 4.1%). The overall gross profit margin of the Group slightly declined to approximately 15.7% in 2007 from approximately 16.3% in 2006. This was primarily resulted from the gross loss from the steel procurement services of the Group as the operating expenses incurred was relatively high at the commencement of such new services.

Other income

Other income of the Group increased significantly by approximately 428.7% to approximately RMB9,734,000 for the year 2007 from approximately RMB1,841,000 for the year 2006. In 2006, the Group recorded compensation income in the amount of approximately RMB476,000 which was mainly attributable to the compensation received from the insurance company in respect of an incident involving deformation of cartons. In 2007, the Company obtained a government grant amounted to RMB7,505,000 according to Interim Regulations on the Encouragement on the Development of Modern Industries in TEDA《天津經濟技術開發區促進現代服務與發展的暫行規定》. Pursuant to such interim regulations, enterprises carrying out transportation, warehousing and comprehensive logistics businesses which are governed by trading regulatory authority in TEDA can enjoy financial support for five years by reference to their actual economic contribution upon successful application. The government grant is not recurring in nature.

Administrative expenses

Administrative expenses increased by approximately 44.4% to RMB38,734,000 for the year 2007 from RMB26,820,000 for the year 2006. The reason for the increase in administrative expenses of the Group for the year 2007 as compared to that of 2006 was mainly due to the increase in staff salaries and the staff welfare and benefits which was primarily due to the increase in the number of the administrative staff, and the increase in depreciation mainly contributed by the completion of the building premises of TBW in the second half of 2006. The increase in professional fees of approximately RMB1.9 million incurred in respect of the Listing during the year also contributed to the increase in the administrative expenses in 2007.

Finance costs

The finance costs of the Group decreased by approximately 43.5% to RMB748,000 for the year 2007 from RMB1,323,000 for the year 2006. The reason for the decrease in finance costs of the Group for the year 2007 as compared to that of 2006 was mainly due to repayment of bank loans of RMB20,000,000 by Tianjin Fengtian Logistics in second half of 2006.

Taxation expenses

The income tax expenses of the Group increased by approximately 17.6% to RMB19,907,000 for the year 2007 from RMB16,927,000 for the year 2006. The reason for the increase in income tax expenses of the Group for the year 2007 as compared to that of 2006 was mainly due to increase in taxable profit of the Group for the period.

Net profit attributable to the equity holders of the Company

The net profit attributable to the equity holders of the Company increased by approximately 35.3% to RMB64,371,000 for the year 2007 from RMB47,578,000 for the year 2006. Such increase was mainly attributable to the increase in other income and the slight improvement in the overall net profit margin of the Group for the period. For the year 2007, the net profit margin of the Group remained stable at approximately 6.8%, as compared to that of approximately 6.7% for the year 2006.

Liquidity, gearing and interest coverage

As at 31 December 2006 and 2007, the Group's cash and bank balances were RMB89,487,000 and RMB179,671,000, respectively.

The Group's gearing ratio calculated based on total debt to total assets was slightly improved from approximately 10.4% as at the end of 2006 to approximately 8.9% as at the end of 2007. Interest coverage during 2007 was 162.0 times (2006: 69.3 times) strong capability to serve the Group's debt.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The liquidity and resources of Binhai Logistics Group were mainly generated from the operating cashflow and, to a lesser extent, the debt financing provided by banks. It is expected that the operating cashflow and the debt financing from the banks will remain to be the major liquidity and resources of Binhai Logistics Group.

Binhai Logistics Group will proactively develop its logistics services through acquisition of land, construction of warehouses and container stacking yards, expansion of freight forwarding network and information technology systems. It is expected that amount involved will be financed by internally generated resources, bank borrowings and equity financing including the net proceeds from the Placing.

Binhai Logistics Group's ability in satisfying the funding requirement of daily operations by its internal generated cashflow depends on the demand for Binhai Logistics Group's services, which is in turn subject to a number of factors which are out of the control of Binhai Logistics Group, such as economic recession and changes in government policy which will have an adverse impact on the logistics industry in the PRC. In the event that Binhai Logistics Group fails to generate sufficient cashflow from its operations to meet its funding requirement, Binhai Logistics Group may have to resort to other sources of financing such as bank borrowings.

Current assets

As at 29 February 2008, the net current assets of Group were approximately RMB126,380,000. Current assets of the Group of approximately RMB608,254,000 comprised inventories of approximately RMB58,725,000, land use rights of approximately RMB1,448,000, trade, bill and other receivables of approximately RMB343,796,000, amounts due from related parties of approximately RMB3,000 and bank balances and cash of approximately RMB204,282,000. Current liabilities of the Group of approximately RMB481,874,000 comprised trade, bill and other payables of approximately RMB378,020,000 amounts due to related parties of approximately RMB40,017,000 amounts due to a minority shareholder of a subsidiary of approximately RMB2,393,000, dividend payable of approximately RMB28,119,000, taxation payable of approximately RMB8,706,000 and bank borrowings of approximately RMB24,619,000.

Cash flow

The following table summarises the cash flow of the Group for the year indicated.

	Year ended 31 December		
	2005	**2006**	**2007**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Net cash inflow from operating activities	30,937	117,171	135,515
Net cash outflow from investing activities	(50,136)	(83,579)	(61,793)
Net cash inflow (outflow) from financing activities	48,117	(19,984)	16,462
Cash and cash equivalents at the end of the year	75,879	89,487	179,671

Cash flow from operating activities

The Group's cash inflow from operating activities primarily represents fees from customers for logistics and supply chain solutions and procurement services for resins, electronic components and steel provided to them. The Group's cash outflow from operating activities primarily represents the cost of subcontractors, the staff costs and administrative expenses.

In 2005, the Group's net cash inflow from operating activities of approximately RMB30.9 million was mainly attributable to the net cash of approximately RMB39.1 million from operation which was partly offset by the income tax paid of approximately RMB8.8 million.

In 2006, the Group's net cash inflow from operating activities amounted to approximately RMB117.2 million, representing an increase of approximately RMB86.2 million from the previous year. This improvement was mainly attributable to an increase of approximately 42.9% in the Group's turnover during 2006.

In 2007, the Group's net cash inflow from operating activities amounted to approximately RMB135.5 million, representing an increase of approximately RMB18.3 million from the previous year. The Group's net cash inflow was attributable to positive cash flow from operation of approximately RMB149.2 million, which was partly offset by the income tax paid of approximately RMB15.2 million.

Cash flow from investing activities

The Group's cash inflow from investing activities represents the proceeds from disposal of property, plant and equipment and receipt of government grants. The Group's cash outflow from investing activities primarily represents payments for the acquisition of property, plant and equipment, payment for acquisition of land use rights and investment in associates.

In 2005, the Group's net cash used in investing activities was approximately RMB50.1 million, which was mainly attributable to the expansion of the operational scale of Tianjin Fengtian Logistics by means of construction of new warehousing facilities and office during 2005.

In 2006, the Group's net cash used in investing activities was approximately RMB83.6 million, which was mainly attributable to the construction of two high-ended warehouses with an aggregate gross floor area of 21,951.95 sq. m. by TBW at Tianjin Binhai New Area during 2006.

In 2007, the Group's net cash used in investing activities was approximately RMB61.8 million, which was mainly attributable to the renovation of office building by TBW and the deposit paid for acquisition of land use rights of the site at Tianjin Port and purchase of land use right of the site at TEDA.

Cash flow from financing activities

The Group's cash inflow from financing activities consists primarily of drawdown of bank loans and shareholders' capital injections, which are offset by repayment of bank borrowings and payment of dividend during the Track Record Period.

In 2005, the Group's net cash inflow from financing activities amounted to approximately RMB48.1 million. The Group received capital contribution of approximately RMB59.3 million from shareholders of Tianjin Fengtian Logistics and TBW which was offset by dividend paid of approximately RMB9.3 million and interest paid of approximately RMB1.9 million.

In 2006, the Group's net cash used in financing activities amounted to approximately RMB20.0 million which comprised cash capital contribution of approximately RMB80.4 million by TEDA Asset Company and Teda Holding to the registered capital of the Company under the Reorganisation which was offset by dividends payments totaling RMB20.0 million and repayment of net bank borrowing approximately RMB36.6 million.

In 2007, the Group's net cash inflow from financing activities amounted to approximately RMB16.5 million which comprised the capital contribution of approximately RMB4.5 million from the minority shareholder of Binhai Yuan Sheng and the net bank borrowing raised of approximately RMB20.3 million, which was offset by the dividend paid of approximately RMB9.6 million during the year.

Capital expenditure

During the Track Record Period, the capital expenditure of the Group consisted capital expenditure primarily of the purchases of properties, plant and equipment, expansion of warehousing facilities. For the year ended 31 December 2005, 2006 and 2007, the additions of property, plant and equipment and land use rights were in aggregate RMB92,347,000, RMB95,525,000 and RMB54,407,000 respectively. The Group's planned capital expenditure will be approximately RMB174,000,000 and RMB8,000,000 for 2008 and 2009, respectively and relate mainly to the purchase of property, plant and equipment and the development of the site at Tianjin Port. It is intended that the anticipated capital expenditure for 2008 will mainly be financed by internal resources and net proceeds from the Placing, while that for 2009 will mainly be financed by internal resources and net proceeds from the Placing.

MAJOR BALANCE SHEET ITEMS

The following table sets out, for the year indicated, key financial ratios of the Group:

	For the year ended 31 December		
	2005	**2006**	**2007**
Average inventory turnover days *(Note 1)*	66	80	159
Average debtors' turnover days *(Note 2)*	55	51	50
Average creditors' turnover days *(Note 3)*	44	40	61

Notes:

1. This is calculated based on the average of the beginning and ending inventory balances for the year, divided by the cost of sales for procurement services rendered for the year, multiplied by 365 days.

2. This is calculated based on the average of the beginning and ending trade and bill receivable balances for the year, divided by the turnover for the year, multiplied by 365 days.

3. This is calculated based on the average of the beginning and ending trade and bill payable balances for the year, divided by the cost of sales for the year, multiplied by 365 days.

Inventories

The inventories of Binhai Logistics Group comprise the materials purchased for the procurement services. Binhai Logistics Group's procurement policy includes purchases in accordance with its customers' instructions for meeting its production requirements as well as strategic purchases in the market. The Group's inventories were approximately RMB8,100,000, RMB12,953,000 and RMB68,130,000 as at 31 December 2005, 2006 and 2007, respectively. The increase in inventories from 2005 to 2006 was primarily due to the growth in turnover attributable to the procurement services for resins and electronic production materials of the Group. In July 2007, the Group commenced its steel procurement business. As at 31 December 2007, the Group recorded a substantial increase in terms of its inventories which was principally comprised of the steel materials of approximately RMB59,529,000 as the steel materials are generally purchased in bulk by Binhai Logistics Group. Binhai Logistics Group generally grants the credit terms ranging from 30 to 90 days to its customers of the procurement services for resins and electronic production materials while the credit terms granted by the suppliers of resins and electronic production materials are in the range from 30 to 90 days in general.

The average inventory turnover days increased to 80 days for the year ended 31 December 2006 compared to the year ended 31 December 2005 at 66 days. The notable increase in average inventory turnover days in 2006 was mainly due to an increase in stockpiles of production materials at the year end of 2006 in anticipation of the growing demand for procurement services for resins and electronic production materials and to fill the increase in purchase orders to be delivered in the first half of 2007. The average inventory turnover days further increased from 80 days in 2006 to 159 days in 2007 which was mainly due to an increase in stockpiles of steel materials at the year end of 2007 as they are generally purchased in bulk by Binhai Logistics Group. Provision for inventories in the amount of nil, nil and RMB512,000 had been made by the Group for each of the three years ended 31 December 2007, respectively. As at 31 December 2007, the Group recorded inventories of approximately RMB68,130,000, and inventories in an amount of approximately RMB46,423,000 were subsequently used up to 29 February 2008 with the remaining balance of approximately RMB21,707,000 as at 29 February 2008.

Trade and other receivables

As at 31 December 2005, 2006 and 2007, the outstanding trade and other receivables of the Group amounted to approximately RMB99,387,000, RMB120,113,000 and RMB214,823,000, respectively. Trade receivables relate mainly to the receivables due from customers in the logistics and supply chain solutions sector, while other receivables relate mainly to the prepayments and deposits for business operation, prepayment for procuring steel materials for the suppliers, tax prepayments and expenses and prepayments for professional fees in relation to the Reorganisation and the Listing.

The ageing analysis of the Group's trade and bills receivables as at the respective balance sheet dates is as follows:

	As at 31 December		
Trade and bills receivables	**2005**	**2006**	**2007**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
0 to 90 days	86,761	107,806	148,379
91 to 180 days	1,051	687	508
181 to 365 days	1,530	213	205
1 year to 2 years	230	8	74
Over 2 years	36	3	–
Subtotal:	**89,608**	**108,717**	**149,166**
Prepayments to suppliers	**–**	**–**	**44,585**
Other receivables			
Prepayments for miscellaneous handling fees and security deposit over containers used at the ports	5,357	5,291	8,225
Prepayments for customs duties and import charges	2,155	2,533	6,175
Prepayments for insurances	663	904	1,222
Prepayments for road maintenance fees	119	809	780
Prepayments for professional fees in respect of Listing and Reoraganisation	–	485	1,785
Staff advances	183	70	820
Other prepayments	1,302	1,304	2,065
Subtotal:	**9,779**	**11,396**	**21,072**
Total:	**99,387**	**120,113**	**214,823**

As at 31 December 2005, 2006 and 2007, the Group recorded trade and bill receivables of approximately RMB89,608,000, RMB108,717,000 and RMB149,166,000 respectively. These increases were primarily due to the increase in the turnover of the Group. The trade receivables of nil, approximately RMB120,000 and RMB569,000 were impaired and provided for as at 31 December 2005, 2006 and 2007, respectively. No provision had been made for impairment of the trade receivables in 2005 as the Group recorded trade receivables with ageing over one year and subsequently identified as doubtful was immaterial.

The average debtors' turnover days of the Group decreased from 55 days in 2005 to 51 days in 2006, and further decreased to 50 days in 2007. The improvement in the average collection time of the trade receivables of the Group was mainly due to the implementation of more stringent credit control policy. Regular review on the outstanding trade receivables are conducted by the management of the members of the Group on a monthly or weekly basis and follow-up work are performed by the operation staff for recovery of the outstanding trade receivables.

The increase in other receivables of the Group by 16.5% from approximately RMB9,779,000 as at 31 December 2005 to approximately RMB11,396,000 as at 31 December 2006 was mainly due to the increase in road maintenance fees and the prepayments for professional fees in relation to the Reorganisation during the year. Road maintenance fees increased significantly as at 31 December 2006 mainly due to the fact that the prepayment of such expenses was made for a quarterly interval in 2006 while it was prepaid on a monthly basis in 2005. Road maintenance fees are payable to the government for repair and maintenance of highways and roads and are recurring in nature.

As at 31 December 2006 and 2007, the Group recorded other receivables of approximately RMB11,396,000 and RMB21,332,000, respectively. Other receivables of approximately RMB260,000 were impaired and provided for as at 31 December 2007. The Group recorded a significant increase in other receivables by approximately 84.9% in 2007 mainly due to its business operation in respect of logistics services at the ports, prepayments for customs duties and import charges and the prepayments for professional fees in relation to the Listing. As at 31 December 2007, these were prepayments to suppliers of approximately RMB44,585,000, which was related to the prepayments by the Group for procuring the steel materials from its suppliers.

As at 31 December 2007, the Group recorded the bill receivables of approximately RMB2,500,000, which was related to the bankers' acceptances received from the customers for steel procurement services.

Trade and other payables

As at 31 December 2005, 2006 and 2007, the outstanding trade and other payables of the Group amounted to approximately RMB69,505,000, RMB91,359,000 and RMB246,094,000, respectively. Trade payables comprise mainly payables due to materials suppliers and subcontractors, while other payables comprise mainly prepayments received from customers, construction costs payables, taxes and government surcharge payables and other accrued expenses.

The ageing analysis of the Group's trade and bills payables as at the respective balance sheet dates is as follows:

	As at 31 December		
Trade and bills payables	**2005**	**2006**	**2007**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
0 to 90 days	58,793	61,893	178,226
91 to 180 days	1,709	3,428	18,697
181 to 365 days	842	1,721	1,418
1 year to 2 years	34	470	707
Over 2 years	87	42	441
Subtotal:	**61,465**	**67,554**	**199,489**
Deposits from customers	**–**	**–**	**25,910**
Other payables			
Claims payables	529	28	27
Deposits received	2,849	2,573	4,589
Construction costs payables	365	12,115	4,202
Accrued expenses	2,997	6,117	8,719
Accrued interests	61	76	65
Other taxes and levies	730	1,600	2,029
Others	509	1,296	1,064
Subtotal:	**8,040**	**23,805**	**20,695**
Total:	**69,505**	**91,359**	**246,094**

As at 31 December 2005, 2006 and 2007, the Group recorded trade payables of approximately RMB61,465,000, RMB67,554,000 and RMB97,739,000 respectively. The increase in 2006 were primarily due to the increase in trade payables due to the suppliers of production materials incurred by Dalian Alps Teda Logistics for the year 2006. The increase in trade payables in 2007 was mainly attributable to the business growth of Tianjin Fengtian Logistics during the year.

The average creditors' turnover days of the Group decreased from 44 days in 2005 to 40 days in 2006. These decreases were primarily due to the shorter time required for settlement of the outsourcing fees by the Group. The average creditors' turnover days of the Group increased from 40 days in 2006 to 61 days in 2007 was mainly resulted from the increase in bills payable by the Group upon the purchase and taking delivery of steel materials from steel suppliers by way of banker's acceptances as aforesaid, while the relevant cost of sales of some of the steel materials procured had not yet been recognised by the Group during the year until the customers take delivery of these steel materials subsequent to 31 December 2007.

The increase in other payables of the Group by 196.1% from approximately RMB8,040,000 as at 31 December 2005 to RMB23,805,000 as at 31 December 2006 was mainly due to the construction costs payables incurred for the construction of the warehousing facilities of TBW and the increase in accrued expenses and other taxes and levies. The increase in accrued expenses was primarily relating to the increase in accrued wages and staff welfare of the Group. The increase in other taxes and levies was mainly associated with the increase in business volume of Tianjin Fengtian Logistics in 2006. The Group recorded a decline in other payables by approximately 13.1% from approximately RMB23,805,000 as at 31 December 2006 to approximately RMB20,695,000 as at 31 December 2007, which was mainly due to the decrease in the construction costs payables. As at 31 December 2007, there were advances from customers of approximately RMB25,910,000, which was related the deposit received from customers for steel procurement services. Generally, the Group requires the customers to pay deposit for an amount representing 20% of the purchase price of the procured materials prior to the provision of the steel procurement services.

As at 31 December 2007, the Group recorded the bill payables of approximately RMB101,750,000, which was related to the payment by the Group for procuring steel materials from the suppliers by way of bankers' acceptances.

Property, plant and equipment

The Group's property, plant and equipment was approximately RMB101,428,000, RMB182,699,000 and RMB194,364,000 as at 31 December 2005, 2006 and 2007, respectively. The increase in the investment in property, plant and equipment during the Track Record Period reflected the growth in the overall business of the Group. In particular, the property, plant and equipment increased by approximately 80.1% in 2006 primarily as a result of the construction of the two high-ended warehouses in Tianjin Binhai New Area during the year.

Deposit paid for acquisition of property, plant and equipment

Deposit paid for acquisition of property, plant and equipment represents the amount paid for purchase of certain property, plant and equipment for the Group's daily operation, including office equipment and information technology system. The Group's deposit paid for acquisition of property, plant and equipment increased from nil as of 31 December 2005 to approximately RMB1,015,000 as of 31 December 2006, and to approximately RMB187,000 as of 31 December 2007. These increases related mainly to the deposit for the purchase of equipment and the introduction of the advanced warehouse management system for the commencement of operation of the high-ended warehouses in Tianjin Binhai New Area in 2006, and the prepayment for the acquisition of additional equipment for the Company in 2007.

Tax recoverable

As at 31 December 2005, the tax recoverable of the Group amounted to approximately RMB2,054,000. This was primarily resulted from the overpayment of enterprise income tax for the first half of 2005 by Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics due to the introduction of tax preferential policy pursuant to which each of Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics was entitled to a preferential tax rate of 7.5% and 15% in August 2005, respectively. Each of Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics was subject to the then prevailing tax rate of 33% prior to their entitlement to tax preferential policy in 2005.

Such amount was subsequently settled in 2006 and the Group did not record any tax recoverable as at 31 December 2006 and 31 December 2007.

Tax payable

The tax payable of the Group represents the enterprise income tax payable. As at 31 December 2005, 2006 and 2007, the Group recorded the tax payable of approximately RMB1,799,000, RMB5,337,000 and RMB10,082,000, respectively. The significant increase in tax payable in 2006 was primarily due to the increase in taxable profit of Tianjin Fengtian Logistics and the lapse of the 50% relief tax concession with respect to Tianjin Fengtian Logistics during the year. The increase of the tax payable of the Group in 2007 related mainly to the increase in taxable profit of the Group during the year.

Interests in associates

The Group's interests in associates increased from nil in 2005 to approximately RMB3,790,000 in 2006 primarily due to its capital contribution in Tianjin Port Automobile Logistics, which was established during the year. Further increase in the Group's interests in associates to approximately RMB11,942,000 as at 31 December 2007 related mainly to its share of profits from Tianjin Port Automobile Logistics in proportion to its then equity holding therein and the capital contribution in Tianjin Teda Sidier Electronic Market Operation and Management Co., Ltd., which was established during the year.

Deferred income

The Group's deferred income was in the amount of approximately RMB5,740,000 as at 31 December 2007. The deferred income was associated with the grant of government subsidy in respect of the development of land at TEDA acquired by Yuan Da Logistics in late 2006 pursuant to an agreement entered into between Yuan Da Logistics and Construction Bureau of TEDA dated 29 December 2006. The government subsidy was granted by the Construction Bureau of TEDA to Yuan Da Logistics for the purposes of promoting the industrial development and supporting the construction of enterprises and was not recurring in nature. Pursuant to this agreement, Yuan Da Logistics is required to apply the subsidy for the development and construction of the land site acquired at TEDA and should not be allowed to transfer and lease the land at TEDA and constructions thereon without the prior written consent of the Construction Bureau. Yuan Da Logistics is required to repay the government subsidy granted by the Construction Bureau of TEDA in the event of any default in payment by Yuan Da Logistics which results in the seizure, auction and the disposal of the land use rights and the constructions thereon by the creditors, or any petition for the winding up of Yuan Da Logistics for its mismanagement. The government subsidy was obtained on 24 May 2007 and is recognised as deferred income that is released to income over the periods necessary to match with the related costs. The government grant will be recognised as income when the actual cost of development is incurred during the land development. Such government subsidy was one-off payment available to Yuan Da Logistics only and not other members of Binhai Logistics Group. The Group did not record any deferred income during each of the two years ended 31 December 2006.

Bank borrowings

The Group's bank borrowings comprised short-term bank loans repayable within one year and carried variable interest rates generally ranging from 2.79% to 7.29% during the Track Record Period. The borrowings of the Group amounted to approximately RMB42,412,000, RMB5,857,000 and RMB26,113,000 as at 31 December 2005, 2006 and 2007, respectively. The decrease in bank borrowings as at 31 December 2006 as compared to that as at 31 December 2005 was primarily due to the repayment of bank loans by Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics during the year. The increase of the Group's bank borrowing as at 31 December 2007 as compared to that as at 31 December 2006 related mainly to the new bank borrowings raised by the Company and TBW primarily used as construction cost and development of storage and warehousing facilities at TEDA during the period.

As at 31 December 2005, 2006 and 2007, the Group had the banking facilities amounted to RMB55,737,000, RMB51,401,000 and RMB330,665,000 respectively, which had been utilised amounted to RMB42,412,000, RMB5,857,000 and RMB95,863,000 as at the respective balance sheet date. As at 31 December 2007, the construction in progress located at No. 39, Bohai Road of TEDA had been pledged as security in respect of the loan in the amount of RMB10,000,000. The banking facilities available to the Group are matured within one year.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital commitments

During the Track Record Period, the capital commitments of the Group were principally for the acquisition of property, plant and equipment. The Group's capital commitments amounted to RMB46,306,000, RMB18,905,000 and RMB42,750,000 as at 31 December 2005, 2006 and 2007. The capital commitment of the Group mainly comprised the payments in respect of the expansion of warehouses of Tianjin Fengtian Logistics and the construction of high-ended warehouses in Tianjin Binhai New Area during the Track Record Period. The high-ended warehouses are constructed by reference to certain building structural standards and lighting standards required by its customers, such as the exterior entrances are provided flood lighting sufficient to recreate daylight conditions and sophisticated warehouse management system like Exceed WMS is installed, whereas other warehouses owned and leased by Binhai Logistics Group are generally not built by reference to such standard.

Operating lease commitments

The Group's commitments for future minimum lease payments under non-cancelable operating lease in respect of rented premises and motor vehicles at the respective balance sheet date are as follows:

	As at 31 December		
	2005	**2006**	**2007**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within one year	3,082	2,867	5,757
In the second to fifth years inclusive	3,085	1,765	401
	6,167	**4,632**	**6,158**

DIVIDEND POLICY

For each of the three years ended 31 December 2007, the Group has distributed dividends with amount of approximately RMB12,140,000, RMB14,933,000 and RMB14,947,000 respectively. The Directors consider that, in general, the amount of future dividends to be declared by the Company will depend on the Group's results, working capital, cash position and other factors as may be considered relevant at such time by the Directors.

As provided in the Articles of Association, the cash dividend in respect of H Shares will be declared in RMB and paid to the holders of H Shares in Hong Kong dollars. The conversion of RMB to Hong Kong dollars is subject to the relevant foreign exchange regulations of the PRC and will be calculated at the average exchange rate published by the PBOC a week before the date on which the dividend is declared. In the event that the Company does not have sufficient foreign exchange reserves to distribute the dividends in Hong Kong dollars, the Directors intend to convert for the required amount in Hong Kong dollars with recognised banks or in other manner permitted under PRC laws.

INDEBTEDNESS

Borrowings

As at the close of business on 29 February 2008, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this prospectus, the Group (together with its proportionate share in jointly controlled entities) had outstanding unsecured bank borrowings amounting to approximately RMB24,619,000.

As at 29 February 2008, the Group also had outstanding non-trade advance from TEDA Administrative Commission amounting to RMB40,000,000. The amount due to TEDA Administrative Commission was unsecured and interest free. Such amount will be fully repaid prior to the Listing.

In addition, as at 29 February 2008, the Group had outstanding non-trade advance from a minority shareholder of a subsidiary of approximately RMB2,393,000. The advance was unsecured, interest free and fully repaid on 14 April 2008.

In addition, as at 29 February 2008, the Group had outstanding guarantee with no fixed amounts provided to Tianjin Alps Teda Logistics for its liability arising on the air freight logistics operation.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 29 February 2008, the Group did not have any other outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated at the approximate exchange rates prevailing at the close of business on 29 February 2008.

Contingent liabilities

Save as disclosed above, the Group had no material contingent liabilities, charges or guarantees as at 29 February 2008.

Commitments

As at 29 February 2008, the Group had outstanding capital commitment of RMB40,236,000.

As at 29 February 2008, the Group had outstanding commitments under non-cancellable operating leases of RMB11,453,000.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

For the purpose of the listing of the Shares on the Stock Exchange, the Group's properties were revalued at RMB215,100,000 as at 29 February 2008 by DTZ Debenham Tie Leung Limited. Details of the valuation are summarised in Appendix III to this prospectus. There is a net revaluation surplus, representing the excess market value of the properties over their book value, approximately RMB13,411,000 of which will not be included in the Group's accounts for the year ended 31 December 2008. In accordance with the Group's accounting policy, all properties are stated at cost less accumulated depreciation. As such, the net revaluation surplus arising from the valuation of properties has not been included in the unaudited pro forma adjusted net tangible assets statement under the section headed "Unaudited Pro Forma Financial Information" in this prospectus.

Disclosure of the reconciliation of the property interests of the Group and the valuation of such property interests as required under Rule 8.30 of GEM Listing Rules is set out below.

	RMB'000	*RMB'000*
Valuation of properties with certificate as at 29 February 2008 as set out in the Valuation Report included in appendix III to this prospectus		215,100
Net book value of the following properties as at 31 December 2007 as set out in the Accountants' Report included in appendix I to this prospectus		
– Properties	136,672	
– Land use rights	66,138	
	202,810	
Less: Depreciation of properties during the period from 1 January 2008 to 29 February 2008 (unaudited)	(880)	
Less: Amortisation of land use rights during the period from 1 January 2008 to 29 February 2008 (unaudited)	(241)	
Net book value of properties as at 29 February 2008 subject to valuation as set out in the Valuation Report included in appendix III to this prospectus		201,689
Net revaluation surplus		13,411

BUSINESS RISKS

Business risk

The Group conducts all of its operations in the PRC, accordingly the Group is subject to a significant degree of the economic, political and legal environment in the PRC. For further information, please refer to the section headed "Risk factors".

Market risk

The Group's activities expose it primarily to the financial risks of changes of interest rate and foreign currency rate. There has been no change to the Group's exposure to these risks or the manner in which it manages and measures these risks.

Credit risk

The Group's current credit practices include assessment and evaluation of customer's credit reliability and periodic review of their financial status to determine credit limit to be granted.

The Group is exposed to some concentration of credit risk. At 31 December 2007, the ten largest debtors accounted for approximately 81% (31 December 2005: 72%; 31 December 2006: 77%) of the Group's total trade receivable. Regular meetings will be convened among the general managers, namely 根木優碩, 岸島宏治 and Tang Tianqiang, and the heads and the relevant staff of financial and operation departments of the relevant member of the Group to determine the credit limits, credit approval and other monitoring procedures on customers on a monthly or weekly basis. The frequency of the meetings for credit risk evaluation is different for the relevant members of the Group. Tianjin Fengtian Logistics usually holds meetings of this kind on a monthly basis while Tianjin Alps Teda Logistics and TBW generally convenes such meetings on a weekly basis.

Monthly or weekly reports on the credit analysis of the members of the Group will be submitted to Mr. Zhang Jian, the executive Director and the general manager of the Group, for review and approval. The Group has also been exploring new markets and new customers in order to minimise the concentration of credit risk. The recoverable amount of each individual trade debt is reviewed regularly and adequate impairment losses have been made for irrecoverable amounts. In light of the above credit risk management, the average collection time of the trade receivables of the Group was improved during the Track Record Period and the average debtors' turnover days decreased from 55 days in 2005 to 51 days in 2006, and further decreased to 50 days in 2007. In this regard, the Directors consider that credit risk associated with the Group's trade receivables is reduced.

The credit risk on liquid funds is limited because the counterparties are state-owned banks with good reputation or banks with good credit rating.

Foreign exchange risk

Substantially all of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, while a small portion of the turnover and operating expenses are denominated in US dollars and Japanese Yen. During the Track Record Period, the Group did not implement any hedging arrangement to mitigate the possible exchange loss arising from the appreciation of the value of RMB. The Group recorded the exchange gain (loss) of approximately RMB114,000, RMB(543,000) and RMB(1,131,000) for each of the three years ended 31 December 2005, 2006 and 2007. Any fluctuation in the value of RMB against the US dollars and other currencies may affect the Group's income, operating costs and profit margins.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that as the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

WORKING CAPITAL

Taking into account the financial resources available to the Group, including internally generated funds, the available banking facilities and the estimated net proceeds of the Placing, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

As at 31 December 2007, being the date on which the latest statutory audited financial statements of the Group were prepared, the reserves available for distribution to the shareholders of the Company was approximately RMB63,417,000.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that since 31 December 2007, the date to which the latest audited financial statements of the Group were made up, there has been no material adverse change in the financial or trading position or prospects of the Group.

PROPERTY INTERESTS

Property interest owned and leased by the Group in the PRC

As at the Latest Practicable Date, the Group owned and rented various premises in the PRC, details of which are set out in appendix III to this prospectus.

Property valuation

DTZ Debenham Tie Leung Limited, an independent property valuer had valued the property interests of the Group as at 29 February 2008. The text of the letter with a summary of values and valuation certificates issued by DTZ Debenham Tie Leung Limited in respect of the property interests, owned and leased by the Group are set out in appendix III to this prospectus.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Unaudited pro forma adjusted consolidated net tangible assets

Set out below is the unaudited pro forma adjusted consolidated net tangible assets of the Group, which is prepared on the basis of the audited consolidated net assets of the Group attributable to the shareholders of the Company as at 31 December 2007 as shown in the accountant's report, the text of which is set out in the appendix I to the prospectus.

Unaudited pro forma adjusted consolidated net tangible assets is prepared to illustrate the effect of the Placing based on the audited consolidated net assets of the Group attributable to the shareholders of the Company as at 31 December 2007. The unaudited pro forma adjusted net tangible assets of the Group are for illustrative purpose only, and due to its nature, may not reflect the true picture of the financial position and results of the Group.

	Audited consolidated net tangible assets attributable to the equity holders of the Company as at 31 December 2007 *(RMB)* *(Note 1)*	**Estimated net proceeds from the Placing** *(RMB)* *(Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets** *(RMB)*	**Unaudited pro forma adjusted consolidated net tangible assets per Share** *(RMB)* *(Note 3)*
Based on the indicative minimum Placing Price of HK$1.70 per Share	304,981,000 (equivalent to approximately HK$335,144,000)	121,821,000 (equivalent to approximately HK$133,869,000)	426,802,000 (equivalent to approximately HK$469,013,000)	1.21 (equivalent to approximately HK$1.33 per share)
Based on the indicative maximum Placing Price of HK$2.10 per Share	304,981,000 (equivalent to approximately HK$335,144,000)	153,265,000 (equivalent to approximately HK$168,423,000)	458,246,000 (equivalent to approximately HK$503,567,000)	1.30 (equivalent to approximately HK$1.42 per share)

Notes:

1. The consolidated net tangible assets attributable to the equity holders of the Company as at 31 December 2007 have been derived from consolidated net assets attributable to the equity holders of the Company amounting to RMB305,086,000 less the amount of goodwill of RMB105,000, both are extracted from the Accountants' Report, the text of which is set out in appendix I to this prospectus.

2. The estimated net proceeds from the Placing is based on the Placing Price of HK$1.70 and HK$2.10 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the H Shares which may fall to be issued upon the exercise of the Over-allotment Option.

3. The unaudited proforma adjusted consolidated net tangible assets per Share has been arrived at after the adjustments referred to in the preceding paragraph and on the basis that a total of 353,600,000 Shares were in issue immediately upon completion of the Placing. No account has been taken of the H shares which may fall to be issued upon the exercise of the Over-allotment Option.

4. The translation of RMB into HK$ was at RMB0.91 to HK$1.00.

5. The property interests of the Group were valued by DTZ Debenham Tie Leung Limited and the valuation in respect of which was set out in appendix III to this prospectus. Pursuant to the valuation performed by DTZ Debenham Tie Leung Limited, the property interests of the Group as of 29 February 2008 amounted to approximately RMB215,100,000. Comparing the valuation as of 29 February 2008 to the unaudited net book value of the property interests of the Group as of 29 February 2008 of RMB201,689,000, there was a difference of approximately RMB13,411,000 which will not be included in the financial statements of the Group for the year ending 31 December 2008. If the revaluation surplus was recorded in the financial statements, the amortisation and depreciation expenses would increase by approximately RMB671,000 per annum.

BUSINESS OBJECTIVES AND STRATEGIES

Taken into account the growing economy of the PRC, the continuing development of the PRC as a world manufacturing centre and the economic globalisation, the Directors believe that the logistics business in the PRC has significant growth potential. Binhai Logistics Group aims to strengthen its market position and capitalise on the opportunities of a growing market:

- Through enhancing its operational efficiency, Binhai Logistics Group will continue to strengthen the relationship with its existing customers, and to further expand its customer base.

- Capitalising on its experience in logistics services and the strategically located high-end warehouses, Binhai Logistics Group intends to provide logistics solutions to a broad spectrum of industries.

- Leveraging on its logistics network, resources and expertise in relevant electronic components sector, Binhai Logistics Group plans to collaborate with more production material suppliers so as to pool and source raw materials to enhance its supply chain solutions.

- Binhai Logistics Group intends to strengthen its logistics infrastructure and capability by expanding its network of warehouses and distribution centres and developing additional information systems to cater for different industry requirements.

IMPLEMENTATION PLAN

In light of the business objectives and future plans of Binhai Logistics Group, the Company will seek to attain the milestones contained in this sub-section from the Latest Practicable Date to 31 December 2010. Investors should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the sub-section headed "Bases and assumptions" below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set out in the section headed "Risk factors" of this prospectus. Binhai Logistics Group's actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of Binhai Logistics Group will materialise in accordance with the expected time frame or that the objectives of Binhai Logistics Group will be accomplished at all.

	Latest Practicable Date – 30 June 2008	1 July 2008 – 31 December 2008	1 January 2009 – 30 June 2009	1 July 2009 – 31 December 2009	1 January 2010 – 30 June 2010	1 July 2010 – 31 December 2010
Business development	• To develop the procurement service in respect of steel materials and the ancillary services including freight forwarding and warehousing services • To enlarge and diversify the customer base in respect of logistics and supply chain solutions in Huabei areas	• To consolidate and expand procurement services by strengthening the relevant logistics infrastructure through the installation of loading and unloading facilities for rail transport in Tianjin Binhai New Area and expanding the freight forwarding network	• To enlarge the customer base of the logistics supply chain and procurement services by TBW • To develop the integrated roll-on/roll-off logistics services for containers and container cargoes at Tianjin Port	• To develop efficient integrated freight forwarding logistics services by sea, highway and railway spanning across Eastern and Northern Asia • To provide comprehensive logistics and supply chain solutions complemented by procurement services	• To develop efficient integrated freight forwarding logistic services by sea, highway and railway spanning across Eastern and Northern Asia • To reinforce the procurement services for resins, electronic production materials and steel and to explore the possibility to diversify the services mix	• To develop efficient integrated freight forwarding logistic services by sea, highway and railway spanning across Eastern and Northern Asia • To reinforce the procurement services for resins, electronic production materials and steel and to explore the possibility to diversify the services mix
Sales and marketing	• To secure and improve existing procurement services • To develop the customer base of the steel procurement business covering Huabei areas • To enlarge and diversify the customer base in respect of logistics and supply chain solutions and procurement services to users of the electronic business-to-business platform to be operated by the Company’s associated company	• To secure and improve existing services of provision of logistics and supply chain solutions when the expanded warehousing facilities of Tianjin Fengtian Logistics becoming fully operational	• To secure and improve existing services of provision of logistics and supply chain solutions and procurement services • To develop the customer base of the roll-on/roll-off logistics services for container and container cargoes at Tianjin Port	• To secure and improve existing services of provision of logistics and supply chain solutions and procurement services	• To secure and improve existing services of provision of logistics and supply chain solutions and procurement services • To develop the customer base of the roll-on/roll-off logistics services for container and container cargoes at Tianjin Port	• To secure and improve existing services of provision of logistics and supply chain solutions and procurement services

	Latest Practicable Date – 30 June 2008	1 July 2008 – 31 December 2008	1 January 2009 – 30 June 2009	1 July 2009 – 31 December 2009	1 January 2010 – 30 June 2010	1 July 2010 – 31 December 2010
Logistics infrastructure	• To commence the operation on Yuan Da Logistics' storage and warehousing facilities at TEDA • To complete acquisition of a piece of land at Tianjin Port with a site area of approximately 90,144.00 sq. m. and commence the development of the container stacking yard and construction of warehousing facilities thereon • To expand the warehousing facilities of Tianjin Fengtian Logistics with gross floor area of approximately 5,610.00 sq. m. • To develop the storage and warehousing facilities at Yuan Da Logistics's land at TEDA with a site area of approximately 52,183.62 sq. m.	• To expand Binhai Logistics Group's network of warehousing facilities, purchasing ancillary equipment and developing information technology system • To complete Binhai Logistics Group's development of container stacking yard and the construction of the warehousing facilities and commence operation at Tianjin Port • To complete the construction of warehousing facilities of Tianjin Fengtian Logistics and commence its operation	• To strengthen the logistics infrastructure (including road and sea freight forwarding facilities and operational equipment) of Binhai Logistics Group at Binhai New Area	• To strengthen the logistics infrastructure (including road and sea freight forwarding facilities and operational equipment) of Binhai Logistics Group at Binhai New Area	• To strengthen the logistics infrastructure (including road and sea freight forwarding facilities and operational equipment) of Binhai Logistics Group outside Binhai New Area	• To strengthen the logistics infrastructure (including road and sea freight forwarding facilities and operational equipment) of Binhai Logistics Group outside Binhai New Area

	Latest Practicable Date – 30 June 2008	1 July 2008 – 31 December 2008	1 January 2009 – 30 June 2009	1 July 2009 – 31 December 2009	1 January 2010 – 30 June 2010	1 July 2010 – 31 December 2010
Use of proceeds	• Approximately RMB20 million will be used to repay bank borrowings which were applied for the development of storage and warehousing facilities on the land at TEDA • Approximately RMB46 million will be used for the acquisition of land at Tianjin Port, development of the container stacking yard and construction of warehousing facilities thereon • Approximately RMB2 million will be used for development of information technology system • Approximately RMB1 million will be used as general working capital of Binhai Logistics Group	• Approximately RMB54 million will be used for the development of the container stacking yard and construction of warehousing facilities at Tianjin Port • Approximately RMB2 million will be used for development of information technology system • Approximately RMB1 million will be used as general working capital of Binhai Logistics Group	• Approximately RMB2 million will be used for development of information technology system • Approximately RMB1 million will be used as general working capital of Binhai Logistics Group	• Approximately RMB2 million will be used for development of information technology system • Approximately RMB1 million will be used as general working capital of Binhai Logistics Group	• Approximately RMB1 million will be used as general working capital of Binhai Logistics Group	• Approximately RMB1 million will be used as general working capital of Binhai Logistics Group

BASES AND ASSUMPTIONS

The business objectives set out by the Directors are based on the following bases and assumptions:

- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate in the PRC what will adversely affect the business of Binhai Logistics Group;
- Binhai Logistics Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the existing laws (whether in the PRC, Hong Kong or any part of the world), policies or industry or regulatory treatment relating to Binhai Logistics Group, or in the political, economic or market conditions in which Binhai Logistics Group operates;
- there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by the Directors;
- there will be no material changes in the bases or rates of taxation applicable to Binhai Logistics Group;
- there be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of Binhai Logistics Group or cause substantial loss, damage or destruction to its property or facilities;
- there will be no change in the effectiveness of the licenses and permits obtained by Binhai Logistics Group; and
- Binhai Logistics Group will not be materially affected by the risk factors as set out under the section headed “Risk factors” in this prospectus.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Placing will enhance Binhai Logistics Group’s capital base and provide Binhai Logistics Group with additional working capital to implement the future plans set out in the paragraph headed “Business objectives and strategies” above.

Based on the Placing Price of HK$1.90 per Placing Share (being the mid-point of the indicative range of the Placing Price of between HK$1.70 and HK$2.10), the net proceeds of the Placing, after deducting related expenses and assuming that the Over-allotment Option is not exercised, are estimated to amount to approximately HK$147 million (approximately RMB134 million). The Directors intend to use such proceeds in the following manner:

- as to approximately RMB100 million (approximately HK$110 million) of the net proceeds will be used to acquire and develop the site at Tianjin Port with a site area of 90,144.00 sq. m., of which approximately RMB37.3 million for the payment of balance of consideration payable by the Group under the compensation agreement dated 20 October 2006 entered into between Tianjin Port International and the Group for the acquisition of the site and approximately RMB62.7 million for the foundation construction and the development of the container stacking yard and construction of warehousing facilities thereon. Please refer to the sub-section "Logistics Infrastructure" in the section headed "Business" in this prospectus for details of the land grant contract and the related compensation agreement in respect of the acquisition of this site. The Directors expect to pay such balance of the consideration on or before 30 June 2008 and, according to the Group's development plan of the site, will incur approximately RMB22.7 million and RMB40 million for the foundation construction and the development of the container stacking yard and construction of warehousing facilities on the site during each of the six months ending 30 June 2008 and 31 December 2008, respectively.
- as to approximately RMB20 million (approximately HK$21 million) of the net proceeds will be used to acquire and develop the land situated at TEDA with a site area of approximately 52,183.62 sq. m., which will be used to repay the short-term bank facilities granted by Citic Bank on 3 December 2007 for a term of one year from 3 December 2007 to 3 December 2008 at the interest rate of 7.29% per annum which were applied to finance Binhai Logistics Group's development of storage and warehousing facilities thereon. Please refer to the sub-section "Logistics Infrastructure" in the section headed "Business" in this prospectus for details of the land grant contract in respect of the acquisition of this land. The land is currently under development, with an expected total investment amount of approximately RMB20 million, of which approximately RMB11.0 million has been used for acquiring the land use right of the land.
- as to approximately RMB8 million (approximately HK$9 million) of the net proceeds will be used for development of Binhai Logistics Group's information technology systems by the application of the unified financial software by the members of Binhai Logistics Group so as to facilitate a centralised monitoring of financial condition of the subsidiaries and Jointly-controlled Entities of Binhai Logistics Group, the launch of the office assistant system enabling the instant messenging and facilitating efficient flow of information within the office, the introduction of the logistics management system for use at the site at Tianjin Port and the maintenance of the Company's website; and
- as to approximately RMB6 million (approximately HK$7 million) to be used for working capital of Binhai Logistics Group.

If the Placing Price is set below HK$1.90, the use of net proceed will be reduced on a pro-rata basis.

The additional net proceeds that the Company would receive if the Over-allotment Option is fully exercised, which is estimated to be HK$25.0 million (approximately RMB23 million) (assuming a Placing Price of HK$1.90, being the mid-point of the indicative range of the Placing Price of between HK$1.70 and HK$2.10), of which approximately RMB22 million (approximately HK$23.9 million) will be used for renovation of the existing warehousing facilities and office premises and ancillary facilities, the development of new and existing construction stacking yard of TBW and the purchase of trucks for logistics business, and approximately RMB1 million (approximately HK$1.1 million) will be used for working capital of Binhai Logistics Group. To the extent that the net proceeds of the Placing are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed on short-term deposits with licensed banks in Hong Kong and/or the PRC.

UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited
CIMB-GK Securities (HK) Limited
Mega Capital (Asia) Company Limited
VC Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Placing and Underwriting Agreement

Pursuant to the Placing and Underwriting Agreement, the Company is offering the Placing Shares for subscription pursuant to the Placing at the Placing Price.

In addition, the Company has granted the Over-allotment Option to the Lead Manager under the Placing and Underwriting Agreement, pursuant to which the Lead Manager can, at any time from the Listing Date up to 30 May 2008, being the 30th day after the Listing Date, require the Company to allot and issue up to 13,290,000 additional H Shares, representing 15% of the Placing Shares initially available under the Placing.

Subject to the GEM Listing Committee granting listing of, and permission to deal in, the H Shares to be issued as mentioned herein on or before 29 April 2008 (or such later date as the Lead Manager (on behalf of the Underwriters) may agree but in any event not later than 24 May 2008) and to certain other conditions set out in the Placing and Underwriting Agreement being satisfied by the times referred to in the Placing and Underwriting Agreement, and the Placing and Underwriting Agreement is not otherwise terminated in accordance with its terms, the Underwriters have severally agreed to subscribe or procure subscribers to subscribe for the Placing Shares.

Grounds for termination

The Lead Manager (for itself and on behalf of the Underwriters) is entitled to terminate the Placing and Underwriting Agreement by notice in writing to the Company which may be given at any time up to 8:00 a.m. on the Listing Date (the "Termination Time") if at any time prior to the Termination Time:

(a) there comes to the notice of Lead Manager or any of the Underwriters any matter or event showing any of the representations, warranties or undertakings contained in the Placing and Underwriting Agreement to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the warranties or any other provisions of the Placing and Underwriting Agreement which, in any such cases, is considered, in the absolute opinion of Lead Manager (for itself and on behalf of the Underwriters), to be material in the context of the Placing;

(b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any respect;

(c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Placing and Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Placing and Underwriting Agreement, would have rendered any of the warranties contained in the Placing and Underwriting Agreement untrue, incorrect or misleading in any respect, and comes to the knowledge of the Lead Manager or any of the Underwriters and which is considered, in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriters), to be material in the context of the Placing;

(d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriters), an omission in the context of the Placing;

(e) any event, act or omission which gives or is likely to give rise to any liability of the Company, any of the Initial Management Shareholders or the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Placing and Underwriting Agreement;

(f) there comes to the notice of the Lead Manager or any of the Underwriters any breach by any party to the Placing and Underwriting Agreement other than the Sponsor, the Lead Manager or the Underwriters of any provision of the Placing and Underwriting Agreement which, in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriters), is material;

(g) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Placing and Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

    (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong and the PRC or any other jurisdiction relevant to the Binhai Logistics Group; or

    (ii) any adverse change in, or any event or series of events or development resulting or likely to result in any absolute change in Hong Kong, the PRC or other jurisdiction relevant to the Binhai Logistics Group, the local, national, regional or international financial, currency, political, military, industrial, economics, stock market or other market conditions or prospects; or

(iii) any adverse change in the conditions of the Hong Kong or international securities markets (or in conditions affecting a section only of such markets) including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of any such markets; or

(iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC or other jurisdiction relevant to the Binhai Logistics Group; or

(vi) any adverse change or prospective change in the business or in the financial or trading position or prospects of any member of the Binhai Logistics Group; or

(vii) the imposition of economics sanction or withdrawal of trading privileges, in whatever form, by the US or by the European Union (or any member thereof) on the PRC; or

(viii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or

(ix) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, outbreak of an infectious disease, terrorism, strike or lock-out,

which, in the absolute opinion of the Lead Manager (for itself and on behalf of the Underwriters):

(aa) is or will be, or is likely to be, adverse, in any respect, to the business, financial or trading condition or prospects of the Binhai Logistics Group taken as a whole or, in the case of sub-paragraph (v) above, on any present or prospective shareholder in his or its capacity as such shareholder of the Company; or

(bb) has or will have or is likely to have an adverse effect on the success of the Placing as a whole or the level of the Placing Shares being applied for or accepted under the Placing, the distribution of the H Shares or the demand or market price of the H Shares following their listing on GEM; or

(cc) makes it impracticable, inadvisable or inexpedient for the Underwriters to proceed with the Placing as a whole.

Undertakings

Each of the Initial Management Shareholders has severally undertaken to and covenanted with the Company, the Lead Manager and the Underwriters that it shall not, and shall procure that none of its associates and companies controlled by it or nominees or trustees holding in trust for it shall, save as provided in Rule 13.18 of the GEM Listing Rules and the transfers of the Reduction Shares to NSSF Council pursuant to the Provisional Administrative Measures for the Reduction of State-owned Shares in Raising the Social Security Fund, sell, transfer or dispose of (or enter into any agreement to dispose of), any of its direct or indirect interest in its Relevant Securities, nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of its direct or indirect interest in the Relevant Securities, or otherwise create or to enter into any agreement to create any option, rights, interests or encumbrances in respect of such interest during a period commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date (the "Non-disposal Period").

Each of the Initial Management Shareholders has also severally undertaken to and covenanted with the Company, the Lead Manager and the Underwriters that, during the Non-disposal Period, if and when it pledges or charges any direct or indirect interest in the Relevant Securities under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, it must immediately inform the Company and the Lead Manager (on behalf of the Underwriters) in writing of such pledge and charge, the number of the Relevant Securities so being pledged or charged and other details as required by Rule 17.43(1) to (4) of the GEM Listing Rules and, if and when it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest, immediately inform the Company and the Lead Manager (on behalf of the Underwriters) in writing of such disposal or such intention to dispose and the number of Relevant Securities affected.

The Company has undertaken to and covenanted with the Lead Manager and the Underwriters, and each of the Initial Management Shareholders and the executive Directors has undertaken and covenanted with the Lead Manager and the Underwriters to procure, that, save with the prior written consent of the Lead Manager (on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed) and in compliance with the GEM Listing Rules and the applicable laws, within six months from the Listing Date, that the Company will not, (a) save pursuant to the Placing or the exercise of the Over-allotment Option and save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), issue or agree to issue H Shares or any other securities in the Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, H Shares or any other securities of the Company and (b) purchase any H Shares or any other securities of the Company.

Commission and Expenses

The Underwriters will, in aggregate, receive a commission of 2.5% of the aggregate Placing Price of all the Placing Shares under the Placing, out of which they will pay any sub-underwriting commissions. The Sponsor will in addition receive a financial advisory fee in relation to the Placing. The underwriting commission, financial advisory fee, documentation fee, the GEM listing fee, the Stock Exchange trading fee, SFC transaction levy, brokerage, legal, printing accounting and other expenses relating to the Placing are currently estimated to be approximately HK$21 million in total, and are payable by the Company.

Sponsor's and Underwriters' interest in the Company

Save for the rights and obligations of the Sponsor and the Underwriters under the Placing and Underwriting Agreement and save as disclosed otherwise in the prospectus, none of the Sponsor and the Underwriters or any of their respective associates or any of their respective directors and employees have any shareholding interests in the members of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group or has any interest in the Placing.

None of the directors or employees of the Sponsor holds any directorship in any member of the Group.

Compliance Advisor Agreement

The Company and Guotai Junan will enter into a compliance advisor agreement prior to the Listing Date pursuant to which Guotai Junan will be appointed as compliance advisor to the Company for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the Company's financial results for the second full (and not part thereof) financial year commencing after the Listing Date, subject to the terms and conditions agreed between the parties thereto.

THE PLACING

88,600,000 Placing Shares are being offered pursuant to the Placing (excluding any new H Shares which may fall to be alloted and issued pursuant to the exercise of the Over-allotment Option), representing in aggregate 25.06% of the enlarged issued share capital of the Company. The Placing is fully underwritten by the Underwriters subject to the terms and conditions of the Placing and Underwriting Agreement. Pursuant to the Placing, it is expected that the Underwriters, on behalf of the Company, will conditionally place the Placing Shares at the Placing Price payable by the investors acquiring the Placing Shares plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy. The Placing Shares shall be placed with selected professional and institutional investors. Professional and institutional investors generally include brokers, dealers, companies, high net worth individuals and companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

BASIS OF ALLOCATION

Allocation of the Placing Shares will be based on a number of factors, including the level of indication and timing and demand, and whether or not it is expected that the relevant investors are likely to buy further Placing Shares or hold or sell their Placing Shares after the listing of the H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

DETERMINATION OF THE PLACING PRICE

The Placing Price is expected to be fixed by the Price Determination Agreement between the Lead Manager (on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or before 25 April 2008 or such other date as the parties may agree, but in any event not later than 5:00 p.m. on 25 April 2008. The Placing Price per H Share will be not more than HK$2.10 and is expected to be not less than HK$1.70.

If, for whatever reason, the Lead Manager (on behalf of the Underwriters) and the Company are unable to reach the Price Determination Agreement on the Placing Price on or before the Price Determination Date or such other date or time as may be agreed between the Lead Manager (on behalf of the Underwriters) and the Company but in any event not later than 5:00 p.m. on 25 April 2008, the Placing will not become unconditional and will lapse. In such event, the Company will issue an announcement to be published on the GEM website.

The Placing Price will be not more than HK$2.10 per H Share and is currently expected to be not less than HK$1.70 per H Share. The final Placing Price will fall within the indicative Placing Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than 25 April 2008.

The final Placing Price, the level of indication of interests in the Placing and the basis of allocation of the Placing Shares, are expected to be announced on the GEM website and the Company's website (www.tbtl.com.cn) on or before 29 April 2008.

If, based on the level of indication of interest expressed by prospective institutional, professional and other investors during the book-building process, the Lead Manager (on behalf of the Underwriters) consider it appropriate, and with the consent of the Company, reduce the indicative Placing Price range below as stated in this prospectus at any time on or before 5:00 p.m. on 25 April 2008. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than 28 April 2008, caused to be published in the GEM website an announcement of such change. Such announcement will also include confirmation or revision, as appropriate, of the working capital statement, the Placing statistics, as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any announcement being published in the GEM website of a reduction in the indicative Placing Price range stated in this prospectus in the manner set out herein, the final Placing Price, upon agreed by the Lead Manager and the Company, will under no circumstances be set outside the Placing Price range as stated in this prospectus.

PRICE PAYABLE ON SUBSCRIPTION

Investors have to pay the Placing Price plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy make up total price payable on subscription.

CONDITIONS OF THE PLACING

Acceptance of your application for the Placing Shares is conditional upon:

1. the GEM Listing Committee granting listing of, and permission to deal in, the Placing to be issued pursuant to the Placing (including any additional new H Share which may fall to be alloted and issued pursuant to the exercise the Over-allotment Option and the Reduction Shares) and the Reduction Shares; and

2. the obligations of the Underwriters under the Placing and Underwriting Agreement becoming unconditional (including the wavier of any condition(s) by the Lead Manager (on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Placing and Underwriting Agreement or otherwise as set out in the section headed "Underwriting" of this prospectus;

in each case, on or before the dates and times specified in the Placing and Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such date and time) and in any event not later than 24 May 2008, being the date which is 30 days after the date of this prospectus.

If such conditions referred to above have not been fulfilled or waived prior to the time and date specified in the Placing and Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 24 May 2008, the Placing will lapse and notice of the lapse of the Placing will be caused to be published by the Company on GEM website on the next day following such lapse.

OVER-ALLOTMENT OPTION AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, agree to purchase or purchase, the newly issued securities in the secondary market, during a specific time, so as to retard and, if possible, to prevent a decline in the initial public offer price of the securities. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. In Hong Kong, the stabilisation price is not permitted to exceed the Offer Price.

In connection with the Placing, the Lead Manager, as stabilising manager or any person acting for it, on behalf of the Underwriters, may over-allocate the H Shares or effect transactions in the market with a view to stabilising or maintaining the market price of the H Shares at a level higher than which might otherwise prevail in the open market for a limited period after Listing Date. In covering such over-allocations, the Lead Manager may exercise the Over-allotment Option not later than 30 days after the Listing Date, i.e. 30 May 2008, or make (or agree, offer or attempt to make) open-market purchases in the secondary market. The Lead Manager may also enter into stock borrowing arrangements with certain of the placees of the Placing, under which such placees would agree to lend to the Lead Manager some or all of the H Shares allotted to them so that the Lead Manager may use those H Shares so borrowed to satisfy the over-allocations pending the exercise of the Over-allotment Option. Any market purchases of H Shares will be effected in compliance with all applicable laws and regulatory requirements and any stablising activity will be entered into in accordance with the stablising laws, rules and regulations in place in Hong Kong. The Lead Manager or any person acting for it may also sell or agree to sell any H Shares acquired in the course of any stabilisation action in order to liquidate any position that has been established by such action. However, there is no obligation on the the Lead Manager or any person acting for it to conduct any such stabilising action which, if taken, may be discontinued at any time at the absolute discretion of the Lead Manager. The number of H Shares that may be over-allocated shall not be greater than the maximum number of H Shares which may be issued upon the exercise of the Over-allotment Option, being 13,290,000 H Shares, which is 15% of the Placing Shares initially being offered by the Company under the Placing.

As a result of effecting transactions to stabilise or maintain the market price of the H Shares, the Lead Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the stabilising manager, or any person acting for it, will maintain the long position is at the discretion of the Lead Manager and is uncertain. In the event that the Lead Manager liquidates this long position by making sales in the open market, there may be a decline in the market price of the H Shares. Stabilising action by the Lead Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilising period, which begins on the Listing Date and ends on the 30th day after the Listing Date. The stabilising period is expected to end on 30 May 2008. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilising period.

The Company will ensure or procure that a public announcement on the GEM website and the Company's website (www.tbtl.com.cn) in compliance with the Securities and Futures (Price Stabilisation) Rules will be made within seven days of the expiration of the stabilising period.

Any stabilising action taken by the Lead Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the H Shares by the Lead Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by subscribers or purchasers.

THE CORPORATE PLACING

The Lead Manager and the Company have entered into two investment agreements both dated 31 March 2008 (collectively, the "**Corporate Placing Agreements**") with Tianjin Port Development Holdings Limited ("**Tianjin Port Development**") and Hongkong Topway Trading Co., Limited ("**Topway**" and, together with Tianjin Port Development, the "**Corporate Investors**") respectively for the subscription by the Corporate Investors of an aggregate of 30,000,000 H Shares at the Placing Price of not more than HK$2.10, representing approximately 33.9% of the total Placing Shares and approximately 8.5% of the issued share capital of the Company immediately after completion of the Placing (assuming that the Over-allotment Option is not exercised). The Corporate Investors and their respective beneficial owners are Independent Third Parties and not connected person (as defined under the GEM Listing Rules) of the Company, and each of the Corporate Investors is also independent of each other. Details of these Corporate Investors are as follows:

Tianjin Port Development Holdings Limited

Tianjin Port Development has agreed to subscribe for 20,000,000 H Shares at the Placing Price of not more than HK$2.10, representing approximately 22.6% of the total Placing Shares and approximately 5.7% of the entire issued share capital of the Company immediately after completion of the Placing (assuming that the Over-allotment Option is not exercised).

Tianjin Port Development is a company incorporated in the Cayman Islands whose shares are listed on the main board of the Stock Exchange (stock code: 3382). Tianjin Port Development and its subsidiaries are principally engaged in provision of ports services, including the loading and unloading of containerised and non-containerised cargoes from shipping vessels, the stacking and warehousing of containers and cargoes, as well as various ancillary services in Tianjin, the PRC.

Hongkong Topway Trading Co., Limited

Topway has agreed to subscribe for 10,000,000 H shares at the Placing Price of not more than HK$2.10, representing approximately 11.3% of the total Placing Shares and approximately 2.8% of the entire issued share capital of the Company immediately after completion of the Placing (assuming that the Over-allotment Option is not exercised).

Topway is a company incorporated in Hong Kong and is principally engaged in the trading of production materials such as plastic, steel and rubber. It is a wholly owned subsidiary of Xiamen Xiangyu (Group) Co., Ltd. (廈門象嶼集團有限公司) ("**Xiangyu Group**") which is incorporated in the PRC and is a state-owned enterprise. Xiangyu Group and its subsidiaries are principally engaged in investment in and operation of ports and container terminals, and provision of trading and logistics services.

Conditions Precedent

The subscription obligation of each of the Corporate Investors under the Corporate Placing Agreements is conditional upon (i) the Placing and Underwriting Agreement being entered into and having become effective and unconditional by no later than the time and date as specified in the Placing and Underwriting Agreement; (ii) the Placing and Underwriting Agreement not having been terminated.

Restrictions on disposals by the Corporate Investors

Each of the Corporate Investors has agreed that, without the prior written consent of the Company and the Lead Manager, it will not during a period of 12 months following the Listing Date (the "**Lock-up Period**") dispose of any of the H Shares subscribed pursuant to the Corporate Placing Agreement (including any shares or other securities of the Company derived therefrom) and, during the first 6 months following the expiry of the Lock-up Period, it shall first notify the Company and the Lead Manager in writing before disposal of any such shares and it shall use all reasonable endeavours to ensure that any such disposal will not create a disorderly or false market for the H Shares. The Corporate Investors will also ensure that any such disposal will be in compliance with the SFO. The Company and the Lead Manager have no present intention to give the written consents to release any of the Corporate Investors from the above restrictions on disposals. The Company and the Lead Manager confirm that they will only give such written consents in exceptional circumstances.

For the above purpose, "dispose of" or "disposal" include in respect of any H Shares, offering, pledging, charging, selling, mortgaging, lending, creating, transferring or otherwise disposing of any legal or beneficial interest (including by the creation of or an agreement to create or selling or granting or agreeing to sell or grant any option or contract to purchase or any warrant or right to purchase) in the H Shares or any securities convertible into or exercisable or exchangeable for such H Shares, or contracting to do so, whether directly or indirectly, or entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences or incidents of ownership of such H Shares or securities, whether any of the foregoing transactions is to be settled by delivery of H Shares or such other securities, cash or otherwise.

The H Shares to be held by the Corporate Investors pursuant to the Corporate Placing Agreements will be counted towards the public float of the Company. Under the Corporate Placing Agreements, each of the Investors has also undertaken to the Company and the Lead Manager that it and its associates will not, without the prior written consent of the Company, acquire any further shares in the capital of the Company such that, as a result of such acquisition, the aggregate holding (direct and indirect) of such Corporate Investor and its associates in the total issued share capital of the Company shall cause the total securities of the Company held by the public (as defined in the GEM Listing Rules) to fall below the required percentage set out in the GEM Listing Rules or such other percentage as approved by the Stock Exchange and notified to such Corporate Investor, as may be applicable to the Company from time to time. In particular, in respect of the Placing, each of the Corporate Investors has also unconditionally and irrevocably undertaken to the Company and the Lead Manager that, save for the H Shares it has agreed to purchase pursuant to the Corporate Placing Agreement, neither the Corporate Investor nor its associates will apply for or place an order through the book building process for the H Shares in the Placing.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus on GEM by the GEM Listing Committee and the compliance by the Company with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as determined by HKSCC. Investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the H Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALING IN H SHARES

Dealings in H Shares on GEM are expected to commence on 30 April 2008. The H Shares will be traded in board lots of 2,000 H Shares each.

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

24 April 2008

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

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding to 天津濱海泰達物流集團股份有限公司Tianjin Binhai Teda Logistics (Group) Corporation Limited (formerly known as 天津濱海基地物流集團股份有限公司) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2007 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 24 April 2008 (the "Prospectus").

The Company was established in the People's Republic of China (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 TEDA 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 with an operating period of 50 years. 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, as explained more fully in the paragraph headed "Reorganisation" in the Prospectus, underwent in June 2006 (the "Group Reorganisation"), the Company became the holding company of the Group on 26 June 2006.

The Company is an investment holding company and is also engaged in steel materials procurement.

As at the date of this report, the Company has the following subsidiaries, associates and jointly controlled entities:

Name of Company	Date of establishment	Place of establishment and operation	Fully paid/ registered capital	Attributable equity interests of the Group *(Note b)*	Principal activities
Directly-owned subsidiary					
Tianjin Fengtian Logistics Co., Ltd. ("Tianjin Fengtian Logistics") 天津豐田物流有限公司	19 July 1996	PRC	USD8,645,600	52%	Transportation of finished vehicle and supply chain management services
TEDA General Bonded Warehouse Co., Ltd. ("TEDA Warehouse") 天津開發區泰達公共保税倉有限公司	1 December 2001	PRC	RMB80,000,000	100%	Warehouse operation and logistic services
Tianjin Yuan Da Xian Dai Logistics Co., Ltd. ("Yuan Da Logistics") 天津元大現代物流有限公司	18 December 2006	PRC	RMB10,000,000	100%	Logistic services
Indirectly-owned subsidiary					
Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd. ("Yuan Sheng") 天津濱海元盛鋼材市場經營管理有限公司	14 September 2007	PRC	RMB10,000,000	55%	Storage operation
Directly-owned associate					
Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. ("TEDA Sidier") 天津泰達斯廸爾電子交易市場經營管理有限公司	11 September 2007	PRC	RMB20,000,000	35%	Operation of electronics platform for trading business
Indirectly-owned associate					
Tianjin Port International Automobile Logistics Co., Ltd. ("Tianjin Port Automobile Logistics") 天津港國際汽車物流有限公司	27 March 2006	PRC	RMB5,000,000	50%	Provision of automobile storage and related services
Tianjin Teda Material Recycling Co., Ltd. ("Tianjin Material") 天津泰達物資回收有限公司	6 April 2006	PRC	RMB300,000	40%	Inactive

Name of Company	Date of establishment	Place of establishment and operation	Fully paid/ registered capital	Attributable equity interests of the Group (Note b)	Principal activities
Directly-owned jointly controlled entity					
Tianjin Alps Teda Logistics Co., Ltd. ("Tianjin Alps Teda Logistics") 天津泰達阿爾卑斯物流有限公司 (*note a*)	27 October 1992	PRC	USD6,000,000	52%	Provision of supply chain management services
Dalian Alps Teda Logistics Co., Ltd. ("Dalian Alps Teda Logistics") 大連泰達阿爾卑斯物流有限公司 (*note a*)	21 March 2003	PRC	USD2,400,000	50%	Material procurement logistics and provision of supply chain management services

Notes:

(a) Pursuant to the joint venture agreements applicable to the Relevant Periods concerned, the Group exercises joint control on this entity.

(b) Pursuant to articles of association of each subsidiaries, jointly controlled entities and associates, the percentage of profit sharing is the same as the percentage of equity interests of the Group.

The statutory financial statements of the Company for the period from date of establishment to 31 December 2006 and year ended 31 December 2007 which were prepared in accordance with relevant accounting principles and regulations applicable in the PRC were audited by Tianjin Jindaxin Certified Public Accountants Ltd. (天津金達信有限責任會計師事務所) and Wuzhousongde Certified Public Accountants (五洲松德聯合會計師事務所) respectively.

The statutory financial statements of the Company's subsidiaries, associates and jointly controlled entities comprising the Group were prepared in accordance with the relevant accounting rules and regulations applicable to these enterprises in the PRC for the three years ended 31 December 2007 and were audited by the following respective certified public accountants registered in the PRC:

Name of subsidiary	**Financial period**	**Auditors**
Tianjin Fengtian Logistics	Years ended 31 December 2005 and 2006	Tianjin Ji Wei Certified Public Accountants Ltd. (天津市吉威有限責任會計師事務所)
	Year ended 31 December 2007	Tianjin Jindaxin Certified Public Accountants Ltd. (天津金達信有限責任會計師事務所)

Name of subsidiary	Financial period	Auditors
TEDA Warehouse	Year ended 31 December 2005	Tianjin Wuzhou Certified Public Accountants (天津五洲聯合會計師事務所)
	Years ended 31 December 2006 and 2007	Tianjin Jindaxin Certified Public Accountants Ltd. (天津金達信有限責任會計師事務所)
Yuan Da Logistics	Period ended 31 December 2006 and year ended 31 December 2007	Tianjin Jindaxin Certified Public Accountants Ltd. (天津金達信有限責任會計師事務所)
Yuan Sheng	Period ended 31 December 2007	Tianjin Jindaxin Certified Public Accountants Ltd. (天津金達信有限責任會計師事務所)
Name of associate		
TEDA Sidier	Period ended 31 December 2007	Tianjin Jindaxin Certified Public Accountants Ltd. (天津金達信有限責任會計師事務所)
Tianjin Port Automobile Logistics	Period ended 31 December 2006 and year ended 31 December 2007	Tianjin Xingang Certified Public Accountants, Ltd. (天津新港有限責任會計師事務所)
Tianjin Material	Period ended 31 December 2006 and year ended 31 December 2007	Tianjin Jindaxin Certified Public Accountants Ltd. (天津金達信有限責任會計師事務所)
Name of jointly controlled entity		
Tianjin Alps Teda Logistics	Year ended 31 December 2005	Tianjin Wuzhou Certified Public Accountants (天津五洲聯合會計師事務所)
	Years ended 31 December 2006 and 2007	Tianjin Jindaxin Certified Public Accountants Ltd. (天津金達信有限責任會計師事務所)
Dalian Alps Teda Logistics	Years ended 31 December 2005, 2006 and 2007	Dalian Hualian Certified Public Accountants Co., Ltd. (大連華連會計師事務所有限公司)

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRS") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements of the Group and of the Company in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have examined the Underlying Financial Statements of the Group and of the Company for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountants" as recommended by the HKICPA.

The Financial Information of the Group and of the Company for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 1 to the Financial Information. No adjustments are considered necessary to adjust the Underlying Financial Statements for the Relevant Periods to conform to the Financial Information.

The directors of the Company are responsible for preparing the Underlying Financial Statements and also for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of preparation set out in Note 1 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2005, 2006 and 2007 and the Company as at 31 December 2006 and 2007 and of the consolidated results and cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

Consolidated income statements

		Year ended 31 December		
		2005	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*7*	496,666	709,940	949,609
Cost of sales		(439,125)	(594,502)	(800,570)
Gross profit		57,541	115,438	149,039
Other income	*8*	2,229	1,841	9,734
Administrative expenses		(15,393)	(26,820)	(38,734)
Share of results of associates	*19*	–	1,170	1,152
Finance costs	*9*	(2,024)	(1,323)	(748)
Profit before taxation		42,353	90,306	120,443
Taxation	*10*	(6,442)	(16,927)	(19,907)
Profit for the year	*11*	35,911	73,379	100,536
Attributable to:				
Equity holders of the Company		28,714	47,578	64,371
Minority interests		7,197	25,801	36,165
		35,911	73,379	100,536
Dividends/distribution	*13*	12,140	14,933	14,947
Earnings per share – Basic	*14*	0.19	0.20	0.24

Consolidated balance sheets

		THE GROUP			THE COMPANY	
		At 31 December			At 31 December	
		2005	2006	2007	2006	2007
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets						
Property, plant and equipment	*15*	101,428	182,699	194,364	107	499
Land use rights	*16*	56,079	54,860	64,689	–	–
Deposit paid for acquisition of property, plant and equipment		–	1,015	187	–	187
Deposit paid for acquisition of land use rights	*17*	–	–	11,829	–	11,829
Investments in subsidiaries	*18*	–	–	–	171,551	171,551
Interests in associates	*19*	–	3,790	11,942	–	7,000
Investments in jointly controlled entities	*20*	–	–	–	68,256	68,256
Goodwill	*21*	–	105	105	–	–
Amounts due from subsidiaries	*24*	–	–	–	–	30,000
		157,507	242,469	283,116	239,914	289,322
Current assets						
Inventories	*22*	8,100	12,953	68,130	–	59,529
Trade and other receivables	*23*	99,387	120,113	214,823	493	52,964
Land use rights	*16*	1,332	1,335	1,449	–	–
Amounts due from subsidiaries	*24*	–	–	–	40,025	15,654
Amounts due from related parties	*25(a)*	34	55	19	50	–
Tax recoverable		2,054	–	–	–	–
Bank balances and cash	*26*	75,879	89,487	179,671	24,462	57,690
		186,786	223,943	464,092	65,030	185,837

		THE GROUP			THE COMPANY	
		At 31 December			At 31 December	
		2005	**2006**	**2007**	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities						
Trade and other payables	*27*	69,505	91,359	246,094	50	127,947
Amounts due to related parties	*25(b)*	–	42,553	40,044	42,531	40,015
Amounts due to a minority shareholder of a subsidiary	*28*	–	–	2,393	–	–
Dividend payable	*29*	5,380	3,669	28,119	–	14,947
Taxation payable		1,799	5,337	10,082	–	–
Bank borrowings	*30*	42,412	5,857	26,113	–	20,000
		119,096	148,775	352,845	42,581	202,909
Net current assets (liabilities)		67,690	75,168	111,247	22,449	(17,072)
Total assets less current liabilities		225,197	317,637	394,363	262,363	272,250
Capital and reserves						
Share capital	*31*	–	265,000	265,000	265,000	265,000
Reserves	*32*	183,135	(9,338)	40,086	(2,637)	7,250
Attributable to equity holders of the Company		183,135	255,662	305,086	262,363	272,250
Minority interests		42,062	61,975	83,537	–	–
		225,197	317,637	388,623	262,363	272,250
Non-current liabilities						
Deferred income	*33*	–	–	5,740	–	–
		225,197	317,637	394,363	262,363	272,250

Consolidated statement of changes in equity

	Attributable to equity holders of the Company						
	Share capital RMB'000	Other reserves RMB'000 *(Note 32b)*	Statutory reserves RMB'000 *(Note 32a)*	Retained profits RMB'000	Attributable to equity holders of parent entity RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2005	–	65,795	5,788	8,913	80,496	24,463	104,959
Profit for the year and total recognised income for the year	–	–	–	28,714	28,714	7,197	35,911
Transfer to statutory reserves by jointly controlled entities arising from appropriation *(note 32a)*	–	–	1,099	(1,099)	–	–	–
Capital contribution by the then shareholder and the minority shareholder	–	86,065	–	–	86,065	12,983	99,048
Transfer	–	–	525	(525)	–	–	–
Dividends	–	–	–	(12,140)	(12,140)	(2,581)	(14,721)
At 31 December 2005	–	151,860	7,412	23,863	183,135	42,062	225,197
Profit for the year and total recognised income for the year	–	–	–	47,578	47,578	25,801	73,379
Transfer to statutory reserves by jointly controlled entities arising from appropriation *(note 32a)*	–	–	4,109	(4,109)	–	–	–
Transfer	–	–	1,196	(1,196)	–	–	–
Dividends	–	–	–	(12,402)	(12,402)	(5,888)	(18,290)
Capital contribution upon increase in additional interest in a jointly controlled entity	–	2,158	–	–	2,158	–	2,158
Dividend distribution before the Group Reorganisation *(note i)*	–	–	–	(2,531)	(2,531)	–	(2,531)
Arising from the Group Reorganisation *(note ii)*	–	(227,276)	–	–	(227,276)	–	(227,276)
Issue of shares upon reorganisation for							
– cash	80,423	–	–	–	80,423	–	80,423
– assets and liabilities	184,577	–	–	–	184,577	–	184,577
At 31 December 2006	265,000	(73,258)	12,717	51,203	255,662	61,975	317,637

	Attributable to equity holders of the Company						
	Share capital	Other reserves	Statutory reserves	Retained profits	Attributable to equity holders of parent entity	Minority interests	Total
	RMB'000	*RMB'000* *(Note 32b)*	*RMB'000* *(Note 32a)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year and total recognised income for the year	–	–	–	64,371	64,371	36,165	100,536
Transfer to statutory reserves by jointly controlled entities arising from appropriation *(note 32a)*	–	–	4,359	(4,359)	–	–	–
Transfer	–	–	13,493	(13,493)	–	–	–
Capital contribution by the minority shareholder	–	–	–	–	–	4,500	4,500
Dividends	–	–	–	(14,947)	(14,947)	(19,103)	(34,050)
At 31 December 2007	265,000	(73,258)	30,569	82,775	305,086	83,537	388,623

Note:

(i) The amount represented a distribution to TEDA Holding in respect of profits of the group entities from 1 January 2006 to the date of the Group Reorganisation.

(ii) The amount represented the nominal value of share capital issued of RMB265,000,000 less net cash received of RMB37,723,700 upon the Group Reorganisation.

Consolidated cash flow statements

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before taxation	42,353	90,306	120,443
Adjustments for:			
Interest income	(609)	(1,038)	(1,454)
Finance costs	2,024	1,323	748
Depreciation for property, plant and equipment	8,182	11,930	18,009
Amortisation for land use rights	852	1,336	1,344
Loss (gain) on disposal of property, plant and equipment	134	(78)	633
Impairment loss (reversal of impairment loss) recognised on financial assets	–	120	709
Impairment loss recognised on inventories	–	–	512
Share of results of associates	–	(1,170)	(1,152)
Operating cash flows before movements in working capital	52,936	102,729	139,792
Increase in inventories	(31)	(4,853)	(55,689)
Increase in trade and other receivables	(33,131)	(19,611)	(95,419)
Decrease (increase) in amounts due from related parties	2	(19)	36
Increase in trade and other payables	19,338	9,284	163,012
Increase in amounts due to related parties	–	40,012	(2,509)
Net cash from operations	39,114	127,542	149,223
Interest received	609	1,038	1,454
Income tax paid	(8,786)	(11,409)	(15,162)
NET CASH FROM OPERATING ACTIVITIES	30,937	117,171	135,515

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(52,282)	(83,034)	(38,214)
Receipt of government grants	–	–	5,740
Purchase of land use rights	–	–	(11,287)
Deposit paid for acquisition of land use rights	–	–	(11,829)
Proceeds from disposal of property, plant and equipment	2,146	1,025	797
Investment in an associate	–	(2,620)	(7,000)
Acquisition of additional interest in a jointly controlled entity	–	1,050	–
NET CASH USED IN INVESTING ACTIVITIES	(50,136)	(83,579)	(61,793)
FINANCING ACTIVITIES			
New bank and other borrowings raised	98,369	60,569	38,355
Repayment of bank borrowings	(98,342)	(97,204)	(18,099)
Interest paid	(1,918)	(1,072)	(1,087)
Dividends paid	(9,340)	(20,001)	(9,600)
Distribution upon the Group Reorganisation on increase in interest in a subsidiary	–	(42,699)	–
Capital contribution from the then shareholders and minority shareholders of the Company and subsidiaries	59,348	–	–
Issue of shares upon the Group Reorganisation	–	80,423	–
Capital contribution from minority shareholder of a subsidiary	–	–	4,500
Advance from a minority shareholder of a subsidiary	–	–	5,500
Payment to a minority shareholder of a subsidiary	–	–	(3,107)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	48,117	(19,984)	16,462
INCREASE IN CASH AND CASH EQUIVALENTS	28,918	13,608	90,184
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	46,961	75,879	89,487
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Bank balances and cash	75,879	89,487	179,671

Notes to the financial information

1. GENERAL AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was established as an investment holding company in the People's Republic of China (the "PRC") by its promoters, TEDA Holding and TEDA Asset Company, as a joint stock limited company on 26 June 2006 with an operating period of 50 years.

Pursuant to the Group Reorganisation underwent in June 2006, the Company issued a total of 185,000,000 domestic shares of RMB1 each in exchange for contribution from TEDA Holding in 52%, 60%, 52% and 50% respective equity interest in Tianjin Fengtian Logistics, TEDA Warehouse, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics and cash of RMB422,900. At the same date, the Company issued 80,000,000 domestic shares of RMB1 each for cash of RMB80 million to Tianjin Assets Company. On 3 July 2006 and as part of the Group Reorganisation, TEDA Asset Company injected remaining 40% equity interest in TEDA Warehouse into the Group and the Company paid cash of RMB42,699,200 to TEDA Asset Company. TEDA Warehouse was under the control of TEDA Administrative Commission prior to and after the Group Reorganisation, therefore the attributable results of TEDA Warehouse was included in the Financial Information throughout the Relevant Periods, as if TEDA Warehouse has always been a 100% owned subsidiary of the Group.

The Group and the business resulting from the Group Reorganisation are regarded as a continuing entity. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Group had always been in existence for the Relevant Periods.

The Group's principal operations are conducted in the PRC. The financial information has been presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted all of new and revised International Financial Reporting Standard, amendment and the relevant interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB (hereinafter collectively referred to as "IFRSs") that are effective for accounting periods beginning on 1 January 2007 in the preparation of the Financial Information throughout the Relevant Periods.

At the date of this report, the IASB and the IFRIC of the IASB issued the following new and revised standards and interpretation which are not yet effective:

IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Costs[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
IFRS 3 (Revised)	Business Combinations[2]
IFRS 8	Operating Segments[1]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[3]
IFRIC 12	Service Concession Arrangements[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 March 2007

[4] Effective for annual periods beginning on or after 1 January 2008

[5] Effective for annual periods beginning on or after 1 July 2008

The Group has not early adopted these new standards and interpretations in the preparation of the Financial Information. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group except for the adoption of IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidation and Separate Financial Statements. IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis in accordance with the following accounting policies which conform with International Financial Reporting Standards. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The financial information incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used in line with those used by the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investments in associates are included in the Company's balance sheet at cost, less any identified impairment loss. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognised its interests in jointly controlled entities using proportionate consolidation method. The Group's share of each of the jointly controlled entity's assets, liabilities, income and expenses are combined with the Group's similar items, line by line, in the Financial Information.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Investment in jointly controlled entities is included in the Company's balance sheet at cost less any identified impairment loss.

Goodwill

Goodwill arising on an acquisition of a jointly controlled entity (which is accounted for using proportionate consolidation) represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a jointly controlled entity is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a jointly controlled entity the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from rendering of logistics services for finished vehicles, supply chain management for automobile components, parts and other commodities is recognised upon the completion of services.

Sales of steel and other materials in relation to procurement services are recognised when the goods are delivered and title has passed.

Revenue from the warehousing services is recognised when the services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and any identified impairment losses.

Constructions in progress are stated at cost, which include the related construction cost, less accumulated impairment losses. No depreciation or amortisation is provided on construction in progress until the construction is completed and the properties and assets are ready for use.

Depreciation is provided to write off the cost of the items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Items of property, plant and equipment other than construction in progress are depreciated over their estimated useful lives and after taking into account their estimated residual value, using straight-line basis at the following rates per annum:

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a land use rights and amortised over a straight-line basis over the lease term.

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories which consist of materials are stated at lower of cost and net realisable value. Cost is calculated using the weighted average method.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as "other income".

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences are related to goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Financial assets

The Group's financial assets are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries, amounts due from related parties and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts (including all fees on 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 assets, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables and amounts due from related parties are assessed to be impaired individually. An impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of trade and other receivables and amounts due from related parties is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement. When trade and other receivables and amounts due from related parties are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

For financial assets measure at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the asset at the date of the impairment loss is reversed dose not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities (including amounts due to related parties, dividend payable, trade and other payables, amount due to minority shareholder of a subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

For financial liabilities, they are removed from the Group's consolidated balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the consolidated income statement.

Financial guarantee

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise.

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 lessee

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Payment for obtaining land use rights is considered as prepaid operating lease payment.

Retirement benefits costs

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates and judgements (other than those involving estimates) based on past experience, expectations of the future and other information. The key source of estimation uncertainty and the critical judgement that can significantly affect the amounts recognised in the Financial Information is disclosed below.

Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying amounts of trade and other receivables and doubtful debts expenses in the year in which such estimate is changed.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities 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 capital structure of the Group and the Company consists of bank borrowings, bank deposits, cash and cash equivalents and equity attributable to equity holders of the Group and the Company, comprising share capital, reserves and retained profits as disclosed in the Financial Information.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raise of bank loans.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP			THE COMPANY	
	At 31 December			At 31 December	
	2005	**2006**	**2007**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets					
Loans and receivables (including cash and cash equivalents)	173,537	207,060	346,776	65,023	111,716
Financial liabilities					
Amortised cost	114,827	139,927	312,051	42,581	176,999

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, amounts due from related parties, trade and other payables, amounts due to related parties, dividend payable and bank borrowings. The Company's major financial instruments include amounts due from subsidiaries, dividend receivable, trade and other receivables, bank balance and cash, amounts due to related parties, dividend payable, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposure to ensure appropriate measures are implemented on a timely and effective manner.

(c) Market risk

The Group's activities expose it primarily to the market risks including interest risk (see (d) below) and foreign currency risk (see (e) below).

There has been no change to the Group's exposure to these market risks or the manner in which it manages and measures the risks.

(d) Interest rate risk management

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 which carried at prevailing market interest rates. It is the Group's policy to keep its borrowings at floating rate of interests so as the 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, the management will consider hedging significant interest rate risk should the need arise.

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

If interest rates on bank balances and variable-rate bank borrowings had been 100 basis points higher/lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	THE GROUP			**THE COMPANY**	
	At 31 December			**At 31 December**	
	2005	**2006**	**2007**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Increase/decrease in profit for the year	335	836	1,536	245	377

In the opinion of the management of the Group, the sensitivity analysis is unpresentative of the inherent interest rate risk as the year end exposures does not reflect the exposure during the year.

(e) Foreign currency risk management

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	At 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
United States Dollars	30,961	36,580	32,832
Japanese Yen	46	48	382
Liabilities			
United States Dollars	20,306	24,519	21,152
Japanese Yen	1,046	9	–

The Group is mainly exposed to foreign currency risk between USD/RMB. The following table details the Group's sensitivity to a 10 per cent increase in RMB against USD. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the balance sheet date and held constant throughout the Relevant Periods.

	USD Impact				
	The Group			**The Company**	
	Year ended 31 December			**Year ended 31 December**	
	2005	**2006**	**2007**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Decrease in profit for the year	1,093	1,206	1,162	–	–

For a 10 per cent weakening of RMB against USD, there would be an equal and opposite impact on the profit.

In the opinion of the management of the Group, the sensitivity analysis is unpresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(f) Credit risk management

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

As at 31 December 2005, 2006 and 2007, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 38.

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

The Group is exposed to some concentration of credit risk. At 31 December 2005, 2006 and 2007, the ten largest debtors accounted for approximately 72%, 77% and 81% of the Group's total trade receivables respectively. The Group delegate a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

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

(g) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and bank facilities by continuously monitoring forecast and actual cash flows and the maturity profiles of financial liabilities.

As at 31 December 2005, 2006 and 2007, the Group has available unutilised short-term bank borrowings facilities of approximately RMB13,325,000, RMB45,544,000 and RMB234,801,000 respectively.

At 31 December 2007, the Company is in net current liabilities. The directors of the Company consider that liquidity risk is limited after considering the future cash flow of the Company in the foreseeable future. The directors of the Company are of the opinion that, taking into account the presently available bank facilities, funds generated from the operation and funds available from its subsidiaries, the Company has sufficient working capital for its present requirements, that is for at least the next twelve months commencing from the date of this report.

The following table details the Group's contractual maturity for its non-derivative financial liabilities as at 31 December 2005, 2006 and 2007 and of the Company as at 31 December 2006 and 2007. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

	The Group					
	Weighted average effective interest rate	**Less than 3 months**	**Over 3 months but not more than 6 months**	**Over 6 months but not more than 1 year**	**Total undiscounted cash flows**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities						
As at 31 December 2005						
Trade and other payables	–	67,035	–	–	67,035	67,035
Dividend payable	–	5,380	–	–	5,380	5,380
Bank borrowings	3.65	12,030	28,994	2,091	43,115	42,412
		84,445	28,994	2,091	115,530	114,827
As at 31 December 2006						
Trade and other payables	–	87,848	–	–	87,848	87,848
Amounts due to related parties	–	42,553	–	–	42,553	42,553
Dividend payable	–	3,669	–	–	3,669	3,669
Bank borrowings	4.69	–	5,994	–	5,994	5,857
		134,070	5,994	–	140,064	139,927
As at 31 December 2007						
Trade and other payables	–	215,382	–	–	215,382	215,382
Amounts due to related parties	–	40,044	–	–	40,044	40,044
Amounts due to a minority shareholder of a subsidiary	–	2,393	–	–	2,393	2,393
Dividend payable	–	28,119	–	–	28,119	28,119
Bank borrowings	6.29	6,113	–	21,258	27,371	26,113
		292,051	–	21,258	313,309	312,051

	The Company					
	Weighted average effective interest rate	**Less than 3 months**	**Over 3 months but not more than 6 months**	**Over 6 months but not more than 1 year**	**Total undiscounted cash flows**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities						
As at 31 December 2006						
Trade and other payables	–	50	–	–	50	50
Amounts due to related parties	–	42,531	–	–	42,531	42,531
		42,581	–	–	42,581	42,581
As at 31 December 2007						
Trade and other payables	–	102,037	–	–	102,037	102,037
Amounts due to related parties	–	40,015	–	–	40,015	40,015
Dividend payable	–	14,947	–	–	14,947	14,947
Bank borrowings	6.29	–	–	21,258	21,258	20,000
		156,999	–	21,258	178,257	176,999

(h) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transaction as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values at the respective balance sheet dates.

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for: (1) Logistics and supply chain solutions: (a) logistics services and supply chain management and (b) materials procurement logistics services and (2) Steel procurement services provided by the Group to outside customers during the Relevant Periods. An analysis of the Group's revenue during the Relevant Periods is as follows:

	Year ended 31 December 2007		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Logistics and supply chain solutions			
– Logistics services and supply chain management	449,682	659,541	853,999
– Materials procurement logistics services	46,984	50,399	64,567
Steel procurement services	–	–	31,043
	496,666	709,940	949,609

Business segments

During the years ended 31 December 2005 and 2006, the Group has only one segment of logistics and supply chain solutions, the directors of the Company consider that no segment information is disclosed in the Financial Information.

During the year ended 31 December 2007, the Group has started to place more resources in its steel procurement service in order to provide diversification of market risks.

For management purpose, the Group is currently mainly organized into two operating divisions – logistics and supply chain solutions and steel procurement services.

Principal activities of the two segments are as follows:

Logistics and supply chain solutions – Render logistics services and supply chain management i.e. planning, storage and transportation management for automobile components, electronic production materials, finished goods and materials procurement logistics services i.e. purchase and sale of resins and electronic components as a value-added service to the Group's existing customers of logistics and supply chain management at the pre-production stage.

Steel procurement services – Sales of steel materials to customers comprised principally trading companies and rendering related services of transportation management, storage, warehouse supervising and management.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December 2007		
	Logistics and supply chain solutions	**Steel procurement services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	918,566	31,043	949,609
Result			
Segment result	124,775	(17)	124,758
Unallocated other income			1,454
Unallocated corporate expenses			(6,173)
Share of results of associates	1,152	–	1,152
			121,191
Finance costs			(748)
Profit before taxation			120,443
Taxation			(19,907)
Profit for the year			100,536

CONSOLIDATED BALANCE SHEET

	At 31 December 2007		
	Logistics and supply chain solutions	**Steel procurement services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Segment assets	430,485	113,179	543,664
Interests in associates	11,942	–	11,942
Unallocated corporate assets			191,602
			747,208
LIABILITIES			
Segment liabilities	123,931	127,947	251,878
Unallocated liabilities			80,594
Bank borrowings			26,113
			358,585

OTHER INFORMATION

	Year ended 31 December 2007		
	Logistics and supply chain solutions	**Steel procurement services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Capital additions	52,949	443	53,392
Impairment loss on financial assets	709	–	709
Impairment loss recognised on inventories	512	–	512
Amortisation for land use rights	1,344	–	1,344
Loss on disposal of property, plant and equipment	633	–	633
Depreciation for property, plant and equipment	17,958	51	18,009

No geographical segment information is presented as all of the Group's turnover and profit are derived within the PRC and all assets of the Group and the customers of the Group are mostly located in the PRC, which is considered as one geographic location with similar risks and returns.

8. OTHER INCOME

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Compensation income	11	476	14
Interest income	609	1,038	1,454
Subsidy income *(note)*	1,604	102	7,967
Gain on disposal of property, plant and equipment	–	78	–
Others	5	147	299
	2,229	1,841	9,734

Note: During the years ended 31 December 2005, 2006 and 2007, the Group received subsidies and awards from local government authorities for its contribution to the development of the local economies. In addition, the Company obtained an unconditional and non-assets related government grant amounting to RMB7,505,000 according to "Provisional Regulations on Modern Services and Development of Tianjin Economic and Technological Development Area" (Guan Wei Hui Ling No. 114) ("天津經濟技術開發促進現代服務與發展的暫行規定") (管委會令No. 114) during the year ended 31 December 2007.

9. FINANCE COSTS

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings wholly repayable within five years	2,024	1,323	748

10. TAXATION

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
The charge comprises the PRC enterprise income tax ("EIT"):			
Current taxation			
– subsidiaries	1,377	11,899	14,364
– jointly controlled entities	5,065	5,028	5,543
	6,442	16,927	19,907

The companies comprising the Group and the jointly controlled entities are, except for as stated in notes below, subject to EIT levied at a rate of 33% of taxable income determined in accordance with the relevant laws and regulations in the PRC throughout the Relevant Periods.

Name of subsidiary/jointly controlled entity		Year ended 31 December		
		2005	**2006**	**2007**
	Notes	*EIT rate*	*EIT rate*	*EIT rate*
Tianjin Fengtian Logistics	*(i)*	7.5%	15%	15%
Tianjin Alps Teda Logistics*	*(ii)*	15%	15%	15%
Dalian Alps Teda Logistics*	*(iii)*	30%	30%	30%

* *Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics are jointly controlled entities during the Relevant Periods.*

Notes:

(i) According to the notice for "the letter of Tianjin Fengtian Logistics Co., Ltd. to be entitled to favourable policy of manufactory foreign investment enterprise in other industries" (Jin Guo Shui Jing (2005) No.65) issued by TEDA tax bureau on 19 August 2005, Tianjin Fengtian Logistics was recognised as a manufactory foreign investment enterprise, which entitled a tax rate of 15% since 2005 and is entitled to exemptions from income tax for the two years commencing from its first profit-making year of operations and thereafter, entitled to a 50% relief for the next three years. The first profit-marking year of Tianjin Fengtian Logistics was 2001 therefore the entity was subject to a tax rate of 7.5% in 2005 as the third year of 50% relief, simultaneously entitled to exemptions regional income tax rate of 3% during the operating periods.

(ii) According to the notice for "the letter of Tianjin Alps Teda Logistics Company Limited to be entitled to favourable policy of manufactory foreign investment enterprise in other industries" (Jin Guo Shui Jing (2005) No.55) issued by TEDA tax bureau on 19 August 2005, Tianjin Alps Teda Logistics was recognised as a manufactory foreign investment enterprise, which entitled a tax rate of 15% since 2005, simultaneously entitled to exemptions regional income tax rate of 3% during the operating periods.

(iii) Dalian Alps Teda is a foreign investment enterprise and is subject to income tax of 33% during the Relevant Periods. According to "the regulation of encouraging foreign investment" (Da Zheng Fa (2000) No. 21) issued by the Government of Dalian, 3% of regional income tax was exempted.

The tax charge during the Relevant Periods can be reconciled to the profit before taxation per the income statement as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	42,353	90,306	120,443
Tax at the domestic income tax rate of 33%	13,976	29,801	39,746
Effect of preferential tax rates of a subsidiary/ jointly controlled entities	(8,513)	(14,078)	(20,247)
Tax effect of income not taxable for tax purpose *(note a)*	(529)	–	–
Tax effect of expenses not deductible for tax purpose *(note b)*	1,146	1,012	1,672
Tax effect of tax losses not recognised *(note c)*	362	873	557
Utilisation of tax losses not recognised *(note d)*	–	(295)	(1,441)
Tax effect of share of results of associates	–	(386)	(380)
Tax charge for the year	6,442	16,927	19,907

Notes:

a. The amount represents share of tax effect of non-taxable income earned by Tianjin Alps Teda Logistics, which was government grant received during the year ended 31 December 2005.

b. The amount represents tax effect of non-deductible corporate expenses of the Company and its subsidiaries and jointly-controlled entities.

c. The amounts represent tax effect of tax losses not recognised by the Company, TEDA Warehouse, Yuan Da Logistics and Yuan Sheng. Those tax losses could be utilised to offset with future taxable profits within five years from the year the tax loss arose.

d. The amounts represent the tax effect of tax losses utilised but not recognised in previous years by the Company, TEDA Warehouse and Yuan Da Logistics.

The domestic income tax rate represents the tax rate in the jurisdiction where the operation of the Group is substantially based.

Deferred tax assets not recognised in respect of tax losses as at 31 December 2005, 2006 and 2007, amounted to RMB2,146,000, RMB2,724,000 and RMB1,840,000 respectively.

In the opinion of the directors, no deferred tax assets in respect of these tax losses were recognised upon losses incurred due to unpredictability of future profitability of respective group entities.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by order No.63 of the President of the PRC. On 6 December 2007, the State Council issued Implementation Regulations of the New Law. The New Law and Implementation Regulations impose a single income tax rate of 25% for both domestic and foreign invested enterprises from 1 January 2008. The existing Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (the "FIE and FE tax laws") and Provisional Regulations of the PRC on Enterprise Income Tax (collectively referred to as the "existing tax laws") would be abolished simultaneously. Currently, the Company's subsidiaries and jointly controlled entities in the PRC applied tax rates under the existing tax laws to provide for current tax. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No.39), Tianjin Fengtian Logistics and Tianjin Alps Teda Logistics that previously enjoyed tax incentives would increase their applicable tax rate progressively to 25% over a five-years period. For the Company, other subsidiaries and jointly controlled entities, their applicable tax rate would change immediately to 25% in 2008.

11. PROFIT FOR THE YEAR

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year has been arrived at after charging (crediting):			
Directors' remuneration *(note 12)*	–	72	310
Staff costs	34,668	40,282	54,191
Retirement benefits scheme contributions	2,029	3,045	5,479
Total staff costs	36,697	43,399	59,980
Auditor's remuneration	26	2,434	747
Amortisation for land use rights	852	1,336	1,344
Depreciation for property, plant and equipment	8,182	11,930	18,009
Loss (gain) on disposal of property, plant and equipment	134	(78)	633
Cost of materials sold recognised during the year	44,564	48,308	91,657
Impairment loss recognised on financial assets	–	120	709
Impairment loss recognised on inventories	–	–	512
Exchange (gain) loss	(114)	543	1,131

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Directors' fee	–	72	310
Other emoluments for non-executive directors and independent non-executive directors	–	–	–
Other emoluments for executive directors			
– salaries and allowances	–	–	–
– retirement benefits scheme contributions	–	–	–
	–	72	310

	Directors' fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2006				
Zhang Jian 張艦	12	–	–	12
Zhang Jun 張軍	12	–	–	12
Sun Quan 孫泉	12	–	–	12
Ding Yi 丁一	12	–	–	12
Liu Jingfu 劉景福	12	–	–	12
Luo Yongtai 羅永泰	12	–	–	12
Zhang Limin 張立民	–	–	–	–
	72	–	–	72

	Directors' fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2007				
Zhang Jian 張艦	30	–	–	30
Zhang Jun 張軍	30	–	–	30
Sun Quan 孫泉	30	–	–	30
Ding Yi 丁一	30	–	–	30
Liu Jingfu 劉景福	60	–	–	60
Luo Yongtai 羅永泰	60	–	–	60
Zhang Limin 張立民	70	–	–	70
	310	–	–	310

Highest paid individuals

For the years ended 31 December 2005, 2006 and 2007, all of the five individuals with the highest emoluments in the Group are employees and none of them are directors of the Company. The details are as follows:

	Year ended 31 December		
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Employees			
– salaries and allowances	1,446	1,476	1,556
– performance related bonus	3	6	34
– retirement benefits scheme contributions	21	28	28
	1,470	1,510	1,618

The emoluments of each of the five highest paid individuals in the Group during the Relevant Periods were below RMB936,000 (equivalent to HKD1,000,000).

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 any emoluments during the Relevant Periods.

13. DIVIDENDS/DISTRIBUTION

The amounts for the years ended 31 December 2005 and 2006 represented the dividends declared by one of the Company's subsidiary and its jointly controlled entity to their then shareholders prior to the Group Reorganisation. Included in the balance for the year ended 31 December 2006 is a dividend distribution of RMB2,531,000 which represented distribution to TEDA Holding in respect of profits of the group entities from 1 January 2006 to the date of the Group Reorganisation.

The amount for the year ended 31 December 2007 represented the dividend declared by the Company.

14. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company for the Relevant Periods is based on the following data:

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year attributable to equity holders of the Company and earnings for the purpose of basic earnings per share	28,714	47,578	64,371

	Number of shares		
	Year ended 31 December		
	2005	**2006**	**2007**
	'000	*'000*	*'000*
Weighted average number of shares for the purpose of basic earnings per share	148,885	238,724	265,000

The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company for the three years ended 31 December 2005, 2006 and 2007 and the weighted average number of 148,885,000, 238,724,000 and 265,000,000, respectively, and on the assumption that the Group Reorganisation had been effective on 1 January 2005.

There are no diluted earnings per share presented for the Relevant Periods as there are no potential ordinary shares outstanding during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings *RMB'000*	Machinery *RMB'000*	Furniture and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2005	27,298	7,788	6,206	23,321	5,893	70,506
Additions	–	2,701	2,038	4,236	43,672	52,647
Transfer	35,487	2,005	–	1,343	(38,835)	–
Disposals	–	–	(356)	(2,749)	–	(3,105)
At 31 December 2005	62,785	12,494	7,888	26,151	10,730	120,048
Arising on acquisition of additional interest in a jointly controlled entity	256	64	76	198	25	619
Additions	24,880	2,976	7,312	4,612	53,991	93,771
Transfer	52,898	4,845	164	159	(58,066)	–
Disposals	(736)	(6)	(682)	(537)	–	(1,961)
At 31 December 2006	140,083	20,373	14,758	30,583	6,680	212,477
Additions	546	3,366	4,972	3,918	18,302	31,104
Transfer	10,315	6,397	503	4,963	(22,178)	–
Disposals	(353)	(504)	(507)	(1,016)	–	(2,380)
At 31 December 2007	150,591	29,632	19,726	38,448	2,804	241,201
ACCUMULATED DEPRECIATION						
At 1 January 2005	2,697	1,600	1,872	5,094	–	11,263
Provided for the year	1,566	1,157	1,161	4,298	–	8,182
Eliminated on disposals	–	–	(241)	(584)	–	(825)
At 31 December 2005	4,263	2,757	2,792	8,808	–	18,620
Arising on acquisition of additional interest in a jointly controlled entity	72	47	41	82	–	242
Provided for the year	3,856	1,576	1,685	4,813	–	11,930
Eliminated on disposals	(300)	(6)	(484)	(224)	–	(1,014)
At 31 December 2006	7,891	4,374	4,034	13,479	–	29,778
Provided for the year	6,076	2,996	3,160	5,777	–	18,009
Eliminated on disposals	(48)	(20)	(370)	(512)	–	(950)
At 31 December 2007	13,919	7,350	6,824	18,744	–	46,837
CARRYING VALUES						
At 31 December 2005	58,522	9,737	5,096	17,343	10,730	101,428
At 31 December 2006	132,192	15,999	10,724	17,104	6,680	182,699
At 31 December 2007	136,672	22,282	12,902	19,704	2,804	194,364

As at 31 December 2007, the Group had pledged certain buildings for a bank borrowings. Details of the assets pledged for the secured loan are set out in note 37.

THE COMPANY

	Furniture and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
COST			
Additions during the period and balance at 31 December 2006	111	–	111
Additions during the year	200	243	443
At 31 December 2007	311	243	554
ACCUMULATED DEPRECIATION			
Provided for the period and balance at 31 December 2006	4	–	4
Provided for the year	22	29	51
At 31 December 2007	26	29	55
CARRYING VALUES			
At 31 December 2006	107	–	107
At 31 December 2007	285	214	499

16. LAND USE RIGHTS

	THE GROUP At 31 December 2005 *RMB'000*	2006 *RMB'000*	2007 *RMB'000*
CARRYING AMOUNT			
At beginning of the year	18,563	57,411	56,195
Additions	–	–	11,287
Arising from acquisition of additional interest in a jointly controlled entity	–	120	–
Additions by injection of the land use rights by TEDA Holding	39,700	–	–
Charged to income statement	(852)	(1,336)	(1,344)
At end of the year	57,411	56,195	66,138

Analysis of the carrying amount of land use rights is as follows:

	THE GROUP **At 31 December** **2005**	 **2006**	 **2007**
	RMB'000	*RMB'000*	*RMB'000*
Land use rights	57,411	56,195	66,138
Less: Portion to be charged to income statement in the coming twelve months and grouped under current assets	(1,332)	(1,335)	(1,449)
Amount due after one year	56,079	54,860	64,689

The land use rights are situated in the PRC and amortised over their lease periods. As at 31 December 2007, the land use rights have remaining lease periods ranging from 38 to 49 years.

As at 31 December 2007, the Group had pledged land use rights for a bank borrowings. Details of the assets pledged for the secured loan are set out in note 37.

17. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS

	THE GROUP AND THE COMPANY At 31 December 2007 *RMB'000*
Deposit paid for acquisition of land use rights to Tianjin Port International Logistics Development Co., Ltd. *(note)*	10,460
Incidental costs	1,369
	11,829

Note: Total consideration for acquisition of the land use rights amounting to RMB47,776,000.

Tianjin Port International Logistics Development Co., Ltd. and the Company are both state-controlled entities in the PRC. In the opinion of the directors, the balance of consideration for acquisition of such land use rights will be financed by proceed from new issue of shares or additional bank financing, if required. The land will be used as container stacking yard. The completion of the acquisition is expected to be in first half of 2008.

18. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY **2006 & 2007** *RMB'000*
Unlisted equity investment, at cost	171,551

19. INTERESTS IN ASSOCIATES

	THE GROUP			THE COMPANY	
	At 31 December			At 31 December	
	2005	2006	2007	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital contribution, at cost	–	2,620	9,620	–	7,000
Share of post-acquisition profits	–	1,170	2,322	–	–
	–	3,790	11,942	–	7,000

The summarised financial information in respect of the Group's associates is set out below:

	At 31 December		
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Total assets	–	7,793	32,011
Total liabilities	–	152	2,067
Net assets	–	7,641	29,944
Group's share of net assets of associates	–	3,790	11,942

	For the year ended 31 December		
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Revenue	–	7,436	17,388
Profit for the year	–	2,340	2,304
Group's share of result of associates for the year	–	1,170	1,152

The results and assets and liabilities of associates, which are held through the holding company or its subsidiary, have been equity-accounted for in the consolidated financial information.

20. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group

The aggregate amounts of the Group's share of the assets, liabilities, income and expenses of jointly controlled entities accounted for by the Group using proportionate consolidation are set out below:

	At 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	79,893	94,376	100,953
Non-current assets	20,625	22,263	22,114
Current liabilities	36,447	40,307	39,809
Income	194,427	203,000	220,282
Expenses	172,413	182,792	200,473
Net profit	22,014	20,208	19,809

At the balance sheet date, the jointly controlled entities do not have outstanding contingent liabilities.

During the year ended 31 December 2006 and from 1 January 2007 upto 17 October 2007, TEDA Holding, one of the promoters of the Company, had outstanding guarantee provided to Tianjin Alps Teda Logistics for its liability arising on air freight logistic operation. The Company has replaced TEDA Holding to provide the above-mentioned guarantee to Tianjin Alps Teda Logistics for the period from 18 October 2007 to 18 October 2010 (see note 38).

The Company

	At 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Investments at cost	68,256	68,256

21. GOODWILL

	RMB'000
Balance at 1 January 2005 and 31 December 2005	–
Amount recognised from acquisition additional 2% interest in Tianjin Alps Teda Logistics *(note)*	105
Balance at 31 December 2006 and 2007	105

Note: TEDA Holding acquired an additional 2% interest in a jointly controlled entity, Tianjin Alps Teda Logistics at a cash consideration of RMB2,158,000, which was deemed as the contribution to the Group prior to the Group Reorganisation. The goodwill represents the consideration in excess of the fair value of the equity interest acquired.

The directors of the Company assessed the recoverable amount of the goodwill and then consider that the goodwill is not impaired.

22. INVENTORIES

	THE GROUP			**THE COMPANY**	
	At 31 December			**At 31 December**	
	2005	**2006**	**2007**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Procured materials:					
– Raw materials	8,100	12,953	8,601	–	–
– Steel materials	–	–	59,529	–	59,529
	8,100	12,953	68,130	–	59,529

23. TRADE AND OTHER RECEIVABLES

	THE GROUP			**THE COMPANY**	
	At 31 December			**At 31 December**	
	2005	**2006**	**2007**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	89,608	108,837	147,235	–	–
Less: impairment loss recognised	–	(120)	(569)	–	–
	89,608	108,717	146,666	–	–
Bills receivables	–	–	2,500	–	2,500
	89,608	108,717	149,166	–	2,500
Prepayments to suppliers	–	–	44,585	–	44,585
Other receivables	9,779	11,396	21,332	493	5,879
Less: impairment loss recognised	–	–	(260)	–	–
Total trade and other receivables	99,387	120,113	214,823	493	52,964

The Group and the Company allow an average credit period ranged from 30 to 90 days to its trade customers. The aged analysis of the trade and bills receivables, net of impairment losses, is as follows:

	THE GROUP At 31 December			THE COMPANY At 31 December	
	2005	**2006**	**2007**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	86,761	107,806	148,379	–	2,500
91 – 180 days	1,051	687	508	–	–
181 – 365 days	1,530	213	205	–	–
1 – 2 years	230	8	74	–	–
Over 2 years	36	3	–	–	–
	89,608	108,717	149,166	–	2,500

Included in the Group's trade receivables balances are debtors with a carrying amount of RMB2,847,000, RMB911,000 and RMB787,000 as at 31 December 2005, 2006 and 2007 which are over due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

	THE GROUP At 31 December			THE COMPANY At 31 December	
	2005	**2006**	**2007**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
91 – 180 days	1,051	687	508	–	–
181 – 365 days	1,530	213	205	–	–
1 – 2 years	230	8	74	–	–
Over 2 years	36	3	–	–	–
	2,847	911	787	–	–

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

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

The Group's trade receivables denominated in currencies other than functional currencies of the relevant group entities were as follows:

	At 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Currency			
United States Dollars	16,630	21,313	25,438
Japanese Yen	4	–	82

Movement in impairment loss recognised is as follows:

	THE GROUP			THE COMPANY	
	2005	**2006**	**2007**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at beginning of the year	–	–	120	–	–
Impairment losses recognised	–	120	709	–	–
Balance at end of the year	–	120	829	–	–

At 31 December 2005, 2006 and 2007, the allowance for doubtful debts represent individually impaired trade and other receivables.

At 31 December 2005, 2006 and 2007, included in the Group's other receivables balances are debtors with carrying amounts of RMB2,416,000, RMB3,289,000 and RMB2,702,000 respectively which are over due for one year for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

24. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY At 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Amounts due from subsidiaries:		
Interest bearing at 2.2% per annum and repayable in December 2009	–	30,000
Non-interest bearing and repayable on demand	40,025	15,654
	40,025	45,654
Less: Amounts classified as current assets	40,025	15,654
Amounts classified as non-current	–	30,000

Amounts due from subsidiaries are unsecured.

25. AMOUNTS DUE FROM (TO) RELATED PARTIES

(a) Amounts due from related parties

Name of related parties	Notes	THE GROUP At 31 December 2005 RMB'000	2006 RMB'000	2007 RMB'000	THE COMPANY At 31 December 2006 RMB'000	2007 RMB'000
TEDA Asset Company	*(i)*	–	50	–	50	–
Tianjin Jinbin Development Company Limited ("Tianjin Jinbin") 天津津濱發展股份有限公司	*(ii)*	30	–	–	–	–
Dalian Alps Teda Logistics	*(iii)*	–	4	–	–	–
Tianjin Alps Teda Logistics	*(iii)*	4	1	–	–	–
Tianjin Economic and Technological Development Area Import and Export Corporation ("TEDA I/E") 天津經濟技術開發區進出口公司	*(iv)*	–	–	19	–	–
		34	55	19	50	–

Notes:

(i) Amount represents expenses paid by the Company on behalf of TEDA Asset Company which is the shareholder of the Company. The maximum outstanding balance due from TEDA Asset Company during the year ended 31 December 2006 and 2007 is RMB50,000, the outstanding balance has been received in 2007.

(ii) Amount represents rental deposits to Tianjin Jinbin which is a fellow subsidiary of the Company's shareholder.

(iii) The amounts represent trade balances due from Dalian Alps Teda Logistics and Tianjin Alps Teda Logistics after elimination of the Group's proportionate share of the corresponding amounts of these jointly controlled entities.

(iv) Amount due from TEDA I/E, which is a wholly-owned subsidiary of TEDA Holding, is of trade nature and is aged within 90 days. The maximum outstanding balance due from TEDA I/E during the year ended 31 December 2007 is RMB19,000.

The non-trade balances due from related parties were unsecured, non-interest bearing and had no fixed repayable terms.

(b) Amounts due to related parties

		THE GROUP			THE COMPANY	
		At 31 December			At 31 December	
Name of related parties		**2005**	**2006**	**2007**	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TEDA Administrative Commission	*(i)*	–	40,000	40,000	40,000	40,000
Dalian Alps Teda Logistics	*(ii)*	–	22	24	–	–
Tianjin Alps Teda Logistics	*(ii)*	–	–	1	–	15
TEDA I/E	*(iii)*	–	–	19	–	–
TEDA Holding	*(iv)*	–	2,531	–	2,531	–
		–	42,553	40,044	42,531	40,015

Notes:

(i) Amount represents non-trade advance from TEDA Administrative Commission which is the controlling equity owner of the Company for the purpose of provision of funding for addition of the Group's property, plant and equipment. The directors of the Company represented that the amount will be fully repaid prior to listing of the shares of the Company on the GEM Board of the Stock Exchange (the "Listing").

(ii) The amounts represent trade balances due to Dalian Alps Teda Logistics and Tianjin Alps Teda Logistics after elimination of the Group's proportionate share of the corresponding amounts of these jointly controlled entities.

(iii) Amount due to TEDA I/E which is a wholly-owned subsidiary of TEDA Holding is of trade nature and is aged between 90 to 120 days.

(iv) Amount represents dividend payable to TEDA Holding arising from the distribution of profits before the Group Reorganisation.

The non-trade balances due to related parties are unsecured, non-interest bearing and have no fixed repayable terms.

26. BANK BALANCES AND CASH

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

	At 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Currency			
United States Dollars	14,331	15,267	7,394
Japanese Yen	42	48	300

The effective interest rate of the bank balances during the Relevant Periods are as follows:

	At 31 December		
	2005	**2006**	**2007**
Effective interest rate	0.72% to 0.78%	0.72% to 1.15%	0.72% to 1.15%

27. TRADE AND OTHER PAYABLES

	THE GROUP			THE COMPANY	
	At 31 December			At 31 December	
	2005	2006	2007	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	61,465	67,554	97,739	–	–
Bills payables	–	–	101,750	–	101,750
	61,465	67,554	199,489	–	101,750
Deposits from customers	–	–	25,910	–	25,910
Other payables	8,040	23,805	20,695	50	287
Total trade and other payables	69,505	91,359	246,094	50	127,947

The credit period granted by the suppliers to the Group and the Company ranged from 30 to 90 days. The aged analysis of the trade payables and bills payables at the balance sheet dates is as follows:

	THE GROUP			THE COMPANY	
	At 31 December			At 31 December	
	2005	2006	2007	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	58,793	61,893	178,226	–	84,000
91 – 180 days	1,709	3,428	18,697	–	17,750
181 – 365 days	842	1,721	1,418	–	–
1 – 2 years	34	470	707	–	–
Over 2 years	87	42	441	–	–
	61,465	67,554	199,489	–	101,750

The Group's trade payables denominated in currencies other than functional currencies of the relevant group entities were as follows:

	At 31 December		
	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*
Currency			
United States Dollars	7,394	18,662	16,039
Japanese Yen	1,046	9	–

28. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The Group

The balance represents non-trade advance from a minority shareholder, which is unsecured, non interest bearing and repayable on demand.

The amount was fully repaid subsequent to 31 December 2007.

29. DIVIDEND PAYABLE

	THE GROUP			THE COMPANY	
	At 31 December			At 31 December	
	2005	2006	2007	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The amount represents dividend payable to the following parties:					
TEDA Holding	2,798	–	10,463	–	10,463
TEDA Asset Company	–	–	4,484	–	4,484
Minority shareholders of a subsidiary	2,582	3,669	13,172	–	–
	5,380	3,669	28,119	–	14,947

These amounts were fully repaid subsequent to 31 December 2007.

30. BANK BORROWINGS

	THE GROUP			THE COMPANY	
	At 31 December			At 31 December	
	2005	2006	2007	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short term bank borrowings repayable within one year	42,412	5,857	26,113	–	20,000

	THE GROUP			THE COMPANY	
	At 31 December			At 31 December	
	2005	2006	2007	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:					
Secured	–	–	1,000	–	–
Unsecured	42,412	5,857	25,113	–	20,000
Total	42,412	5,857	26,113	–	20,000

The Group's borrowings that are denominated in USD other than the functional currency of the relevant group entities are set out below:

	THE GROUP			THE COMPANY	
	At 31 December			At 31 December	
	2005	2006	2007	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
USD	12,912	5,857	5,113	–	–

Bank borrowings supported by the corporate guarantees given by Alps Logisics Co., Ltd. are as follows:

	THE GROUP			**THE COMPANY**	
	At 31 December			**At 31 December**	
	2005	**2006**	**2007**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings amount attributable to the following jointly controlled entities:					
Tianjin Alps Teda Logistics	5,649	–	–	–	–
Dalian Alps Teda Logistics	7,263	5,857	5,113	–	–
	12,912	5,857	5,113	–	–

Alps Logistics Co., Ltd. is the joint venture partner of Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics.

At 31 December 2007, bank borrowings of RMB1,000,000 was secured by a charge over certain of the Group's buildings and land use rights. Details of the assets pledged for the secured loan are set out in note 37.

The range of interest rates paid for short term bank loans during the Relevant Periods were as follows:

		At 31 December	
	2005	**2006**	**2007**
Floating interest rate	2.79% to 4.91%	4.37% to 6.03%	5.508% to 7.29%

31. SHARE CAPITAL

	Number of shares	*RMB'000*
At date of establishment and issue for the Group Reorganisation, as at 31 December 2006 and 31 December 2007	265,000,000	265,000

The Company was established as an investment holding company in the PRC by its promoters, TEDA Holding and TEDA Asset Company, as a joint stock limited company on 26 June 2006 with an operating period of 50 years.

Pursuant to the Group Reorganisation, the Company issued a total of 185,000,000 domestic shares of RMB1 each in exchange for contribution from TEDA Holding 52%, 60%, 52% and 50% respectively equity interest in Tianjin Fengtian Logistics, TEDA Warehouse, Tianjin Alps Teda Logistics and Dalian Alps Teda Logistics and cash of RMB422,900. At the same time, the Company issued 80,000,000 domestic shares of RMB1 each for cash of RMB80 million to TEDA Asset Company.

32. RESERVES

The Group

(a) Statutory reserves

Reserve Fund and Enterprise Expansion Fund

The jointly controlled entities of the Group and a subsidiary of the Company are sino-foreign equity joint venture. According to the relevant PRC rules and their article of associations, 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 of jointly controlled entities and those subsidiaries. Upon approval, the reserve fund can be used to offset accumulated losses or be converted into capital, the enterprise expansion fund can be converted into capital.

During the Relevant Periods, a range of 4% to 10% from net profits were appropriated for reserve fund and a range of 4% to 15% from net profits were appropriated for enterprise expansion fund by a subsidiary and the jointly controlled entities.

At 31 December 2005, 2006 and 2007, the amounts of Reserve Fund attributable to the Group including proportionate share of that of the jointly controlled entities were RMB4,165,000, RMB6,532,000 and RMB11,546,000 respectively. In addition, at 31 December 2005, 2006 and 2007, the amounts of Enterprise Expansion Fund attributable to the Group including proportionate share of that of the jointly controlled entities were RMB3,240,000, RMB6,006,000 and RMB12,438,000 respectively.

Statutory surplus 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 article of associations, statutory surplus reserve should be appropriated from net profit before distribution. Statutory surplus reserve are the appropriation of 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 Company's and its subsidiaries' 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 capitalize 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.

During 2006, no appropriation of statutory surplus reserve from net profit has been approved by board of directors of the Company.

On 27 July 2007, the Company held the general meeting of shareholders and resolved to transfer of 10% and 20% of profit after tax in 2006, prepared under the PRC accounting rules and regulations applicable to enterprises in the PRC, amounting to RMB2,135,000 to the statutory surplus reserve and amounting to RMB4,271,000 to discretionary surplus reserve respectively.

(b) Other reserves

Other reserves as at 31 December 2005 represent the aggregate amount of the registered capital of the subsidiaries and the proportion share of jointly controlled entities of the Group.

Other reserves as at 31 December 2006 represent the difference between the paid up capital of the subsidiaries and the proportion share of the jointly controlled entities of the Group and the nominal value of the Company's shares issued in exchange for the equity interest in the subsidiaries and the jointly controlled entities upon the Group Reorganisation.

The Company

	Statutory reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Loss for the period and total recognised loss for the period	–	(2,637)	(2,637)
At 31 December 2006	–	(2,637)	(2,637)
Profit for the year and total recognised income for the year	–	24,834	24,834
Transfer	6,406	(6,406)	–
Dividends	–	(14,947)	(14,947)
At 31 December 2007	6,406	844	7,250

33. DEFERRED INCOME

	THE GROUP		
	At 31 December		
	2005 *RMB'000*	2006 *RMB'000*	2007 *RMB'000*
Government grants received	–	–	5,740

The Group has received government grants amounting to RMB5,740,000 from TEDA Administrative Commission in respect of the Company's acquisition of land use rights. The government grants are recognised as deferred income that are released to income over the periods necessary to match them with the related costs.

34. MAJOR NON CASH TRANSACTION

TEDA Holding contributed the capital to TEDA Warehouse by way of injection of the land use rights with a carrying amount of RMB39,700,000 in July 2005.

35. OPERATING LEASE COMMITMENTS

Minimum lease payments paid under operating leases during the Relevant Periods:

	THE GROUP		
	2005 *RMB'000*	2006 *RMB'000*	2007 *RMB'000*
Premises	2,430	2,445	2,704
Motor vehicles	652	422	3,053
Total	3,082	2,867	5,757

At the balance sheet dates, commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and motor vehicles which fall due as follows:

	THE GROUP		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	3,082	2,867	5,757
In the second to fifth years inclusive	3,085	1,765	401
Total	6,167	4,632	6,158

Operating lease payment represents rentals payable for its business operation. Leases are mostly negotiated for an average terms of two years.

36. CAPITAL COMMITMENTS

	THE GROUP At 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information:			
The Company and subsidiaries	46,306	18,830	42,719
Jointly controlled entities	–	75	31
	46,306	18,905	42,750

37. PLEDGE OF ASSETS

THE GROUP

As at 31 December 2007, the Group has pledged buildings and land use rights having carrying amounts of approximately RMB35,059,000 and RMB31,479,000 respectively to secure banking facilities granted. There was no pledge of assets by the Group as at 31 December 2005 and 2006.

The above mentioned pledge was subsequently released in January 2008.

THE COMPANY

The Company did not have pledge of assets at the balance sheet dates.

38. CONTINGENT LIABILITIES

THE COMPANY

At 31 December 2007, the Company has outstanding guarantee with no fixed amounts provided to Tianjin Alps Teda Logistics for its liability arising on the air freight logistics operation (see note 20).

The directors of the Company consider that the fair values of these financial guarantee contracts are insignificant at initial recognition and the possibility of the default of the parties involved is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and on the balance sheet as at 31 December 2005, 2006 and 2007.

39. RELATED PARTY TRANSACTIONS

Save as the transactions with the related parties as disclosed below, the Group also had balances with the related parties at the balance sheet date which are set out in note 25.

(a) Transactions with TEDA Administrative Commission and companies under its control

(i) Transactions with TEDA Administrative Commission

During the year ended 31 December 2007, the Group paid an aggregate amount of RMB11,287,000 to TEDA Administrative Commission for acquiring land use rights for a period of 50 years. Such consideration was determined based on the land purchase contract entered into with TEDA Land Administrative Bureau. In the opinion of the directors, the transaction is conducted in ordinary and usual course of business. In addition, the Group has received government grant amounting to RMB5,740,000 from TEDA Administrative Commission in connection with such land use right.

As at 31 December 2007, the Group had advanced from TEDA Administrative Commission interest-free loan amounting to RMB40,000,000.

(ii) Transactions with TEDA Holding

During the year ended 31 December 2006, the Group acquired from TEDA Holding land use right together with the railway and building situated on that land for an aggregate amount of RMB22,725,000. Such consideration is determined with reference to a valuation report and required to be paid in one lump-sum. In the opinion of the directors, the transaction is conducted in ordinary and usual course of business.

At 31 December 2006, TEDA Holding has provided a non-fixed-amount guarantee to Tianjin Alps Teda Logistics for its liability arising on the air-freight logistics operation. The guarantee was replaced by another guarantee issued by the Company in 2007 (see note 20).

(iii) Transactions with Tianjin Jinbin

The Group paid rental expenses to Tianjin Jinbin amounted to RMB2,126,000 and RMB352,000 with reference to prevailing market price for the years ended 31 December 2005 and 2006 respectively. In the opinion of the directors, these transactions were carried out on normal commercial terms and in the Group's ordinary and usual course of business.

(b) Transaction with a jointly controlled entity

Save as disclosed below, the Group also has outstanding guarantee in relation to a jointly controlled entity as set out in note 38.

During the Relevant Periods, a subsidiary of the Company has received logistic services income from a jointly controlled entity:

	At 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Services income	46	33	62

The logistic services income receiving by the subsidiary from a jointly controlled entity was made at the subsidiary's usual list prices. In the opinion of the directors, these transactions were carried out on normal commercial terms and in the Group's ordinary and usual course of business.

(c) *Transaction with other state-controlled entities in the PRC*

In the opinion of the directors of the Company, the Group operates in an economic environment current predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as "State-Owned Enterprises"). During the Relevant Periods, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual course of business.

For the purpose of this report, the Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises during the Relevant Periods and material balances therewith at the respective balance sheet dates as follows:

(i) Material transactions

		At 31 December	
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of fuel	4,781	9,115	8,007
Water and electricity expenses	1,243	2,186	4,881
Deposit paid for acquisition of land use rights	–	–	11,829

(ii) Material balances

		At 31 December	
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Bank balances	37,519	63,400	127,678
Trade and other receivables	1,071	1,151	786
Trade and other payables	2,151	14,200	43,963
Bank borrowings	–	–	1,000

(d) *Compensation of key management personnel*

The details of remuneration of key management personnel, represents emolument of directors of the Company paid during the Relevant Periods are set out in note 12.

40. RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 20% of the local standard basic salaries.

As at 31 December 2005, 2006 and 2007, the Group had no significant obligation apart from the contribution as stated above.

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods.

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2008 will be approximately RMB958,000.

C. SUBSEQUENT EVENTS

On 19 March 2008, shareholders' resolutions were passed to approve the proposed issue of no less than 88,600,000 H shares but no more than 101,890,000 H shares at nominal value of RMB1 each.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2007.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

For illustrative purpose only, the pro forma financial information prepared in accordance with Rule 7.31(1) and paragraph 21 of Appendix 1A of the GEM Listing Rules is set out herein to provide the investors with further information to assess the financial performance of the Group after taking into account the adjusted consolidated net tangible assets attributable to the equity holders of the Company to illustrate the financial position of the Group after completion of the Placing.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets has been prepared, on the basis of the notes set out below, to illustrate how the Placing may have affected the Group's net tangible assets had it occurred on 31 December 2007.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Group after completion of the Placing.

	Audited consolidated net tangible assets attributable to the equity holders of the Company as at 31 December 2007 ***(RMB)*** *(Note 1)*	**Estimated net proceeds from the Placing** ***(RMB)*** *(Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets** ***(RMB)***	**Unaudited pro forma adjusted consolidated net tangible assets per Share** ***(RMB)*** *(Note 3)*
Based on the minimum Placing Price of HK$1.70 per Share	304,981,000 (equivalent to approximately HK$335,144,000)	121,821,000 (equivalent to approximately HK$133,869,000)	426,802,000 (equivalent to approximately HK$469,013,000) per Share)	1.21 (equivalent to approximately HK$1.33 per Share
Based on the maximum Placing Price of HK$2.10 per Share	304,981,000 (equivalent to approximately HK$335,144,000)	153,265,000 (equivalent to approximately HK$168,423,000)	458,246,000 (equivalent to approximately HK$503,567,000)	1.30 (equivalent to approximately HK$1.42 per Share)

Notes:

1. The consolidated net tangible assets attributable to the equity holders of the Company as at 31 December 2007 have been derived from consolidated net assets attributable to the equity holders of the Company amounting to RMB305,086,000 less the amount of goodwill of RMB105,000, both are extracted from the Accountants' Report, the text of which is set out in appendix I to this prospectus.

2. The estimated net proceeds from the Placing is based on the Placing Price of HK$1.70 and HK$2.10 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the H Shares which may fall to be issued upon the exercise of the Over-allotment Option.

3. The unaudited proforma adjusted consolidated net tangible assets per Share has been arrived at after the adjustments referred to in the preceding paragraph and on the basis that a total of 353,600,000 Shares were in issue immediately upon completion of the Placing. No account has been taken of the H Shares which may fall to be issued upon the exercise of the Over-allotment Option.

4. The translation of RMB into HK$ was at RMB0.91 to HK$1.00.

5. The property interests of the Group were valued by DTZ Debenham Tie Leung Limited and the valuation in respect of which was set out in appendix III to this prospectus. Pursuant to the valuation performed by DTZ Debenham Tie Leung Limited, the property interests of the Group as of 29 February 2008 amounted to approximately RMB215,100,000. Comparing the valuation as of 29 February 2008 to the unaudited net book value of the property interests of the Group as of 29 February 2008 of RMB201,689,000, there was a difference of approximately RMB13,411,000 which will not be included in the financial statements of the Group for the year ending 31 December 2008. If the revaluation surplus was recorded in the financial statements, the amortisation and depreciation expenses would increase by approximately RMB671,000 per annum.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the text of a report from Deloitte Touche Tohmatsu, the reporting accountants to the Company, in respect of the unaudited pro forma financial information.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF 天津濱海泰達物流集團股份有限公司 TIANJIN BINHAI TEDA LOGISTICS (GROUP) CORPORATION LIMITED

We report on the unaudited pro forma financial information of 天津濱海泰達物流集團股份有限公司 Tianjin Binhai Teda Logistics (Group) Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), (the "Unaudited Pro Forma Financial Information") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the placing of 88,600,000 shares of RMB1 each of the Company, might have affected the financial information presented, for inclusion in Appendix II to the prospectus dated 24 April 2008 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 April 2008

The following is the text of a letter together with a summary of valuation and valuation certificate received from DTZ Debenham Tie Leung Limited, an independent property valuer, prepared for the purpose of inclusion in this prospectus in connection with the valuation of the Company's property interests as at 29 February 2008.

DTZ 戴德梁行

10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

24 April 2008

The Directors
Tianjin Binhai Teda Logistics (Group) Corporation Limited
No. 39 Bohai Road
Tianjin Economic and Technological Development Area
Tianjin
The PRC

Dear Sirs,

INSTRUCTION, PURPOSE & DATE OF VALUATION

In accordance with your instructions for us to carry out market valuation of the property interests held by 天津濱海泰達物流集團股份有限公司(Tianjin Binhai Teda Logistics (Group) Corporation Limited) (the "Company") or its subsidiaries (hereinafter referred to as "the Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the value of such property interests as at 29 February 2008 (the "date of valuation").

DEFINITION OF MARKET VALUE

Our valuation of each of the property interests represents our opinion of its market value which in accordance with the Valuation Standards on Properties published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION ASSUMPTIONS

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Unless otherwise stated, in the course of our valuation of the property interests, we have assumed that transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that all premiums payable have already been fully settled. We have relied on the advice given by the Group and its legal advisers, Beijing S&P Law Firm and Zhong Lun Law Firm, on the PRC Law regarding the title to the property interests. For the purpose of our valuation, we have assumed that the grantees have enforceable title to the property interests.

In valuing the property interests, we have assumed that the grantee or the user of each of the property interests has free and uninterrupted rights to use or to assign the property interest for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

METHODS OF VALUATION

In valuing the property interests in Group I, we have valued them by "Depreciated Replacement Costs ("DRC") Approach". DRC is a method where the value of a property is derived by adding together the market value of the land in its existing use and the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence. We have valued the land on an assumption of sale with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. The term gross replacement cost is defined as the estimated cost of erecting the building or a modern substitute building having the same area as the existing building at prices current at the relevant date. This figure includes fees and finance charges payable during the construction period and other associated expenses directly related to the construction of the building. The DRC Approach generally furnishes a reliable indication of value for properties with specific nature and design of buildings, in the absence of identifiable market sales comparables. The DRC is subject to adequate potential profitability of the business.

In valuing the property interests in Groups II and III, we have adopted "Direct Comparison Approach" by making reference to comparable sales evidence as available in the relevant market.

Property interests in Group IV which leased to the Group have no commercial value mainly due to the prohibitions against assignment and subletting or otherwise to he lack of substantial profit rents.

In valuing the property interests, we have complied with the requirements set out in Chapter 8 of the Rules Governing the listing of securities on GEM of the Stock Exchange of Hong Kong Limited and the Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information given by the Group in respect of the properties in the PRC and have accepted advice given to us by its PRC legal advisers, Beijing S&P Law Firm and Zhong Lun Law Firm, on such matters as planning approvals, statutory notices, easements, tenure, development schemes, completion date of buildings, building specifications, particulars of occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reasons to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the properties are free of rot, infestation and any other structural defects, no tests were carried out to any of the services. Moreover, we have not carried out investigation on site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

TITLE INVESTIGATION

We have been provided with copies of extract of documents in relation to the owned properties and copies of tenancy agreements in relation to the leased properties. However, we have not searched the original documents to ascertain ownership or to verify any amendments, which may not appear on the copies handed to us but have relied upon the information given to us by the Group in respect of the Group's interests in the properties.

CURRENCY

Unless otherwise stated, all monetary amounts in the attached valuation certificates are stated in Renminbi ("RMB"), the official currency of the PRC.

Our summary of valuation and valuation certificates are hereby enclosed for your attention.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K.B. Wong
Registered Professional Surveyor (GP)
China Real Estate Appraiser
M.R.I.C.S., M.H.K.I.S.
Director

Note: Mr. K. B. Wong is a Registered Professional Surveyor who has over 20 years experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 29 February 2008 *RMB*	Interest attributable to the Group *%*	Capital value in existing state attributable to the Group as at 29 February 2008 *RMB*
Group I – Property interests held by the Group for owner-occupation in the PRC				
A1.	No. 21 Bohai Road, Tianjin Economic and Technological Development Area, Tianjin	16,500,000	52%	8,580,000
A2.	No. 15 the Eleventh Street, Tianjin Economic and Technological Development Area, Tianjin	76,500,000	52%	39,780,000
A3.	No. 39 Bohai Road, Tianjin Economic and Technological Development Area, Tianjin	145,800,000	100%	145,800,000
			Sub-total:	194,160,000
Group II – Property interests held by the Group for future development in the PRC				
A4.	North of the Sixth Avenue, East of Bohai Road, Tianjin Economic and Technological Development Area, Tianjin	20,940,000	100%	20,940,000
			Sub-total:	20,940,000

	Property	Capital value in existing state as at 29 February 2008 *RMB*	Interest attributable to the Group *%*	Capital value in existing state attributable to the Group as at 29 February 2008 *RMB*
Group III – Property interests contracted to be held by the Group in the PRC				
A5.	East of Haifang Road, West of Yuejin Road, Container Cargo Distribution Center of Tianjin Port, Tianjin	No commercial value	100%	No commercial value
			Sub-total:	No commercial value

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 29 February 2008 *RMB*
Group IV – Properties leased to the Group in the PRC		
B1.	No. 202, 2/F, No. 258 Xinling Road, Waigaoqiao Bond Zone, Shanghai	No commercial value
B2.	Room 503, No. 800 Baoyang Road, Baoshan District, Shanghai	No commercial value
B3.	South Part of No. 13 Factory, No. 175 West Maojing Road, Shanghai Songjiang Export Processing Zone, Shanghai	No commercial value
B4.	No. 2 Warehouse and portion of office, No. G, Zone C, Electronic Industrial Park, Xixia Road, New Area, Wuxi, Jiangsu Province	No commercial value
B5.	Room 205, No. 3 Roman Area, Taihu Vanes Garden, Binhu District, Wuxi, Jiangsu Province	No commercial value

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 29 February 2008 *RMB*
B6.	Warehouse B6 and Office B202, B203 and B204, Custom Administrative Warehouse, No. 19 the Third Avenue, Zone D, Konggang International Logistics Area, Tianjin	No commercial value
B7.	Units 1403–04, Hongyu Plaza, No. 68 Renmin Road, Zhongshan District, Dalian, Liaoning Province	No commercial value
B8.	Unit 304, No. 90 Yingke Road, Ganjingzi District, Dalian, Liaoning Province	No commercial value
B9.	No. 206, 2/F, Huiyou Garden, Dandong Development Area, Dandong, Liaoning Province	No commercial value
B10.	Nos. 10–11, 24–25, Zhongbeixie Industrial Park, Zhongbei Town, Xiqing District, Tianjin	No commercial value

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 29 February 2008 *RMB*
B11.	Portion of Zone A-C, Dalian Automobile Port Warehouse Dalian Liaoning Province	No Commercial Value
B12.	1/F, No. 791 Guangming Road, Pudong New District, Shanghai	No Commercial Value
B13.	B1-1, Phase II, Prologis Teda Logistic Centre, North of the Ninth Avenue, West of Bohai Road and East of Jingshan Railway, Tianjin Economic and Technological Development Area, Tianjin	No Commercial Value
B14.	Unit 719, F Zone, Chubao Whole Sale Market, North of Shunyi Road, South of Nancang Road, Beichen District, Tianjin	No Commercial Value
B15.	Unit 201, No. 88 Yingke Road, Ganjingzi District, Dalian, Liaoning Province	No commercial value
B16.	Dongma Village, Zhongbei Town, Xiqing District, Tianjin	No commercial value
	Sub-total:	No commercial value
	Grand-total:	215,100,000

VALUATION CERTIFICATE

Group I – Property interests held by the Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 February 2008
A1.	No. 21 Bohai Road, Tianjin Economic and Technological Development Area, Tianjin	The property comprises an industrial complex erected on a site with a site area of approximately 19,124.29 sq. m. (205,854 sq. ft.). The property comprises 7 blocks with a total gross floor area of approximately 6,656.02 sq. m.(71,645 sq. ft.) used as warehouses and ancillary rooms. The property was completed in phases between 1995 and 1999. The property is held for a land use term from 4 February 2004 to 12 July 2045 for warehousing use.	Part of the property with a gross floor area of 18 sq. m. (194 sq. ft.) is leased to 廣東三井汽車配件有限公司 (Guangdong Mitsui Car Part Company Limited) for office use. The lease term is 2 years from 1 January 2007 to 31 December 2008 at a monthly rent of RMB2,160. The remaining of the property is currently occupied by the Group as warehouse.	RMB16,500,000 (52% of interest attributable to the Group: RMB8,580,000)

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2004) 0061, the land use rights of the plot of land, comprising a site area of 19,124.29 sq. m., have been granted to 天津泰達阿爾卑斯物流有限公司 (Tianjin Alps Teda Logistics Co., Ltd.) for a land use term from 4 February 2004 to 12 July 2045 for warehousing use.

(2) According to Building Ownership Certificate No. 140011416 issued on 23 February 2004, the building ownership of the property, comprising a total gross floor area of 6,656.02 sq. m., is vested in 天津泰達阿爾卑斯物流有限公司(Tianjin Alps Teda Logistics Co., Ltd.). The gross floor area of the property is listed as follows:

Block No.	Gross Floor Area *(sq. m.)*
1	202.79
2 & 4	975.36
3	1,207.20
5 & 6	3,584.00
7	686.67
Total:	**6,656.02**

(3) According to Business Licence No. 0539389, 天津泰達阿爾卑斯物流有限公司(Tianjin Alps Teda Logistics Co., Ltd.) was established with a registered capital of US$6,000,000 for a valid operation period from 27 October 1992 to 26 October 2022.

(4) The opinion of the Group's PRC legal advisers states that:

(i) The property is located at No. 21 Bohai Road, Tianjin Economic and Technological Development Area, Tianjin and comprises a site area of 19,124.29 sq. m..

(ii) The land use rights of the property are for a term commencing on 4 February 2004 and terminating on 12 July 2045 for warehousing use.

(iii) The building ownership of the property comprises a total gross floor area of 6,656.02 sq. m..

(iv) 天津泰達阿爾卑斯物流有限公司 (Tianjin Alps Teda Logistics Co., Ltd.) has obtained the land use rights and building ownership of the property, which are enforceable under the PRC laws.

(v) 天津泰達阿爾卑斯物流有限公司 (Tianjin Alps Teda Logistics Co., Ltd.) has the rights to use the property, and mortgage, lease and transfer the land use rights and building ownership of the property within the permitted use term.

(5) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group and the aforesaid legal opinions are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

<table>
<tr><th></th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 29 February 2008</th></tr>
<tr><td>A2.</td><td>No. 15 the Eleventh Street, Tianjin Economic and Technological Development Area, Tianjing</td><td>The property comprises an industrial complex erected on a site with a site area of approximately 70,451.19 sq. m. (758,337 sq. ft.).
The property was developed in two phases with details as follows;
<table>
<tr><th>Phase</th><th>Use</th><th>Gross Floor Area (sq. m.)</th><th>Year of completion</th></tr>
<tr><td>Phase I</td><td>Logistic centre and ancillary facility</td><td>4,952.47</td><td>1996</td></tr>
<tr><td>Phase II</td><td>Logistic centre, office and ancillary facility</td><td>19,394.00</td><td>Oct 2005</td></tr>
</table>
The property is held for a land use term from 9 March 2004 to 13 April 2053 for industrial use.</td><td>The property is currently occupied by the Group for industrial use.</td><td>RMB76,500,000
(52% of interest attributable to the Group: RMB39,780,000)</td></tr>
</table>

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2006) 0074, the land use rights of the property, comprising a site area of 70,451.19 sq. m., have been granted to 天津豐田物流有限公司 (Tianjin Fengtian Logistics Co., Ltd.) for a land use term from 9 March 2004 to 13 April 2053 for industrial use.

(2) According to Building Ownership Certificate No. 140025980 issued on 7 July 2005, the building ownership of the property comprising a total gross floor area of 24,346.47 sq. m., is vested in 天津豐田物流有限公司(Tianjin Fengtian Logistics Co., Ltd.).

(3) According to Business Licence No. 0859797, 天津豐田物流有限公司(Tianjin Fengtian Logistics Co., Ltd.) was established with a registered capital of US$8,645,600 for a valid operation period from 19 July 1996 to 19 July 2016.

(4) The opinion of the Group's PRC legal advisers states that:

(i) The property is located at No. 15, the Eleventh Street, Tianjin Economic and Technological Development Area, Tianjin and comprises a site area of 70,451.19 sq. m..

(ii) The land use rights of the property are for a term commencing on 9 March 2004 and terminating on 14 April 2053 for industrial use.

(iii) The building ownership of the property comprises a total gross floor area of 24,346.47 sq. m..

(iv) 天津豐田物流有限公司 (Tianjin Fengtian Logistics Co., Ltd.) has obtained the land use rights and building ownership of the property, which are enforceable under the PRC laws.

(v) 天津豐田物流有限公司 (Tianjin Fengtian Logistics Co., Ltd.) has the rights to use the property, and mortgage, lease and transfer the land use rights and building ownership of the property within the permitted use term.

(5) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group and the aforesaid legal opinions are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

<table>
<tr><th></th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 29 February 2008</th></tr>
<tr><td>A3.</td><td>No. 39 Bohai Road,
Tianjin Economic and Technological Development Area,
Tianjin</td><td>The property comprises an industrial complex erected on 3 contiguous sites with a total site area of approximately 249,622.33 sq. m. (2,686,935 sq. ft.).

The property was developed in two phases with details as follows:

<table>
<tr><th>Phase</th><th>Use</th><th>Gross floor area
<i>(sq. m.)</i></th><th>Year of Completion</th></tr>
<tr><td>Phase I</td><td>Office, 2 warehouses and ancillary facilities</td><td>9,101.40</td><td>1995–1998</td></tr>
<tr><td>Phase II</td><td>2 warehouses and guard room</td><td>21,951.95</td><td>September 2006</td></tr>
</table>

The property is held for a land use term from 11 August 2004 to 14 January 2048 for warehousing use.</td><td>Part of the land with a site area of approximately 9,000 sq. m. (96,876 sq. ft.) is leased to 中鐵現代物流科技股份有限公司 (China Railway Modern Logistics Technology Co., Ltd.) for railway transportation business use. The lease term is from 1 May 2005 to 30 April 2008 at an annual rent of RMB2,000,000.

Portion of phase I of the property with a gross floor area of 411.83 sq. m. (4,433 sq. ft.) is leased to 天津濱海元盛鋼材市場經營管理有限公司 (Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd.), a subsidiary of Yuan Da Logistics, for a term of 16 months from 1 September 2007 to 31 December 2008 at a monthly rent of RMB31,299.

The remaining portion of the property is occupied by the Group for industrial use.</td><td>RMB145,800,000

(100% of interest attributable to the Group: RMB145,800,000)</td></tr>
</table>

Notes:

(1) According to Certificate for the Use of State-owned Land No. (2005) 0485, the land use rights of portion of the property, comprising a site area of 6,703.08 sq. m., have been granted to 天津開發區泰達公共保税倉有限公司(TEDA General Bonded Warehouse Co., Ltd.) for a land use term from 11 August 2004 to 14 January 2048 for warehousing use.

(2) According to Certificate for the Use of State-owned Land No. (2005) 0486, the land use rights of portion of the property, comprising a site area of 209,928.71 sq. m., have been granted to 天津開發區泰達公共保税倉有限公司(TEDA General Bonded Warehouse Co., Ltd.) for a land use term from 11 August 2004 to 14 January 2048 for warehousing use.

(3) According to Certificate for the Use of State-owned Land No. (2005) 0487, the land use rights of portion of the property, comprising a site area of 32,990.54 sq. m., have been granted to 天津開發區泰達公共保税倉有限公司(TEDA General Bonded Warehouse Co., Ltd.) for a land use term from 11 August 2004 to 14 January 2048 for warehousing use.

(4) According to Building Ownership Certificate No. 114030800361 issued on 3 February 2008, the building ownership of Phase I and Phase II of the property comprising a gross floor area of 9,101.40 sq. m. and 21,951.95 sq. m. respectively, is vested in 天津開發區泰建公共保税倉有限公司(TEDA General Bonded Warehouse Co., Ltd.).

(5) According to Business Licence No. 0539389, 天津開發區泰達公共保税倉有限公司(TEDA General Public Bonded Warehouse Company Limited) was established with a registered capital of RMB80,000,000 for a valid operation period from 1 December 2001 to 30 November 2031.

(6) The opinion of the Group's PRC legal advisers states that:

(i) The property comprises three contiguous sites with site areas of 6,703.08 sq. m., 209,928.71 sq. m. and 32,990.54 sq. m. respectively located at West of Bohai Road and South of the Seventh Street, No. 39, Bohai Road, and West of Bohai Road and North of the Ninth Street, Tianjin Economic-Technological Development Area, Tianjin, the PRC.

(ii) The land use rights of the property are for a term commencing on 11 August 2004 and terminating on 14 January 2048 for warehousing use.

(iii) The building ownership of the property comprises a total gross floor area of 31,053.35 sq. m..

(iv) TEDA General Bonded Warehouse Co., Ltd. (天津開發區泰達公共保税倉有限公司) has the right to freely mortgage, use, lease and transfer the land use rights and building ownership within the permitted use term.

(7) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group and the aforesaid legal opinions are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Property interests held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 February 2008
A4.	North of the Sixth Avenue, East of Bohai Road, Tianjin Economic and Technological Development Area, Tianjin	The property comprises a site with an area of approximately 52,183.62 sq. m. (561,704 sq. ft.). The property is held for a land use term of 50 years from 29 December 2006 for warehousing use.	The site is not yet vacant, and several buildings are erected on the site pending for relocation and demolition.	RMB20,940,000 (100% of interest attributable to the Group: RMB20,940,000)

Notes:

(1) According to Grant Contract for State-owned Land Use Rights No. Jin Kai Tu He (2006) Di 053 entered into between Land Administration Bureau of Tianjin Economic and Technological Development Area and 天津元大現代物流有限公司 (Tianjin Yuan Da Xian Dai Logistics Co., Ltd.) on 29 December 2006, the land use rights of the property have been granted to 天津元大現代物流有限公司 (Tianjin Yuan Da Xian Dai Logistics Co., Ltd.) for a land use term from 29 December 2006 to 28 December 2056 for warehousing use, the salient terms and conditions stipulated in the said contract are cited as follows:

Location	:	North of the Sixth Avenue, East of Bohai Road, Tianjin Economic and Technological Development Area
Total site area	:	52,183.62 sq. m
Land use term	:	50 years
Use of land	:	Warehousing use
Land grant fee	:	RMB10,958,560.20

(2) According to Certificate for the Use of State-Owned land No. (2007) 0120, the land use rights of the property, comprising a site area of 52,183.62 sq. m. have been granted to 天津元大現代物流有限公司(Tianjin Yuan Da Xian Dai Logistics Co., Ltd.) for a land use term from 29 December 2006 to 28 December 2056 for warehousing use.

(3) According to Business Licence No. 1201911501934, 天津元大現代物流有限公司 (Tianjin Yuan Da Xian Dai Logistics Co., Ltd.) was established with a registered capital of RMB10,000,000 for a valid operation period from 18 December 2006 to 17 December 2056.

(4) The opinion of the Group's PRC legal advisers states that:

(i) 天津元大現代物流有限公司 (Tianjin Yuan Da Xian Dai Logistics Co., Ltd.) has obtained the land use rights of the property.

(ii) 天津元大現代物流有限公司 (Tianjin Yuan Da Xian Dai Logistics Co., Ltd.) has the rights to use the property, and mortgage, lease and transfer the land use rights of the property within the permitted use term.

(5) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group and the aforesaid legal opinions are as follows:

Certificate for the Use of State-owned Land	Yes
Grant Contract for State-owned Land Use Rights	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Property interests contracted to be held by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 29 February 2008
A5.	East of Haifang Road, West of Yuejin Road, Container Cargo Distribution Center of Tianjin Port, Tianjin	The property comprises a site with an area of approximately 90,144 sq. m. (970,310 sq. ft.). The property is held for a land use term of 50 years for warehousing use.	The property is currently a vacant site.	No commercial value

Notes:

(1) According to the Compensation Agreement entered into between 天津港國際物流發展有限公司(Tianjin Port International Logistics Development Co., Ltd.) ("Party A") and 天津濱海泰達物流集團股份有限公司(Tianjin Binhai Teda Logistics (Group) Corporation Limited) ("Party B") dated 20 October 2006, the land use rights of the property having a site area of approximately 98,688 sq. m. were agreed to be transferred from Party A to Party B for the construction and development of a container stocking yard, storage and warehousing facilities cargoes and other ancillary services at a consideration of RMB52,304,640 (inclusive of infrastructure fees and land grant fee). The construction works should be commenced within 6 months of transferring of the property and be completed before June 2008.

(2) According to the Grant Contract for State-owned Land Use Rights entered into between State Land Resources Bureau of Tianjin and 天津濱海泰達物流集團股份有限公司(Tianjin Binhai Teda Logistics (Group) Corporation Limited) dated 5 June 2007, the land use rights of the property having a site area of approximately 90,144 sq. m. have been granted for a term of 50 years for warehousing use at a consideration of RMB43,269,120. Further details on the land use rights are as follows:

(i)	Site Area:	90,114 sq. m.
(ii)	Use:	Warehouse
(iii)	Plot Ratio:	Less than 0.16
(iv)	Density:	Less than 16%
(v)	Greenery Ratio:	No less than 10%
(vi)	Building Covenant:	Commencement before 31 October 2008 and completion before 31 October 2009

(3) According to Planning Permit for Construction Use of Land No. (2007) Binhai Di Zheng Zi 0002, the construction site of portion of the property, comprising a site area of 88,237.4 sq. m., is in compliance with the urban construction requirements.

(4) According to Business Licence No. 1200001191697, 天津濱海泰達物流集團股份有限公司 (Tianjin Binhai Teda Logistics (Group) Corporation Limited) was established on 26 June 2006 with a registered capital of RMB265,000,000 for a valid operation period of 50 years.

(5) The opinion of the Group's PRC legal advisers states that:

(i) 天津濱海泰達物流集團股份有限公司(Tianjin Binhai Teda Logistics (Group) Corporation Limited) has paid part of land grant fee.

(ii) There should no material legal obstacle for 天津濱海泰達物流集團股份有限公司(Tianjin Binhai Teda Logistics (Group) Corporation Limited) to obtain Certificate for the Use of State-owned Land after the land grant fee is fully settled.

(6) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group and the aforesaid legal opinions are as follows:

Certificate for the Use of State-owned Land	No
Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Properties leased to the Group in the PRC

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B1.	No. 202, 2/F, No. 258 Xinling Road, Waigaoqiao Bond Zone, Shanghai	The property comprises one unit of a 2-storey office building completed in November 2002. The property has a gross floor area of approximately 326.40 sq. m. (3,513 sq. ft.). The property is leased from 阿爾卑斯物流（上海）有限公司 (Alps Logistics (Shanghai) Company Limited) to 天津泰達阿爾卑斯物流有限公司上海分公司 (Tianjin Alps Teda Logistics Co., Ltd. Shanghai Branch) (a subsidiary of the Group) for a term of 3 years from 1 November 2005 at a monthly rent of RMB29,000 exclusive of management fee. The property is currently occupied by 天津泰達阿爾卑斯物流有限公司上海分公司 (Tianjin Alps Teda Logistics Co., Ltd. Shanghai Branch) as office use. According to the PRC Legal Opinion, the lessor has obtained the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is duly executed, valid, legally binding and enforceable.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B2.	Room 503, No. 800 Baoyang Road, Baoshan District, Shanghai	The property comprises one unit of a 10-storey office building completed in May 2000. The property has a gross floor area of approximately 40.50 sq. m. (436 sq. ft.). The property is leased from 上海海關機關服務中心 (Shanghai Custom Service Centre), an independent third party, to 天津泰達阿爾卑斯物流有限公司上海分公司 (Tianjin Alps Teda Logistics Co., Ltd. Shanghai Branch) (a subsidiary of the Group) for a term of 1 year from 1 January 2008 at an annual rent of RMB61,958. The property is currently occupied by 天津泰達阿爾卑斯物流有限公司上海分公司 (Tianjin Alps Teda Logistics Co., Ltd. Shanghai Branch) as office use. According to PRC Legal Opinion, while the lessor has not obtained the Building Ownership Certificate, the size of the leased area is considered to be immaterial to the overall operation. In addition, 天津泰達投資控股有限公司 (Teda Investment Holding Co., Ltd.), a substantial shareholder of the Company, promises to compensate the lessee if the rights of the lessee are affected as a result of the lack of ownership certificate. There is no material impact on the operation of the Group in the event of any encumbrance arising which leads to the termination of tenancy. According to the information of the Group, the Building Ownership Certificate is being applied and is expected to be issued within 3 months.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B3.	South Part of No. 13 Factory, No. 175 West Maojing Road, Shanghai Songjiang Export Processing Zone, Shanghai	The property comprises one unit of a single-storey industrial building completed in January 2005. The property has a gross floor area of approximately 1,626.73 sq. m. (17,510 sq. ft.). The property is leased from 上海羅伊爾置業有限公司 (Shanghai Royal Real Estate Limited), an independent third party, to 天津泰達阿爾卑斯物流有限公司上海分公司 (Tianjin Alps Teda Logistics Co., Ltd. Shanghai Branch) (a subsidiary of the Group) for a term of 3 years from 15 June 2005 at a quarterly rent of RMB107,364.18 exclusive of management fee of RMB5,368.2. The property is currently occupied by 天津泰達阿爾卑斯物流有限公司上海分公司 (Tianjin Alps Teda Logistics Co., Ltd. Shanghai Branch) as industrial, warehousing and office uses. According to PRC Legal Opinion, the lessor has obtained the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is duly executed, valid, legally binding and enforceable.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B4.	No. 2 Warehouse and portion of office, No. G, Zone C, Electronic Industrial Park, Xixia Road, New Area, Wuxi, Jiangsu Province	The property comprises portion of a 2-storey industrial building completed in April 2003. The property has warehouse area of 340 sq. m. (11,840 sq. ft.) and office area of 300 sq. m. (3,229 sq. ft.). The property is leased from 無錫住商高新物流有限公司 (Wuxi Sumisho Hi-tech Logistics Co., Ltd), an independent third party, to 天津泰達阿爾卑斯物流有限公司無錫分公司 (Tianjin Alps Teda Logistics Co., Ltd. Wuxi Branch) (a subsidiary of the Group) for a term of 1 year from 1 August 2007 at a daily rent of RMB0.65 per sq. m. as warehousing use and a monthly rent of RMB6,000 as office use. The property is currently occupied by 天津泰達阿爾卑斯物流有限公司無錫分公司 (Tianjin Alps Teda Logistics Co., Ltd. Wuxi Branch) as warehousing and office uses. According to the PRC Legal Opinion, while the lessor is not the registered owner of the property, it promises to settle the replaceable property and 天津泰達投資控股有限公司 (Teda Investment Holding Co., Ltd.), a substantial shareholder of the Company, also promises to compensate the lessee if the rights of the lessee are affected as a result of the lack of ownership certificate. Therefore, there is no material impact on the operation of the Group in the event of any encumbrance arising which leads to the termination of tenancy.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B5.	Room 205, No. 3 Roman Area, Taihu Vanes Garden, Binhu District, Wuxi, Jiangsu Province	The property comprises one unit of a 4-storey residential building completed in September 2001. The property has a gross floor area of approximately 147 sq. m. (1,582 sq. ft.). The property is leased from Zhang Xue Chu and Jin Ying, an independent third party, to 天津泰達阿爾卑斯物流有限公司無錫分公司 (Tianjin Alps Teda Logistics Co., Ltd. Wuxi Branch) (a subsidiary of the Group) for a term of 11 months from 1 February 2008 at a monthly rent of RMB6,670. The property is currently occupied by 天津泰達阿爾卑斯物流有限公司無錫分公司 (Tianjin Alps Teda Logistics Co., Ltd. Wuxi Branch) as residential use. According to the PRC Legal Opinion, the lessor has obtained the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is duly executed, valid, legally binding and enforceable.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B6.	Warehouse B6 and Office B202, B203 and B204, Custom Administrative Warehouse, No. 19 the Third Avenue, Zone D, Konggang International Logistic Area, Tianjin	The property comprises portions of a single-storey warehouse with a gross floor area of 587.22 sq. m. (6,321 sq. ft.) for warehousing use and 146.26 sq. m. (1,574 sq. ft.) for office use. The building was completed in February 2003. The property is leased from 天津萬士隆國際物流有限公司 (Tianjin Transwell International Logistics Company Limited), an independent third party, to 天津泰達國際倉儲運輸有限公司 (Tianjin Teda International Warehouse and Transportation Co., Ltd.) (currently renamed as 天津泰達阿爾卑斯物流有限公司(Tianjin Alps Teda Logistics Company Limited)) (a subsidiary of the Group) for a term of 1 year from 1 July 2007 at a daily rent of RMB1.3 per sq. m. for warehousing use and RMB1.8 per sq. m. for office use. The property is currently occupied by 天津泰達阿爾卑斯物流有限公司(Tianjin Alps Teda Logistics Co., Ltd.) as warehousing and office uses. According to the PRC Legal Opinion, the lessor has obtained the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is duly executed, valid, legally binding and enforceable.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B7.	Units 1403–04, Hongyu Plaza, No. 68 Renmin Road, Zhongshan District, Dalian, Liaoning Province	The property comprises two units of a 28-storey commercial building completed in 1996. The property has gross floor area of approximately 385.68 sq. m. (4,151 sq. ft). The property is leased from 大連宏譽大廈有限公司(Dalian Hongyu Plaza Company Limited), an independent third party, to 天津泰達阿爾卑斯物流有限公司大連分公司 (Tianjin Alps Teda Logistics Co., Ltd. Dalian Branch) (a subsidiary of the Group) for a term of 2 years from 1 July 2007 at a monthly rent of RMB15,875 plus a management fee of RMB9,580. The property is currently occupied by 天津泰達阿爾卑斯物流有限公司大連分公司 (Tianjin Alps Teda Logistics Co., Ltd. Dalian Branch) as office use. According to the PRC Legal Opinion, while the lessor has not obtained the Building Ownership Certificate, they can provide Certificate for the Use of State-owned Land of the property, Commodity Housing Pre-sale Permit and proof of application for Building Ownership Certificate. In addition, 天津泰達投資控股有限公司(Teda Investment Holding Co., Ltd.), a substantial shareholder of the Company, promises to compensate the lessee if the rights of the lessee are affected as a result of the lack of ownership certificate. There is no material impact on the operation of the Group in the event of any encumbrance arising which leads to the termination of tenancy. According to the information of the Group, the Building Ownership Certificate is being applied and is expected to be issued within 3 months.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B8.	Unit 304, No. 90 Yingke Road, Ganjingzi District, Dalian, Liaoning Province	The property comprises one unit of a 4-storey office building completed in December 2002. The property has a gross floor area of approximately 32 sq. m. (344 sq. ft.). The property is leased from 大連周水子邊防檢查站 (Zhoushuizi Frontier Inspection Station of Dalian), an independent third party, to 天津泰達阿爾卑斯物流有限公司大連分公司 (Tianjin Alps Teda Logistics Co., Ltd. Dalian Branch) (a subsidiary of the Group) for a term of 1 year from 4 March 2008 at an annual rent of RMB35,040. The property is currently occupied by 天津泰達阿爾卑斯物流有限公司大連分公司 (Tianjin Alps Teda Logistics Co., Ltd. Dalian Branch) as office use. According to the PRC Legal Opinion, while the lessor has not obtained the Building Ownership Certificate, the size of the leased area is considered to be immaterial to the overall operation. In addition, 天津泰達投資控股有限公司 (Teda Investment Holding Co., Ltd.), a substantial shareholder of the Company, promises to compensate the lessee if the rights of the lessee are affected as a result of the lack of ownership certificate. There is no material impact on the operation of the Group in the event of any encumbrance arising which leads to the termination of tenancy. According to the information of the Group, the Building Ownership Certificate is being applied and is expected to be issued within 3 months.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B9.	No. 206, 2/F, Huiyou Garden, Dandong Development Area, Dandong, Liaoning Province	The property comprises one unit of a 18-storey residential building completed in November 1999. The property has a gross floor area of approximately 23.60 sq. m. (254 sq. ft.) and its ancillary facilities. The property is leased from 遼寧聖權律師事務所 (Liaoning Shengquan Law Firm), an independent third party, to 天津泰達阿爾卑斯物流有限公司丹東辦事處 (Tianjin Alps Teda Logistics Co., Ltd. Dandong Office) (a subsidiary of the Group) for a term of 1 year from 16 December 2007 at an annual rent of RMB20,000. The property is currently occupied by 天津泰達阿爾卑斯物流有限公司丹東辦事處 (Tianjin Alps Teda Logistics Co., Ltd. Dandong Office) as office use. According to the PRC Legal Opinion, the lessor has obtained the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is duly executed, valid, legally binding and enforceable.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B10.	Nos. 10–11, 24–25, Zhongbeixie Industrial Park, Zhongbei Town, Xiqing District, Tianjin	The property comprises 4 units of two single-storey industrial buildings completed respectively in July 2003 and July 2004 with car park areas and vacant site areas.	No commercial value

The property comprises two parts, with floor area as follows;

Use	Part I Nos. 10–11	Part II Nos. 24–25
Warehouse (sq. m.)	3,958.10	3,576.08
Car park area (sq. m.)	4,144.00	242.34
Steel structured ancillary area (sq. m.)	–	1,884.48
Vacant site area (sq. m.)	4,652.56	–

The property is leased from 天津市西青區中北鎮中北斜村委會(Tianjin Xiqing District Zhongbei Town Zhongbeixie Village Committee), an independent third party, to 天津豐田國際貨運有限公司(Tianjin Fengtian International Cargo Company, Limited) (currently renamed as 天津豐田物流有限公司(Tianjin Fengtian Logistic Co., Ltd.)) a subsidiary of the Group.

The lease of Part I is for a term from 1 January 2006 to 15 September 2008 at a current annual rent of RMB617,464 for warehouse and RMB129,292.8 for car park area respectively commencing on 1 January 2006.

The lease of Part II is for a term of 5 years from 1 July 2004 to 30 June 2009 at a current annual rent of RMB557,868 for warehouse, RMB226,138 for the steel structured ancillary area and RMB7,561 for the car park respectively commencing on 1 January 2006.

The property is currently occupied by 天津豐田國際貨運有限公司 (Tianjin Fengtian International Cargo Company Limited) (currently renamed as 天津豐田物流有限公司 (Tianjin Fengtian Logistic Co., Ltd.)) as warehousing and car park uses.

According to the PRC Legal Opinion, the lessor has obtained the Certificate for the Use of Collective-owned Land of the property.

While the lessor has not obtained the Building Ownership Certificate, they can provide the Certificate for the Use of Collective-owned Land of the property and both lessor and 天津泰達投資控股有限公司(Teda Investment Holding Co., Ltd.), a substantial shareholder of the Company promise to compensate the lessee if the rights of the lessee are affected as a result of the lack of ownership certificate. There is no material impact on the operation of the Group in the event of any encumbrance arising which leads to the termination of tenancy.

As advised, the Group will early terminate the tenancies.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B11.	Portion of Zone A-C of Dalian Automobile Port Warehouse, Dalian, Liaoning Province	The property comprises portion of Zone A, B and C of an industrial warehouse. The property warehouse area and office area of approximately 2,085 sq. m. (22,443 sq. ft.) and 82.17 sq. m. (884 sq. ft.) respectively. It is currently occupied by the Group for vehicle checking, uploading and office uses. The property is currently leased from 大連汽車碼頭有限公司 (Dalian Automotive Terminal Co., Ltd.), an independent third party, to 天津豐田有限公司大連分公司(Tianjin Fengtian Logistics Co., Ltd. Dalian Branch), for a term of 1 year from 1 July 2007 at an annual rent of RMB599,100. According to the PRC legal opinion, the lessor has obtained the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is duly executed, valid, legally binding and enforceable.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B12.	1/F, No. 791 Guangming Road, Pudong New District, Shanghai	The property comprises one unit of a 3-storey commercial building completed in January 2005. The property has a total gross floor area of approximately 75.435 sq. m. (811.98 sq. ft.). It is currently occupied by the Group for commercial use. The property is currently leased from 俞金彪 (Yu JinBiao), an independent third party, to 天津豐田物流有限公司上海分公司(Tianjin Fengtian Logistics Co., Ltd. Shanghai Branch), for a term of 1 year from 1 June 2007 at an annual rent of RMB30,000. According to the PRC legal opinion, the lessor has obtained the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is duly executed, valid, legally binding and enforceable.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B13.	B1-1, Phase II, Prologis Teda Logistic Centre, North of the Ninth Avenue, West of Bohai Road and East of Jingshan Railway, Tianjin Economic and Technological Development Area, Tianjin	The property comprises two units of single-storey industrial buildings and four units of 2-storey office buildings completed in June 2007. The property has warehouse, office and canopy area of approximately 5,238.70 sq. m. (56,389 sq. ft.), 259 sq. m. (2,788 sq. ft.) and 189 sq. m. (2,034 sq. ft.) respectively. The property is leased from 普洛斯（天津）置業發展有限公司 (Prologis Park Development Co., Ltd.), an independent third party, to 天津豐田物流有限公司 (Tianjin Fengtian Logistics Co., Ltd.) (a subsidiary of the Group) from 1 November 2007 to 5 July 2008 at a total rent of approximately RMB1,047,831 exclusive daily management fee of RMB0.06 per sq. m.. The property is currently occupied by 天津豐田物流有限公司 (Tianjin Fengtian Logistics Co., Ltd.) as warehousing and office uses. According to the PRC Legal Opinion, the lessor has obtained the Building Ownership Certificate and is entitled to lease the property. The tenancy is duly executed, valid, legally binding and enforceable.	No commercial value

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B14.	Unit 719, F Zone, Chubao Whole Sale Market, North of Shunyi Road, South of Nancang Road, Beichen District, Tianjin	The property comprises one unit of a single-storey office building completed in June 2007. The property has a total gross floor area of approximately 17 sq. m. (183 sq. ft.). The property is leased from 中儲發展股份有限公司儲寶生產資料批發市場天津分公司 (Zhongchu Development Stock Co., Ltd, Chubao Whole-Sale Market (Tianjin)), an independent third party to 天津濱海泰達物流集團股份有限公司(Tianjin Binhai Teda Logistics (Group) Corporation Limited) (the Company) from 16 June 2007 to 15 June 2009 at a monthly rent of RMB1,500. The property is currently occupied by 天津濱海泰達物流集團股份有限公司(Tianjin Binhai Teda Logistics (Group) Corporation Limited) as commercial use. According to the PRC Legal Opinion, the lessor has obtained the Building Ownership Certificate of the property and is entitled to lease the lease the property. The tenancy is duly executed, valid, legally binding and enforceable.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B15.	No. 201, No. 88 Yingke Road, Ganjingzi District, Dalian Liaoning Province	The property comprises one unit of a 5-storey office building completed in October 1999. The property has a gross floor area of approximately 100 sq. m. (1,076 sq. ft.). The property is leased from 大連（機場）海關 (Airport Custom), an independent third party, to 天津泰達阿爾卑斯物流有限公司大連分公司 (Tianjin Alps Teda Logistics Company Limited (Dalian)) (a subsidiary of the Group) for a term of 1 year from 1 January 2006 at an annual rent of RMB126,000. According to the information of the Group, the tenancy is currently leased on an unspecified term after 1 January 2007. The property is currently occupied by 天津泰達阿爾卑斯物流有限公司大連分公司 (Tianjin Alps Teda Logistics Company Limited (Dalian)) as office use. According to the PRC Legal Opinion, while the lessor has not obtained the Building Ownership Certificate and the current lease has expired, the size of the leased area in question is considered to be immaterial to the overall operation. In addition, 天津泰達投資控股有限公司 (Teda Investment Holding Co., Ltd), a substantial shareholder of the Company, promises to compensate the lessee if the rights of the lessee are affected as a result of the lack of ownership certificate. There is no material impact on the operation of the Group in the event of any encumbrance arising which leads to the termination of tenancy. According to the information of the Group, the Building Ownership Certificate is being applied and is expected to be issued within 3 months.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 29 February 2008
B16.	Dongma Village, Zhongbei Town, Xiqing District, Tianjin	The property comprises a single-storey industrial building which was completed in 2001. The property has a total gross floor area of 5,261 sq. m. (56,629 sq. ft.) and car park area of 4,212 sq. m. (45,338 sq. ft.). The property is leased from 天津市西青區中北鎮東馬村民委員會 (Tianjin Xiqing District Dongma Village Committee) to 天津豐田國際貨運有限公司(Tianjin Fengtian International Cargo Company Limited) (currently renamed as 天津豐田物流有限公司(Tianjin Fengtian Logistics Company Limited) (a subsidiary of the Group) for a term of 1 year from 1 June 2007 at a monthly rent of RMB64,189. The property is currently occupied by 天津豐田國際貨運有限公司(Tianjin Fengtian International Cargo Company Limited) (currently renamed as 天津豐田物流有限公司 (Tianjin Fengtian Logistics Company Limited) as warehousing and car park uses. According to the PRC Legal Opinion, the lessor has obtained the Certificate for the Use of Collective-owned Land and the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is duly executed, valid, legally binding and enforceable.	No commercial value

This appendix sets out summaries of certain aspects of the PRC legal and judicial system, its arbitration system and its company and securities law and regulations. It also contains a summary of certain Hong Kong law and regulations, including summaries of certain material differences between the PRC and Companies Ordinance, certain requirements of the GEM Listing Rules and the summary of additional provisions required by the Stock Exchange for inclusion in the articles of association of the PRC issuers (as defined in the GEM Listing Rules).

THE PRC LAWS AND REGULATIONS

(1) The PRC legal system

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives, local regulations and rules, and international treaties entered into by China. Decided court cases do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "NPC") and the Standing Committee of the NPC (the "NPCSC") are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing the State organs, civil and criminal matters. The NPCSC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council is the highest organ of state administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue regulations, rules and measures within the jurisdiction of their respective departments. All administrative rules, regulations, and measures promulgated by the State Council and its ministries and commissions must not conflict with the PRC Constitution and the national laws enacted by the NPC and the NPCSC. In the event that any such conflict arises, the Standing Committee of the NPC has the power to abrogate such administrative rules, regulations and measures.

Local regulations may be enacted or issued at the provincial or municipal people's congresses and the standing committees of the provincial or municipal people's congresses. The local governments may promulgate rules applicable to their own administrative region. However, these local regulations must not conflict with the PRC Constitution, the national laws, or the administrative rules and regulations promulgated by the State Council, as well as the administrative regulations promulgated by the State Council.

The power to interpret laws is vested by the PRC Constitution in the NPCSC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on 10 June 1981, the Supreme Court of the PRC has the power to give brief interpretation on the specific application of laws in judicial proceedings of the court in addition to its power to issue specific interpretation for specific cases.

(2) Judicial system

The people's courts are the judicial organs of the PRC. Under the PRC Constitution and the Law of Organisation of the People's Courts of the PRC (中華人民共和國法院組織法), promulgated on 1 July 1979 and was subsequently amended, the people's courts are made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the highest people's courts. There are the civil, criminal and administrative divisions under the basic people's courts. The intermediate people's courts have divisions similar to those of the basic people's courts and other special divisions (such as the intellectual property division), in accordance with needs. The judicial work of people's courts at lower levels is subject to the supervision of people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the proceedings of people's courts of the same level and the lower level. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts and special people's courts at all levels.

The people's courts adopt a two-tier final appeal system. If a party is not satisfied with a judgment or order of the first instance of a local people's court, it may appeal against such judgment or order to the people's court at the next higher level, and the judgments or orders of the second instance of the Supreme People's Court are final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's courts at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures. If a party considers an error exists in a final and binding judgment which has taken effect, it may appeal for a retrial to the original people's court or a people's court at a higher level.

The PRC civil procedures are governed by the Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (the "Civil Procedure Law") adopted on 9 April 1991, which prescribes the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures for a civil action, the court procedures, and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A general civil case is heard by a people's court located in the defendant's place of domicile. A court may also be specified in a contract by express agreement by the parties to preside the case provided that the people's court having the jurisdiction is located at the plaintiff's or the defendant's place of domicile, the place of execution or implementation of the contract or the object of the action but it must not violate the regulations in respect of hierarchy and jurisdiction of the courts as stated in the Civil Procedure Law. A foreign national, stateless person, foreign enterprise and organisation is given the same litigation rights and obligations as a citizen, legal person and other organisation of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens, legal person and other organisation, the PRC courts may apply the principal of reciprocity to the Civil Litigation Rights of the citizens, enterprises and organisations of that foreign country. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration organ in the PRC, the affected party may apply to the people's court to enforce the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. If at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other organizations, the time limit is six months.

A party seeking to enforce a judgment or order of a people's court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to the PRC enforcement procedures by the people's court in accordance with the principle of reciprocity or the international treaty with the relevant foreign country entered into or involved in which provides for such recognition and enforcement unless the people's court considers that the recognition or enforcement of such a judgment or ruling will violate the basic legal principles of the PRC and its sovereignty or public security, or for reasons of social and public interest.

(3) Arbitration and enforcement of arbitral awards

The Arbitration Law of the People's Republic of China (中華人民共和國仲裁法) (the "Arbitration Law") was passed by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case if one party institutes legal proceedings in a people's court.

The GEM Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the GEM Listing Rules also in a contract between the company and each director and supervisor, to the effect that whenever any dispute or claim arises from the articles of association, or from any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of a company, including, but without limitation, between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and the directors, supervisors, general manager or other senior officers of the company; (iii) a holder of overseas listed foreign shares and a holder of domestic shares, such parties shall submit that dispute or claim for arbitration before either the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Centre ("HKIAC"). If the party seeking arbitration elects to arbitrate the dispute at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the HKIAC. CIETAC is a foreign affairs arbitration organ in the PRC. CIETAC is located in Beijing with branch offices in Shenzhen and Shanghai.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if the arbitration procedure or the formation of the arbitration committee goes beyond the scope of law, or the arbitral award exceeds the scope of arbitral agreement or the jurisdiction of the arbitration committee.

A party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may he recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only agree on and enforce foreign arbitral awards made within the territory of another party to the Convention on the principle of reciprocity; and (ii) the PRC will only apply the New York Convention in disputes considered under the PRC laws to arise from contractual and non-contractual mercantile legal relations.

Following the resumption of sovereignty over Hong Kong by the PRC on 1 July 1997, the New York Convention no longer applies to the enforcement of Hong Kong arbitration awards in other parts of the PRC. A 'Memorandum of Understanding on the arrangement for reciprocal enforcement of arbitral awards between Hong Kong and China has been signed on 21 June 1999. The new arrangement is made in accordance with the spirit of the New York Convention. To meet present day's needs, it will allow awards made by the arbitral authorities accepted by the PRC according to the Arbitration Law to be enforced in Hong Kong. Under the agreed arrangement, Hong Kong arbitration awards will also be enforceable in China.

(4) Taxation

(a) Taxes applicable to joint stock limited companies

(i) Income tax

According to the Interim Regulations of the Enterprise Income Tax of the PRC (中華人民共和國企業所得税暫行條例) effective from 1 January 1994 and stipulated by the State Council, all Chinese companies, including State-owned enterprises, collective-owned enterprises, private enterprises, joint stock companies and other companies (excluding foreign-invested enterprises and foreign companies) are required to pay income tax at a rate of 33%. on taxable income derived from their production of goods and business activities. However, income taxes could be reduced pursuant to any of new laws, administrative regulations and rules.

On 16 March 2007, the 10th National People's Congress adopted the resolution to revise the EIT Regulations. The New Enterprise Income Tax will come into effect on 1 January 2008, according to which the enterprise income tax rate in the PRC will be reduced from 33% to 25% and is in line with the rate applicable to foreign investment enterprises and foreign enterprises. At the same time, the Income Tax Law of the PRC Concerning Foreign Investment Enterprises and Foreign Enterprises and the EIT Regulations shall cease to be effective.

Sino-foreign joint ventures currently enjoy certain tax benefits under the relevant laws and regulations in the PRC (subject to the implementation of the New Enterprise Income Tax).

(ii) Value added tax ("VAT")

Both the Interim Regulation of the PRC on VAT (中華人民共和國增值税暫行條例) effective from 1 January 1994 and the Detailed Rules for the Implementation of the Provisional Rules of the People's Republic of China on VAT (中華人民共和國增值税暫行條例實施細則) effective from 25 December 1993, stipulate that all units or individuals who are engaged in the sale of goods or the provision of processing, reparation, assembly, labour services, and the import and export of goods within the territory of the PRC are required to pay VAT.

The tax payers who are engaged in the sale of goods are required to pay VAT at the rate of 13% or 17%. The tax payers who are providing processing, reparation, assembly, labour services are required to pay 17% VAT. The tax payers who are exporting goods are required to pay 0% VAT, except as otherwise stipulated by the State Council.

(iii) Business tax

Both the Provisional Rules of the People's Republic of China on Business Tax (中華人民共和國營業税暫行條例) issued on 13 December 1993 and the Detailed Rules for the Implementation of the Provisional Rules of the People's Republic of China on Business Tax (中華人民共和國營業税暫行條例實施細則) issued on 25 December 1993, stipulate that, all units and individuals except entertainment business engaged in the provision of taxable labour services, the assignment of intangible assets or sale of immovable properties, within the territory of the PRC, are required to pay 3% or 5% business tax on their gross business turnover. The business tax with regard to the entertainment business is at the rate of 5% to 20%.

(b) Taxation of shareholders

(i) Tax on dividends

Pursuant to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法), which was promulgated in 1980 and amended on 31 October 1993 and amended on 30 August 1999, and further amended on 27 October 2005, dividends paid by PRC companies to individuals are normally subject to an individual income tax of 20%. On 21 July 1993, the State Tax Bureau by Circular on the Question Concerning Tax on the Profits Earned by Enterprise with Foreign Investment, Foreign Enterprises and Individual Foreigners from the Transfer of Stocks (Stock Right) and on Dividend Income ("Circular") (關於外商投資企業、外國企業和外籍個人取得股票（股權）轉讓收益和股息所得稅收問題的通知) confirmed that dividends received by foreign investors from PRC listed domestic special shares ("B shares"), and overseas listed shares such as H shares are temporily exempt from income tax, which would otherwise have been applicable. Since 1 January 2000, on the basis of the State Council Notice Regarding Income Tax reduction to Interest and Other Income that Foreign Enterprise Derive from the PRC (國務院關於外國企業來源於我國境內的利息等所得減徵所得稅問題的通知), the rate applicable to interest, rental, licence fees and other income by foreign enterprises without establishment or premises in the PRC or foreign enterprises with establishment or premise established in the PRC but whose increase in the PRC is not associated with such establishment or premise has been reduced to 10% from 20%. However, if the reduction as aforedescribed does not apply or is not renewed, a foreign enterprise shareholder may be subject to a 20% withholding tax on capital gains, unless reduced by the applicable double taxation treaty.

The latest Amendments to the Income Tax Law Applicable to Individuals of the PRC (the "Amendments") (關於修改《中華人民共和國個人所得稅法》) were promulgated and took effect on 27 October 2005. The Amendments stipulate that all previously promulgated tax laws and regulations which contradict the Amendments shall become invalidated. Under the Amendments, any foreign national who is not a resident in the PRC will be subject to a withholding tax at a rate of 20% on dividends received from H shares. On 26 July 1994, the State Tax Bureau issued a letter titled the State Tax Bureau Letter on Relevant Tax Problems Regarding Foreign Individuals' Dividends Obtained from Holding Shares of Listed Companies Within China ("the Letter") (國家稅務總局關於外籍個人持有中國境內上市公司股票所取得的股息有關稅務問題的函件) and reiterated the temporary tax exemption stated in the Tax Notice on dividends received from a PRC company listed overseas. To date, the relevant tax authority has not been collecting any withholding tax on dividend payments with respect to foreign shares.

Accordingly, under current PRC laws and regulations, withholding tax is not payable in respect of dividends or other distributions on H shares held by any foreign enterprise or foreign national. If, however, the Tax Notice is withdrawn, a 20% withholdings tax may be applicable on such dividends or distributions, subject to any tax reductions pursuant to any applicable avoidance of double taxation treaty.

(ii) Tax on the transfer of shares

Under the Circular of 1993, foreign enterprises or foreign individuals are required to pay, withholding taxes or individual income taxes at the rate of 20%, on gains exceeding the amount of their contributions from the transfer of the shares held by them in the foreign investment enterprises.

The Implementing Rules of Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例) (the "Implementing Rules"), issued on 28 January 1994, stipulate that gains realised on the sale of equity securities by an individual are subject to income tax and empower the Ministry of Finance to draft detailed rules on the mechanisms of collecting such tax which will be taken effective after approved by the State Council. As of the day, there are still no detail rules issued.

On 20 June 1994, the Ministry of Finance and the State Tax Bureau jointly issued the Notice on the Temporary Non-Levy of Individual Income Tax on Gains form Share Transfers (關於股票轉讓所得暫不徵收個人所得稅的通知), exempting individuals from the payment of income tax on gains from the transfer of shares for the years 1994 and 1995. On 9 February 1996, the Ministry of Finance and the State Tax Bureau jointly issued the Notice on the Temporary Non-Levy of Individual Income Tax on Gains form Share Transfers for 1996 (關於股票轉讓所得一九九六年暫不徵收個人所得稅的通知), exempting individuals from the payment of income tax on gains from the transfer of shares for the years 1996. On 30 March 1998, the Ministry of Finance and the State Tax Bureau jointly issued the Notice on the Non-Levy of Individual Income Tax on Gains form Share Transfers (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知), exempting individuals from the payment of income tax on gains from the transfer of shares of listed companies since 1997.

(iii) Tax treaties

In the event that withholding tax is payable as referred to in (i) or (ii) above, foreign enterprises without an establishment or office in the PRC and non-PRC individual investors residing in countries which have entered into the avoidance of double-taxation treaties with the PRC may be entitled to a reduction of withholding tax imposed on the payment of dividends to such investors. The PRC is currently a party to the avoidance of double taxation treaties with a number of countries, including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the US.

(iv) Stamp duty

By virtue of the Interim Regulations Concerning Taxation Issues for Joint Stock Trial Enterprises (股份制試點企業有關稅收問題的暫行規定) issued on 12 June 1992 and the Interim Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例) issued on 6 August 1988 and taking effect on 1 October 1988, PRC stamp duty is imposed on the transfer of the PRC listed domestic shares. However, H shares which are transferred outside the PRC are exempted from the payment of the PRC stamp duty.

(v) Inheritance tax

According to the applicable PRC laws, there is no inheritance tax.

(5) Foreign exchange control

Major reforms have been introduced to the foreign exchange control system of the PRC since 1993.

On 28 December 1993, the People's Bank of China ("PBOC"), with the authorisation of the State Council, issued the Notice on Further Reform of the Foreign Exchange Control System (中華人民共和國人民銀行關於進一步改革外匯管理體制的公告). Other main regulations and implementation measures include the PRC Foreign Exchange Control regulations (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996 and took effect on 1 April 1996 and the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) which were promulgated by PBOC on 20 June 1996 and took effect on 1 July 1996 and which contain detailed provisions regulating the settlement, sale and payment of foreign exchange by domestic enterprises, individuals, economic organisations and social organisations in the PRC.

On 28 December 1993, the PBOC, with the authorisation of the State Council, issued the Notice on Further Reform of the Foreign Exchange Control System (中華人民共和國關於進一步改革外滙管理體制的公告) which came into effect on 1 January 1994. Other new regulations and implementation measures include the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結滙、售滙及付滙管理規定) which were promulgated on 20 June 1996 and took effect on 1 July 1996 and which contain detailed provisions regulating the holding, sale and purchase of foreign exchange by enterprises, individuals, foreign organisations and visitors in the PRC. Under such new regulations, the previous dual exchange rate system for Rmb was abolished and a unified floating exchange rate system, based largely on supply and demand, was introduced. The PBOC publishes, on each business day, the Rmb exchange rate against other major foreign currencies. Such rate is to be set by reference to the Rmb/major foreign currencies trading price on the previous day on the inter-bank foreign exchange market.

In general, all organisations and individuals within the PRC, including foreign invested enterprises, are required to remit their foreign exchange earnings to the PRC. In relation to the PRC enterprises, their recurrent foreign exchange are generally required to be sold to designated banks unless specifically approved otherwise. Foreign-invested enterprises, on the other hand, are permitted to retain certain percentage of their recurrent foreign exchange earnings and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks. Capital foreign exchange must be deposited into foreign exchange bank accounts maintained with designated banks and can generally be retained in such accounts.

At present, control on the purchase of foreign exchange is being relaxed. Enterprises which require foreign exchange for their recurrent activities such as trading activities and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents.

In addition, where an enterprise requires any foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as dividends of H shares and distribution of dividends and profits by a foreign invested enterprise to its foreign investment party, then, subject to the due payment of tax on such dividends, the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks, and where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange required from designated banks upon the presentation of the resolutions of the directors on the profit distribution plan of that enterprise to such designated bank.

Despite the relaxation of foreign exchange control over current account transactions, the approval of the SAFE is still required before an enterprise may borrow a loan in foreign currency or provide any foreign exchange guarantee or to make any investment outside of the PRC or to enter into any other capital account transaction which involves the purchase of foreign exchange.

When conducting actual foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determining the applicable exchange rate. The China Foreign Exchange Trading System ("CFETS") was formally established and came into operations on 1 January 1994, CFETS has set up a computerised network with sub-centres in several major cities, thereby forming an interbank market in which designated PRC banks can trade and settle their foreign currencies. On 25 October 1998, the PBOC and the State Administration of Foreign Exchange ("SAFE") jointly issued a notice, which stipulated that all the swap centres were closed from 1 December 1998.

On 5 August 2002, the SAFE and the China Securities Regulatory Commission ("CSRC") jointly issued the Notice Concerning Some Issues Relating to Strengthening the Foreign Exchange Control of Overseas Listing (關於進一步完善境外上市外匯管理有關問題的通知) effective on 1 September 2002. The Notice provided that:

- within 30 days after the approval of the CSRC for the overseas issue of shares listing, a domestic enterprise holding shares of the overseas listed enterprise should proceed with the foreign exchange registration procedures at local administration authority for foreign exchange in respect of the overseas listed shares;

- within 30 days after receiving the foreign currency proceeds of the share offer, the overseas listed enterprise should transfer the balance of the foreign currency proceeds received to the PRC, after deducting the related expenses, and should not retain the proceeds overseas without the approval of local administration authority for foreign exchange. The transferred funds shall be administered as direct investment funds of the foreign investor, and subject to approval by local administration authority for foreign exchange, a special account may be opened to retain the funds, which may be used for foreign exchange settlements;

- before the proceeds are transferred to the PRC, if the overseas listed enterprise need to open an overseas account for temporary deposit of the proceeds, application can be made to local administration authority for foreign exchange to open an overseas special foreign exchange account, with a maximum time limit of three months from the date of the opening of the account;

- in the event the overseas listed enterprise is required to repurchase the company's own overseas listed foreign shares, approval should be obtained from CSRC, after which application to the administration authority for foreign exchange for approval should be made for foreign exchange registration changes in respect of the overseas listed shares and the related opening of account overseas and approval for the remittance of funds.

On 9 September 2003, pursuant to the Notice on 5 August 2002, SAFE announced Notice on Relevant Issues in Perfecting Foreign Exchange Control of Overseas Listing (關於完善境外上市外滙管理有關問題的通知) which confirmed the related issues in the Notice dated 5 August 2002. On 1 February 2005, SAFE announced Notice on Relevant Issues of Foreign Exchange Control of Overseas Listing (關於境外上市外滙管理有關問題的通知) which amended and supplemented the aforesaid notices.

- The time limit for the repatriation of funds by entities holding domestic equity interests in overseas listed foreign share companies and overseas listed companies controlled by PRC entity has been extended to "within six months of receipt of funds raised" and the time limit for overseas specific foreign currency accounts has been extended to "within two years of accounts opening".

(6) Company law

On 29 December 1993, the Standing Committee of the Eighth NPC adopted the Company Law, which came into effect on 1 July 1994 and was amended on 25 December 1999. On 27 October 2005, the Eighteenth Standing Committee Meeting of the Tenth NPC further amended the Company Law. The revised Company Law has come into effect on 1 January 2006.

On 4 July 1994, the Special Regulations were passed at the Second Standing Committee Meeting of the State Council, and they were promulgated and implemented on 4 August 1994. The Special Regulations are formulated according to the Company Law in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions were issued jointly by the Securities Commission and the State Restructuring Commission on 27 August 1994, prescribing provisions which must be incorporated in the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the articles of association. References to a "company" below are to a joint stock limited company established under the Company Law with overseas listed foreign invested shares.

Set out below is a summary of the major provisions of the Company Law as amended on 27 October 2005, the Special Regulations and the Mandatory Provisions.

(a) General

A "joint stock limited company" is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders are limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

A company must conduct its business in accordance with the laws and commercial ethics. A company may invest in other enterprises. However, it shall not become the contribution party which accepts joint and several liabilities of the obligations of the invested enterprise.

(b) Incorporation

A company may be incorporated by promotion or public subscription.

A company may be incorporated by a minimum of 2 promoters, but at least half of the promoters must reside within the PRC. According to the Special Regulations, State-owned enterprises or enterprises with the majority of their assets owned by the PRC Government can be restructured in accordance with the relevant regulations to become joint stock limited companies which may issue shares to overseas investors. These companies, if incorporated by public subscription, may have less than 2 subscribers and can issue new shares once incorporated.

Companies incorporated by promotion are companies the entire registered capital of which is subscribed for by the promoters. Where companies are incorporated by public subscription, not less than 35% of their total shares must he subscribed for by the promoters and the remainder of their shares shall be offered.

The registered capital of a company is the amount of its total paid up capital as registered with the relevant administration bureau for industry and commerce. The minimum registered capital of a company is RMB5 million.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may he convened only with the presence of subscribers holding shares representing more than 50% of the voting rights in the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be discussed. All resolutions of the meeting require the approval of subscribers with at least half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after the approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A company's promoter shall individually and collectively be liable for (i) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated; (ii) the repayment of subscription moneys to the subscribers together with interest at bank rates for a deposit for the same term if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations Concerning the Issue and Trading of Shares promulgated by the State Council on 22 April 1993 (which is only applicable to issue and trading of shares in the PRC and their related activities), if a company is established by means of subscription, the promoters of such company are required to assume joint responsibility for the accuracy of the contents of the prospectus and to ensure that the prospectus does not contain any misleading statement or omit any material information.

(c) Share capital

The promoter may make capital contribution in currencies, or in kind or by way of injection of assets, industrial property rights, non-patented technology or land use rights based on their appraised value. The amount of currency contribution shall not be less than 30% of the registered capital of the company. If a capital contribution is made other than in cash, a valuation and verification of the property contributed must be carried out.

A company may issue registered or bearer share certificates. However, shares issued to promoters and legal persons shall be in the form of registered share certificates, and may not be registered under a different name or in the name of an agent.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas be issued in registered form and shall be denominated in Rmb and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are classified as H shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares. In accordance with PRC regulations and rules, qualified foreign institutional investors approved by the CSRC may hold listed domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Special measures shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than the par value, but may not be less than the par value.

The transfer by a shareholder of its shares must be carried out through a lawfully established stock exchange. Transfer of registered shares by a shareholder must he made by means of an endorsement or by other means stipulated by law or by administrative regulations. Bearer share certificates are transferred by delivery of the certificates to the transferee.

Shares held by a promoter of a company may not be transferred within 1 year after the company's establishment. Directors, supervisors and the manager of the company shall not, within each year, transfer more than 25% of the shares they hold in the company during their term of office and such shares of the company shall not be transferred within 1 year from the date of the company's listing. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered into the register of shareholders within 20 days before the date of a shareholders' meeting or with 5 days before the record date set for the purpose of distribution of dividends.

(d) Increase in capital

Under the Company Law, an increase in capital in a company by means of a public issue of new shares must be approved by shareholders in general meeting and meet the following conditions stipulated under the Securities Law:

(i) the company has a sound and good organisation;

(ii) the company has sustainable profitability and stable financial condition;

(iii) there has been no false reporting in the company's financial and accounting documents during the last 3 years and no other material breach of law.

Public offers require the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, the company must change its registration with the relevant administration for industry and commerce and issue a public notice accordingly.

(e) Reduction of share capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) the company shall prepare a balance sheet and financial statement;

(ii) the reduction of registered capital must be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and

(v) the company must apply to the relevant administration bureau for industry and commerce for registration of the reduction in registered capital.

(f) Repurchase of shares

A Company may not purchase its own shares other than for one of the following purposes:

(i) to reduce its registered share capital;

(ii) to merge with another company that holds its shares;

(iii) to grant shares to its employees as incentives; and

(iv) to purchase its own shares from its shareholders who vote against the resolution on regarding the merger and demerger with other company in a general meeting.

The Mandatory Provisions provide that upon obtaining approvals in accordance with the articles of association of the company and from the relevant supervisory authorities, the company may repurchase its issued shares for the foregoing purposes by way of (i) a general offer to the shareholders of the company or (ii) purchase on the stock exchange or (iii) an off-market agreement.

Under the Company Law, within a stipulated period following the purchase of the company's own shares, a company must in accordance with applicable law and administrative regulations cancel or transfer the repurchased portion of its shares, change its registration and issue a public notice.

(g) Transfer of shares

Shares may be transferred in accordance with the relevant laws and regulations.

A shareholder may only effect a transfer of its shares on a stock exchange established in accordance with law or by other way as required by the State Council. Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by applicable laws and regulations.

Shares held by a promoter may not he transferred within 1 year after the company's establishment. Directors, supervisors and the manager of the company shall not, within each year, transfer more than 25% of the shares they hold in the company during their term of office and such shares of the company shall not be transferred within 1 year from the date of the company's listing. There is no restriction under the Company Law as to the percentage shareholding of a single shareholder of a company.

(h) Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of the company. The articles of association of a company are binding on each shareholder.

Under the Company Law, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(ii) to transfer his shares at a legally established stock exchange in accordance with the Company Law and the articles of association of the company;

(iii) to inspect the company's articles of association, minutes of shareholders' general meetings and financial and accounting reports and to make proposals or enquiries in respect of the company's operations;

(iv) if a resolution passed in a shareholders' general meeting or by the board of directors violates any law or administrative regulation or infringes the lawful rights and interests of shareholders, to inaugurate a legal procedure in People's Court demanding that the illegal infringing action be stopped;

(v) to receive dividends in respect of the number of shares held;

(vi) to receive surplus assets of the company upon its termination in proportion to his or her shareholding; and

(vii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription moneys agreed to be paid in respect of the shares taken up by him and any other shareholders' obligation specified in the company's articles of association.

(i) General meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

The shareholders' general meeting exercises the following powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or remove the directors and decide on matters relating to the remuneration of directors;

(iii) to elect or remove the supervisors who are representatives of shareholders and decide on matters relating to the remuneration of supervisors;

(iv) to examine and approve reports of the board of directors;

(v) to examine and approve reports of the supervisory committee;

(vi) to examine and approve the company's proposed annual financial budget and final accounts;

(vii) to examine and approve the company's proposals for profit distribution plans and recovery of losses;

(viii) to decide on any increase or reduction of the company's registered capital;

(ix) to decide on the issue of bonds by the company;

(x) to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

(xi) to amend the company's articles of association; and

(xii) other powers stipulated in the Articles of Association.

Shareholders' general meetings are required to be held once every year. An extraordinary shareholders' general meeting is required to be held within 2 months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the aggregate losses of the company which are not made up reach one-third of the company's total share capital;

(iii) when shareholders holding 10% or more of the company's issued and outstanding shares carrying voting rights request the convening of an extraordinary general meeting;

(iv) whenever the board of directors deems necessary;

(v) the supervisory committee so requests; or

(vi) other circumstances as required by the articles of associations.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the president.

Notice of the meeting shall be given to all shareholders 20 days before the meeting under the Company Law and 45 days under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend are required to give to the company written confirmation of their attendance 20 days prior to the meeting. Under the Special Regulations, at an annual general meeting of a company, shareholders holding 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be considered at that meeting which, if within the powers of a shareholders' general meeting, are required to be added to the agenda of that meeting.

Shareholders present at a shareholders' general meeting have 1 vote for each share they hold.

Resolutions of the shareholders' general meeting must be adopted by more than half of the voting rights held by shareholders present in person (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution of a company or amendments to the articles of association, which must be adopted by more than two-thirds of the voting rights held by shareholders present, including those represented by proxies at the meeting.

According to the Mandatory Provisions, the increase or reduction of share capital, the issue of bonds or debentures, and any other matters in respect of which the shareholders by ordinary resolution so decide, must be approved through special resolutions by more than two-thirds of the voting rights held by shareholders present in general meeting.

Shareholders may appoint representatives to attend shareholders' general meetings by a written appointment document stating the scope of the exercise of the voting rights.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may he convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within 5 days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holder of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

(j) Directors

A company shall have a board of directors, which shall consist of 5 to 19 members. Under the Company Law, each term of office of a director shall not exceed 3 years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall he given to all directors and supervisors 10 days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed by the shareholders in general meetings;

(iii) to decide on the company's business plans and investment proposals;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's profit distribution proposals and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of the corporate bonds;

(vii) to prepare plans for the merger, division or dissolution of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager and based on the general manager's recommendation, to appoint or dismiss the deputy general managers and financial officers of the company and to decide on their remuneration; and

(x) to formulate the company's basic management system.

In addition, the Mandatory Provisions provide that the board is also responsible for formulating the proposals for amendment to the articles of association of a company.

Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the law, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved from that liability.

Under the Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than 5 years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offence, where less than 5 years have elapsed since the date of the completion of implementation of this deprivation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than 3 years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, where less than 3 years have elapsed since the date of the revocation of the business license;

(v) persons who have a relatively large amount of debts due and outstanding; or

(vi) persons who are State civil servants.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions which have been incorporated in the articles of association, a summary of which is set out in appendix IV.

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, amongst others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors;

(ii) to check on the implementation of the resolutions of the board of directors; and

(iii) to sign the company's share certificates and bonds.

The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the articles of association, a summary of which is set out in appendix IV) contain further elaborations of such duties.

(k) Supervisors

A company shall have a supervisory committee composed of not less than 3 members. Each term of office of a supervisor is 3 years and he or she may serve consecutive terms if re-elected.

The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the company's staff and workers. Directors, managers and financial officers may not act concurrently as supervisors.

The supervisory committee exercises the following powers:

(i) to review the company's financial position;

(ii) to supervise the directors and managers in their performance of their duties and to ascertain whether or not they have violated laws, regulations or the articles of association of the company;

(iii) when the acts of a directors and managers are in a harm to the company's interests, to require correction of these acts;

(iv) to propose the convening of extraordinary shareholders' general meetings;

(v) to propose resolution in a general meeting;

(vi) to initiate proceedings against directors and officers;

(vii) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

The Special Regulations provide that a company's directors and supervisors shall have fiduciary duties. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit.

(l) Managers and officers

A company shall have a manager who shall he appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(i) supervise the production, business and administration of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business and investment plans;

(iii) formulate plans for the establishment of the company's internal management structure;

(iv) formulate the basic administration system of the company;

(v) formulate the company's internal rules;

(vi) recommend the appointment and dismissal of deputy managers and any financial controller and appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);

(vii) attend board meetings as a non-voting delegate; and

(viii) other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and Mandatory Provisions provide that the senior management of a company includes the financial controller, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other executives of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the articles of association (a summary of which is set out in appendix V).

(m) Duties of directors, supervisors, managers and officers

Directors, supervisors, managers and officers of a company are required under the Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. Directors, supervisors, managers and officers of a company are also under a duty of confidentiality to the company and are prohibited from divulging the secret information of the company save as permitted by the relevant laws and regulations or by the shareholders.

A director, supervisor, manager or an officer who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that directors, supervisors, managers and officers of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

(n) Finance and accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the responsible financial department of the State Council and at the end of each financial year prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at the company for the inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve fund (except where the fund has reached 50% of the company's registered capital).

When the company's statutory common reserve fund is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make good the losses before allocations are set aside for the statutory common reserve fund.

After the company has made good its losses and made allocations to its statutory common reserve fund, the remaining profits are distributed in proportion to the number of shares held by the shareholders.

The common reserve of a company comprises the statutory common reserve, discretionary common reserve and the capital common reserve.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up the company's losses;

(ii) to expand the business operations of the company; and

(iii) to increase the company's capital provided that, if the statutory common reserve is converted into registered capital, the balance of the statutory common reserve before such conversion shall not be less than 25% of the registered capital of the company.

(o) Appointment and retirement of independent auditors

The Special Regulations require a company to employ an independent PRC qualified firm of accountants to audit the company's annual report and review and check other financial reports. The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders in general meeting and shall be registered with the CSRC.

(p) Distribution of profits

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Rmb and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

(q) Amendment of articles of association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in accordance with the Mandatory Provisions will only be effective after approval by the companies' approval department authorised by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the companies' registration authority must also be changed.

(r) Termination and liquidation

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the People's Court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations set down in the company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the business licence is invalidated; the operation is suspended, or the company is dissolved by order of the court; or

(v) in the event that the company encounters substantial difficulties in operation and management and its continuous subsistence shall cause significant damage to the interest of shareholders, if such condition cannot be resolved through other means, shareholders who hold more than 10% of the total voting rights may present a petition to the People's Court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) or (v) above, a liquidation committee must be established within 15 days from the date of occurrence of the dissolution causes. Members of the liquidation committee shall be composed of directors or persons approved by the shareholders in a general meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the People's Court for its establishment. The liquidation committee shall notify the company's creditors within 10 days after its establishment, and issue at least 3 public notices in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the first public notice if he did not receive any notification.

The liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding businesses of the company;

(iv) to pay any tax overdue;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and social insurance expenses and statutory compensation, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

A company shall not engage in new business operations during the liquidation period.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the People's Court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the People's Court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the relevant supervisory department for verification. Thereafter, the report shall be submitted to the companies' registration authority in order to cancel the company's registration, and a public notice of its dissolution shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with the relevant laws. A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his wilful or material default.

(s) Overseas listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the Securities Commission may he implemented by the board of directors of the company by way of separate issues, within 15 months after approval is obtained from the CSRC.

(t) Loss of share certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a People's Court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issuance of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the articles of association, a summary of which is set out in appendix V).

(u) Suspension and termination of listing

The trading of shares of a company on a stock exchange may be suspended if so decided by the securities administration department of the State Council under one of the following circumstances:

- (i) the registered capital or share holding distribution no longer comply with the necessary requirements for a listed company;
- (ii) the company failed to make public its financial position in accordance with the requirements or there is false information in the company's financial report;
- (iii) the company has committed a major breach of the law;
- (iv) the company has incurred losses for each of the preceding 3 years; or
- (v) other circumstances as required by the Listing Rules of stock exchange, new security law 55.

A listed company may have its listing determined by the stock exchange if any of the following events shall occur:

- (i) the total share capital and the distribution of share ownership have been altered to make the company no longer satisfy the requirements necessary for listing and it cannot meet the requirements for listing within the period required by the stock exchange;
- (ii) the company has failed to make public its financial situation in compliance with the legal provisions or has falsified its financial accounting statements and refused to rectify;
- (iii) the company has incurred losses for the past three consecutive years and failed to become profitable in the following year;

(iv) the company dissolve or is declared be bankrupted; or

(v) any other events prescribed in the Listing Rules of the stock exchange.

(v) Merger and demerger

The merger or demerger of a company is to be decided by the shareholders in general meetings.

Companies may merge through merger by absorption or through the establishment of a newly merged entity. In the case of merger by absorption, the company which is absorbed shall be dissolved. In the case of merger by establishing newly merged entity, both companies will be dissolved.

A merger agreement must be signed in the case of a merging of companies and the relevant companies shall draw up their respective balance sheets and inventory of property. The companies should within 10 days of the resolution of the merger inform their respective creditors and publish a notice to the creditors in newspapers, within 30 days of the resolution to merge. Those creditors who had not received written notice may within 45 days of the notice, or within 30 days after receiving written notice, request the company to satisfy any unpaid debts or provide equivalent guarantees in cases of guarantees.

When a company demerges into 2 companies, their respective assets must be separated and separate financial accounts must be drawn up.

When a company's shareholders approve the demerger of the company, the company should notify all its creditors within 10 days of such resolution being passed and advertise the same in newspapers within 30 days. Unless otherwise agreed with a creditor, obligations in respect of the liabilities before the demerger of the company shall be jointly and severally borne by the demerged companies.

Changes in registered particulars of the companies caused by merger or demerger must he registered in accordance with applicable laws.

(7) Securities law and regulations

At present, the PRC has promulgated a number of regulations in relation to the issue and trading of shares and disclosure of information.

In early 1993, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for co-coordinating the drafting of securities regulations, formulating securities related polices, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by the PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking research and analysis. In 1998, the Securities Committee was cancelled and its main functions were merged into the CSRC due to the restructuring reforms of the State Council.

On 22 April 1993, the State Council promulgated the Provisional Regulations Governing the Issue and Trading of Shares (股票發行與交易管理暫行條例) (the "Securities Provisional Regulations"). These regulations deal with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settlement, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation and penalties and dispute settlement. These regulations specifically provide that the offer of shares by a PRC company directly and indirectly outside the PRC requires the approval of the Securities Committee and also provide that separate measures will be promulgated in relation to the issue of and trading in special Renminbi-denominated shares. However, (i) if a PRC joint stock limited company proposes to issue Renminbi-denominated ordinary shares as well as special Renminbi-denominated shares, it has to comply with the Securities Provisional Regulations; and (ii) provisions of the Securities Provisional Regulations in relation to acquisitions of listed companies and disclosure of information are expressed to apply to companies listed on a stock exchange in general without being restricted to companies listed on any particular stock exchange. Such provisions may, therefore, be applicable to joint stock limited companies with shares listed on a stock exchange outside the PRC including joint stock limited companies with shares listed on the Stock Exchange.

On 2 September 1993, the Securities Committee promulgated the Provisional Measures Prohibiting Fraudulent Conduct Relating to Securities (禁止證券欺詐行為暫行辦法). The prohibitions imposed by these measures include the use of insider information in connection with the issue of or trading in securities (insider information being defined to include undisclosed material information known to any insider, which may affect the market price of securities): the use of funds or information or through an abuse of power in creating a false or disorderly market or influencing the market price of securities or inducing investors to make investment decisions without knowledge of actual circumstances; and the making of any statement in connection with the issue of and trading in securities which is false or materially misleading or in respect of which there is any material omission. Penalties imposed for contravening any of the provisions of the measures include fines, confiscation of profits and suspension of trading. In serious cases, criminal liability may be imposed.

On 4 July 1994, the State Council promulgated the Special Regulations. These provisions deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of foreign capital stock listed aboard and articles of association and disclosure of information of joint stock limited companies having foreign capital stock listed abroad.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

On 29 December 1998, the Securities Law of the PRC (中華人民共和國證券法) (the "Securities Law") was passed by the Standing Committee of the NPC (全國人民代表大會常務委員會). The Securities Law took effect on 1 July 1999. This is the first national securities law in the PRC. On 27 October 2005, the NPC passed the revised Securities Law, and the new law came into effect on 1 January 2006. The Securities Law is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law is the fundamental law which comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that enterprises in the PRC which intend to directly or indirectly issue securities outside the PRC or to list their securities outside the PRC must obtain prior approval from the State Council's securities regulatory authorities. Article 239 of the Securities Law provides that specific measures in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies by person and organisation outside the PRC shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H shares and B shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

In order to further promote strict compliance of "companies listed outside China" ("Listed Company") with the relevant domestic and foreign laws and regulations, their conscientious performance of their continuing obligations towards the investors and their establishment of a good corporate image on domestic and foreign capital markets, the State Economic and Trade Commission and the CSRC jointly issued the Opinion on Further Standardizing Operations and Reform of Companies Listed Outside China (關於進一步促進境外上市公司規範運作和深化改革的意見) ("Standardizing Opinion") on 29 March 1999. The Standardizing Opinion sets out regulations governing the relationship between the Companies and their controlling entities (hereafter "controlling entities" refers to companies or enterprises with legal person status that have a controlling interest in a listed company) and the operations of the administrative organizations of the Listed Companies. The board of directors, management, financial and marketing organisations of a listed company must be independent from those of the controlling entity. No more than two senior management personnel from the controlling entity (i.e. Board of Directors, vice-president and executive directors) may concurrently hold the position of senior management personnel in the company. The Standardizing Opinion also requires a company to specify its decision-making process, strengthen director responsibility, establish a sound external director and independent director system, strengthen the functions of its supervisory board and secretary of the board of directors, explore methods to motivate its senior management personnel and to intensify its internal reform. On 21 September 1999, CSRC promulgated the

Examination, Approval and Supervision of Domestic Enterprises in China Applying for Listing on the Hong Kong Growth Enterprise Market Guidelines (境內企業申請到香港創業板上市審批與監管指引) (the "Guidelines") which set out the approval procedures with respect to the listing of PRC enterprises on the GEM. Under the Guidelines, any State-owned or private enterprise may, through its sponsor acting on its behalf, apply to CSRC for approval to list on the GEM, such application shall comply with documents set out in the Guidelines. One precondition for such application being that the applicant must he a company limited by shares and approved by a provincial level people's government or ministries authorised by the State Council. CSRC will determine whether to grant the approval within 10 days of receipt of the specified documents unless objections are received by any one of the MOC (商務部), the SAFE, and, if State-owned shares are involved, the Ministry of Finance (國家財政部).

(8) Legal opinion

Beijing S&P Law Firm and Zhong Lun Law Firm, the Company's legal advisers as to the PRC law, have sent to the Company a legal opinion confirming that they have reviewed the summary of relevant PRC law and regulations contained in this appendix and that, in their opinion, such summary is a correct summary of the relevant PRC law and regulations. A copy of such legal opinion is available for inspection as referred to under the paragraph headed 'Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in appendix VII to this prospectus. Any person who wishes to obtain detailed information about the PRC law and regulations is recommended to consult independent legal adviser.

HONG KONG LAW'S AND REGULATIONS

(1) Company Law

The Hong Kong law applicable to a company having a share capital incorporated in Hong Kong is based on the Companies Ordinance and supplemented by the common law.

The Company, which is a joint stock limited company established in the PRC seeking a listing of its H Shares on GEM is governed by the PRC Company Law and the PRC Securities Law which came into effect on 1 January 2006 and all other rules and regulations promulgated pursuant to the PRC Company Law and the PRC Securities Law applicable to a joint stock limited company established in the PRC issuing overseas listed foreign shares to be listed on the Stock Exchange.

Set out below is a summary of the material differences between the Companies Ordinance applicable to a company incorporated in Hong Kong and the PRC Company Law and the PRC Securities Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law and the PRC Securities Law. However, this summary is not intended to be an exhaustive comparison:

(i) Corporate existence

Under Companies Ordinance, a company having a share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. The articles of association of a private company incorporated in Hong Kong is required by the Companies Ordinance to contain certain provisions restricting the right of transfer of its shares and the number os shareholders. Any company which does not contain such provisions in its articles of association is a public company.

Under the PRC Company Law, a company may be incorporated by either the promotion method or the public subscription method. A company established by the public subscription method will only acquire its corporate existence after it has completed its initial share offering to the public.

Under the PRC Securities Law, a company which is authorised by the relevant securities administration authority to list its shares on a stock exchange must have registered a capital of not less than RMB30,000,000. Hong Kong law does not prescribe any minimum capital requirements for a Hong Kong company.

Under the PRC Company Law, the capital contribution of all shareholders of a company may not be less than 30% of its registered capital.

(ii) Share capital

Under Hong Kong law, the authorised share capital of a Hong Kong company is the amount of share capital which the company is authorised to issue and a company is not bound to issue the entire amount of its authorised share capital. The PRC Company Law does not have the same concept of authorised share capital. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase or reduction in registered capital must be approved by the shareholders in general meeting.

Under the Company Law for any company incorporated by promotion, its registered capital shall be the total capital being subscribed by all promoters where the first paid up amount shall not be less than 20% of its registered capital, the outstanding amount shall be paid up within 2 years upon establishment of the company but within 5 years for investment company; for joint stock company incorporated by public subscription, the registered capital of the company is the amount of its total paid up capital as registered with company registration authorities. For a Hong Kong company, the authorised share capital may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if so required, cause the company to issue new shares. In the case of a PRC company, any increase or reduction of the registered capital must be approved by the shareholders in general meeting and the relevant PRC Government and regulatory authorities. After completion of an approved new issue, the PRC company has to register the increase in share capital with the relevant administration for industry and commerce.

The minimum registered capital of a company which has applied for the listing of its shares on a stock exchange is RMB30 million under the Company Law. Hong Kong law does not prescribe any minimum capital requirements for a Hong Kong company.

Under the Company Law, the amount of currency contribution shall not less than 30% of a joint stock limited company's registered capital. There is no such restriction under Hong Kong law on a Hong Kong company.

(iii) Restrictions on shareholding and transfer of shares

Under the PRC law, the domestic shares ("domestic shares") in the share capital of a joint stock limited company which are denominated and subscribed for in RMB may be subscribed or traded by the PRC legal and natural persons, as well as Qualified Foreign Institutional Investor approved by the CSRC. The overseas listed foreign shares ("foreign shares") issued by a joint stock limited company which are denominated in RMB and subscribed for in a currency other than RMB may only be subscribed and traded by qualified domestic institutional investors of China, investors from Hong Kong, Macau and Taiwan or any country or territory outside the PRC.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters may not be transferred within one year after the date of establishment of the company. Shares issued before a company issues shares by mean of public offer shall not be transferred within one year from the date of listing of the company's shares on stock exchanges. The directors, supervisors and senior managers shall report to the company the amount of shares held by them and the change of those shares, and the amount of shares transferred by them shall not exceed 25% of shares held by them. In addition, shares held by directors, supervisors and senior managers, shall not be transferred within one year after the listing of their company's shares on stock exchanges. The above mentioned persons shall not transfer their company's shares within six months after their departure from the Company.

There are no such restrictions on shareholdings and transfer of shares under Hong Kong law. Please refer to the paragraph headed "Restrictions on Disposal of Domestic Shares" in the section headed "Substantial, Initial Management and Significant Shareholders" of this prospectus for the relevant restriction on transfer under the GEM Listing Rules.

(iv) Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of all shareholders against directors who have been guilty of a breach of their fiduciary duties to the company, if they control a majority of votes at a general meeting thereby effectively preventing a company from suing the directors in breach of their duties in its own name. Although the Company Law gives the Shareholders the right to initiate proceedings in the People's court of the PRC to restrain the implementation of any resolution passed by the Shareholders in a general meeting, or by the Board, that violates any law, administrative rules or Articles of Association or if the Directors or management personnel violate laws, administrative rules or Articles of Association when performing their duties and cause losses to the Company, there is no form of proceedings equal to a derivative action under the PRC law. The Mandatory Provisions, however, provide the Shareholders with certain remedies against the Directors, Supervisors and officers who breach their duties to the Shareholders. In addition, as a condition to the listing of H shares on the Stock Exchange and in accordance with the Articles of Association, each of the Directors and Supervisors is required to give an undertaking in favour of the Shareholders acting as agent for each of the Shareholders. This allows minority Shareholders to commence Legal proceedings against the Directors and Supervisors in default.

(v) Remedies of the Company

Under the Company Law, if a director, supervisor or manager in carrying out his duties violates any law or administrative regulation or the articles of association of a company, resulting in damage to the company, that director, supervisor or manager shall be responsible to the company for such damage. The Company Law also provides that controlling shareholder, de facto controller, director, supervisor or senior manager of the company who, by way of his/her associated relationship deprives interests of the company, shall be liable for the losses being suffered by the company. In addition, in compliance with the GEM Listing Rules and the Mandatory Provisions, remedies of the Company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits made by a Director, Supervisor or senior management members) have been set out in the Articles of Association.

(vi) Directors, senior management members and supervisors

The Companies Ordinance provides that without the approval of shareholders in a general meeting, directors, supervisors and managers shall not enter into any business contracts or transactions with the company, or accept any benefits. The Company Law, unlike the Companies Ordinance, does not contain (i) restrictions on directors' authority in making major dispositions (but a listed company which purchases or disposes substantial assets or provide a guarantee amount of which exceeds 30% of the total assets of the company shall be subject to the approval of a general meeting and be approved by more than two- thirds of the voting rights held by the shareholders present in the general meeting; (ii) restrictions on companies providing certain benefits such as loans to directors and guarantees in respect of directors' liability; and (iii) prohibitions against compensation for loss of office without shareholders' approval. Neither does the Company Law contain any requirements relating to the declaration of material interests in contracts with the company as is required under Hong Kong Companies Ordinance, nor restrictions on interested directors being counted towards the quorum of, and voting at, a meeting of the board of directors at which a transaction in which a director is interested is being considered. However, the Mandatory Provisions and other related regulations contain certain restrictions on major dispositions and specify the circumstances under which a director is required to disclose his interest in contracts or may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in appendix V to this prospectus.

Under Hong Kong law, there is no concept of a supervisory committee for a company in addition to its board of directors, but a PRC joint stock limited company must have a supervisory committee whose main duties include ensuring compliance with laws and regulations and the articles of association of the company, by its directors and managers.

The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he or she considers to be the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Such provisions have been incorporated in the Articles of Association.

(vii) Financial assistance for acquisition of shares

The PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purposes of an acquisition of its own or its holding company's shares as contained in the Companies Ordinance.

The Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance to acquire shares which are similar to those under the Companies Ordinance.

(viii) Variation of class rights

The Company Law makes no specific provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other classes of shares. The Mandatory Provisions also contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarised in this appendix.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (1) with the approval of a special resolution of the holders of the relevant class at a separate meeting; or (2) with the consent in writing of the holders of three fourths in nominal value of the issued shares of the class in question; or (3) by agreement of all the members of the Company; or (4) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

The Company (as required by the GEM Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. The Mandatory Provisions contain detailed provisions (which are reflected in the Articles of Association) relating to circumstances which are deemed to constitute a variation of class rights. Holders of overseas listed foreign invested shares and domestic invested shares are defined in the Articles of Association as different classes of shareholders, except (i) where a joint stock limited company issues and allots, in any 12-month period, pursuant to a shareholders' special resolution, overseas listed foreign invested shares and domestic invested shares; and the number of overseas listed foreign invested shares and domestic invested shares proposed to issue are not more than 20% of respective class of listed shares existing as at the date of the shareholders' special resolution; or (ii) the completion by a joint stock limited company of its plan for the issue of domestic invested shares and listed foreign invested shares upon its establishment within 15 months following the date of approval by the CSRC, and, accordingly, in the circumstances referred to in (i) and (ii) aforesaid, the Company's ability to issue Domestic Shares and H Shares is not subject to a separate voting procedure by holders of H Shares.

(ix) Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court either to wind up the company or to make an appropriate order regulating the affairs of the company. In addition, the Financial Secretary of the Hong Kong Government may on the application of a specified number of members, and the Securities and Futures Commission may in prescribed circumstances, appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. There is no specific provision in the Company Law to guard against oppression by the majority shareholders and/or the misconduct of the company. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise his/her voting rights in a manner prejudicial to the interests of other shareholders generally or of some part of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

(x) Notice of shareholders' meetings

Under the Company Law, notice of a general meeting must be given not less than 20 days before the meeting or, in the case of a company having bearer shares, public announcement of a general meeting must be made at least 45 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice period of a general meeting convened for passing an ordinary resolution and a special resolution is 14 days and 21 days respectively; and the notice period for an annual general meeting is 21 days.

(xi) Quorum for shareholders' meetings

Under Hong Kong law, the quorum for general meeting is provided by the articles of association of the company which may not in any event be fewer than two members (save and except for a single-member company). The PRC Company Law does not specify any quorum requirement for general meeting but the Special Regulations and the Mandatory Provisions provide that a company's general meeting may be held when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify shareholders by public announcement and the general meeting may be held thereafter.

(xii) Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three fourths of votes cast by members present in person or by proxy at a general meeting.

Under the Company Law, the passing of any resolution requires more than half of votes cast by shareholders present in person or by proxy at a general meeting except in cases of amendment of articles of association, increase or reduction of the amount of registered capital, merger, demerger, dissolution and change of the legal status of a company which require more than two thirds of votes cast by shareholders present in person or by proxy at a general meeting.

(xiii) Financial disclosure

A joint stock limited company is required under the PRC Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss statement, profit distribution statement, cash-flow statement and other relevant annexures at least 20 days before the annual general meeting of shareholders. In addition, a company established by the public subscription method under the PRC Company Law must publish its financial statements. The annual balance sheet of a PRC joint stock limited company is required to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report which are to be laid before the company in its annual general meeting not less that 21 days before such meeting.

A joint stock limited company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with international accounting standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statement prepared in accordance with the PRC accounting standards.

Under the Articles of Association (as required by the GEM Listing Rules and the Mandatory Provisions), in addition to preparing accounts according to PRC accounting standards, the Company must have its accounts prepared and audited in accordance with international accounting standards or Hong Kong accounting standards. The Company is further required to publish its interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively. However, under the GEM Listing rules, the Company is required to publish its interim results for the first six months and each of its first and third quarters of a financial year within 45 days after the end of each such period, and send its annual report and accounts to its shareholders not less than 21 days and not more than three months after its financial year end.

(xiv) Information on directors and shareholders

The Company Law gives the shareholders the right to inspect the Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Mandatory Provisions, shareholders have the right to inspect and copy (at reasonable charges) certain information about the shareholders and directors of a PRC joint stock limited company similar to those are available under Hong Kong law to shareholders of a company incorporated in Hong Kong.

(xv) Receiving agent

Under both the PRC law and Hong Kong law, dividends once declared become debts payable to shareholders (except in relation to interim dividends of Hong Kong companies, which do not constitute debts until the time they are paid generally). The limitation period for debt recovery action under Hong Kong law is generally six years while that under the PRC law is two years. The Mandatory Provisions require the appointment of a trust company registered under the Hong Kong Trustee Ordinance as receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owing by a joint stock limited company in respect of such foreign shares.

(xvi) Conversion of shares

Under the Articles of Association (as required by the Mandatory Provisions), any proposal by to vary or abrogate the rights conferred on any class of shares shall be approved by a special resolution of shareholders at a general meeting and by shareholders of that class at a meeting of shareholders of that class convened in accordance with the Articles of Association, save and except for such Shares held by domestic Shareholders which have been transferred by them to overseas investors and which are being listed and publicly traded. Circumstances to be considered as a variation or an abrogation of class rights of shareholders are discussed in the paragraph headed "Variation of class rights" in this appendix. Upon obtaining an approval from the regulatory body on securities under the State Council, domestic Shareholders of the Company may transfer the Company's Shares held by them to overseas investors and have the Shares listed and traded publicly. Shares transferred and listed on an overseas stock exchange shall be subject to regulations of the overseas exchange, and Shares so transferred and listed and traded on an overseas stock exchange do not need approval by voting in any extraordinary general meeting of class Shareholders.

(xvii) Corporate reorganisation

Corporate reorganisation involving compromises with creditors and members in respect of Hong Kong incorporated companies are dealt with under section 166 of the Companies Ordinance and requires court sanction. Corporate reorganisation involving Hong Kong incorporated companies may also be effected by the transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to section 237 of the Companies Ordinance. For PRC companies, such reorganisations are administratively considered and sanctioned under the Company Law.

(xviii) Arbitration of disputes

In Hong Kong, disputes between shareholders and their company or its directors, managers and other senior officers may be resolved through the courts. The Articles of Association provide that disputes between a holder of H Shares and the Company and its directors, managers or other senior management officers or a holder of Domestic Shares arising from the Articles of Association, the Company Law or other relevant laws or administrative regulations which concern the affairs of the Company must be submitted to arbitration at either the Hong Kong International Arbitration Centre ("HKIAC") or the China International Economic and Trade Arbitration Commission ("CIETAC"), at the claimant's choice. Such arbitration award is final and conclusive.

(xix) Mandatory deductions

Under the Company Law, after-tax profits of a company are subject to deductions of contributions to the statutory surplus reserve of a company before they can be distributed to shareholders. There are prescribed limits under the Company Law for such deductions. There are no corresponding provisions under the Companies Ordinance.

(xx) Dividends

The Articles of Association empower the Company to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a Shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividend) is six years, whereas under PRC laws, the relevant limitation period is two years. The Company shall not exercise its powers to forfeit any unclaimed dividend in respect of H Shares until after the expiry of the applicable limitation period.

(xxi) Fiduciary duties

In Hong Kong, there is the concept of the fiduciary duties of directors under the common law. Under the Company Law and the Special Regulations, directors, supervisors, managers and other senior managements officers owe a fiduciary duty towards their company and are not permitted to engage in any activities, which compete with or damage the interests of their company.

(xxii) Closure of register of shareholders

The Companies Ordinance of Hong Kong requires that the register of shareholders of a company may not be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the Articles of Association provide, as required by the Company Law, that share transfers may not be registered within 20 days before the date of a general meeting or within five days before the record date set for the purpose of distribution of dividends.

(2) The GEM Listing Rules

The GEM Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on GEM. Set out below is a summary of such principal additional requirements which apply to the Company:

(a) Compliance Advisor

The Company is required to retain following its listing for at least the remainder of the financial year during which the listing occurs and two financial years thereafter the services of the sponsor for its listing, or other financial adviser or professional firm which is acceptable to the Stock Exchange, to provide the Company with professional advice on continuous compliance with the GEM Listing Rules, and to act as the Company's principal channel of communication with the Stock Exchange on behalf of the Company. The appointment of the Compliance Advisor may not be terminated unless in exceptional circumstances, where the sponsor is no longer able satisfactorily to perform the role, and only after first notifying the Stock Exchange of the intended termination and the reasons thereof.

(b) Accountants' report

An accountants' report for a PRC issuer will not normally be regarded as acceptable unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either Hong Kong accounting standards or the International Accounting Standards.

(c) Process agent

The Company is required to appoint and maintain a person authorised to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on GEM and must notify the Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

(d) Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than H shares which are listed on GEM, the GEM Listing Rules require that all H shares must he held by the public, the H shares must normally represent not less than 10% of the PRC issuer's issued share capital and the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital unless the expected market capitalisation of the total existing issued share capital at the time of the listing of the H shares is over HK$4,000 million in which case, the prescribed minimum public shareholdings percentage is between 20% and 25%.

If the PRC issuer does not have existing issued securities other than H shares, the H shares must constitute not less than 25% of the issuer's issued share capital unless the expected market capitalisation of the total existing issued share capital at the time of the listing of the H shares is over HK$4,000 million in which case, the prescribed minimum public shareholdings percentage is between 20% and 25%.

(e) Independent non-executive directors and supervisors

The independent non-executive Directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

(f) Restrictions on purchase and subscription of its own securities

Subject to governmental approvals and the provisions of the articles of association, the company may repurchase its own H shares on GEM in accordance with the provisions of the GEM Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, the Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on GEM. The Directors must also state the consequences which the Directors are aware, if any, of any purchases which will arise under either or both of the Hong Kong Code on Takeovers and Mergers and any of the PRC law of a similar nature. A general mandate given to the Directors to repurchase H shares may not cover more than 10% of the total amount of existing issued H shares of the Company.

(g) Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the Articles of Association of a PRC company which is listed on the Stock Exchange, of the Mandatory Provisions and provisions including those relating to the change, removal and resignation of auditors, classification of shareholders and the conduct of the supervisory committee of the Company. Such provisions have been incorporated into the Articles of Association, a summary of which has been set out in this appendix.

(h) Continuing obligations and financial information

Pursuant to its application for listing on GEM, the Company has undertaken to comply, upon any of its securities being admitted to listing on GEM, with all of the requirements of the GEM Listing Rules from time to time in force. The GEM Listing Rules contain certain provisions regarding general continuing obligations, the more important of which are summarised as follows:

(i) Redeemable shares

The Company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the H shares are adequately protected.

(ii) Pre-emptive rights

Except in the circumstances mentioned below, the Directors must obtain the approval by a special resolution of the shareholders in general meeting and the approvals by special resolutions of holders of Domestic Shares and holders of H Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association, prior to:

(a) authorizing, allotting, issuing or granting:

  (i) shares;

  (ii) securities convertible into shares; or

  (iii) options, warrants or similar rights to subscribe for any shares or such convertible securities; or

(b) a major subsidiary of the Company making any such authorization, allotment, issue or grant resulting in material dilutions to the percentage of shareholding of the Company and our shareholders in such subsidiary.

No such approval shall be required in the case of authorizing, allotting or issuing shares if, but only to the extent that, our existing shareholders have by special resolution in a general meeting given a general mandate to the Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorise, allot or issue either separately or concurrently once every 12 months, not more than 20% of the existing Domestic Shares and H Shares as at the date of the passing of the relevant special resolution.

(iii) Amendment to articles of association

The Company must not to permit or cause any amendment to be made to its articles of association which would cause the same to cease to comply with the mandatory provisions of the GEM Listing Rules relating to such articles of association.

(iv) Documents for inspection

The Company is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by shareholders at reasonable charges the following documents:

– a complete duplicate register of shareholders;

– a report showing the PRC of the issued share capital of the Company;

– the Company's latest audited financial statements and the reports (if any) of the Directors, auditors and Supervisors thereon;

– special resolutions of the Company;

– reports showing the number and nominal value of securities repurchased by the Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased with a breakdown between Domestic Shares and foreign Shares;

- a copy of the latest annual return filed with the SAIC or other relevant PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

(v) Receiving agents

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owing in respect of the H shares to he held, pending payment, in trust for the holders of such H shares.

(vi) Statements in share certificates

The Company is required to ensure that all its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the effect that the acquirer of shares:

- agrees with the Company and each shareholder of the Company and the Company agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;
- agrees with the Company, each shareholder, Director, Supervisor, manager and other officer of the Company and the Company acting for itself and for each Director, Supervisor, manager and other officer agrees with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association. Any reference to arbitration will be deemed to authorise the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- agrees with the Company and each shareholder of the Company that shares in the Company are freely transferable by the holder thereof; and

- authorises the Company to enter into a contract on his behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to shareholders stipulated in the Articles of Association.

(vii) Compliance with the PRC Company Law, the Special Regulations and the articles of association

The Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Associations.

(viii) Contract between the Company and Supervisors

To enter into a service contract for three years or more with a Supervisor or proposed Supervisor, or a service contract which expressly requires the Company to give a period of notice of more than one year or pay compensation or make other payments equivalent to more than one year's emoluments in order for the Company to terminate the service contract with a Supervisor or proposed Supervisors, the Company must obtain the prior approval of our shareholders in a general meeting.

The Company is also required to enter into a contract in writing with every Supervisor containing at least the following provisions:

(a) an undertaking by the Supervisor to us to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association and an agreement that we will have the remedies provided in our Articles of Association and that neither the contract nor his office is capable of assignment;

(b) an undertaking by the Supervisor to us acting as agent for each shareholder to observe and comply with his obligations to shareholders stipulated in our Articles of Association; and

(c) the arbitration clause in terms as set out in sub-paragraph (c) of the preceding paragraph in relation to a contract between our Company and every Director or officer subject to necessary modifications.

(vix) Contract between the Company and its Directors, officers and Supervisors

The Directors are required to comply with Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

(a) an undertaking by the Director or officer to the Company to observe and comply with the Company Law, the Special Regulations, the Articles of Association, the Hong Kong Codes on Takeovers and Mergers and Share Repurchases and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;

(b) an undertaking by the Director or officer to the Company acting as agent for each shareholder to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and

(c) an arbitration clause which provides that:

  (i) Whenever any disputes or claims arise from the contract, the Articles of Association or any rights or obligations conferred or imposed by the laws and administrative regulations concerning our affairs between (1) the Company and our Directors or officers or (2) a holder of H Shares and a Director or officer, such disputes or claims will be referred to arbitration.

  (ii) The entire dispute or claim shall be resolved through that arbitration; all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are our shareholders, Directors, Supervisors, managers or other officers, shall submit to the arbitration.

  (iii) Disputes over any person who is a shareholder and over the share register do not have to be resolved through arbitration.

  (iv) Once the party seeking the arbitration submits a dispute or claim to the arbitration, the other party must submit to the arbitral body selected by the party seeking the arbitration. The party seeking arbitration may elect to have the dispute or claim arbitrated either by the CIETAC in accordance with its arbitration rules or by the HKIAC in accordance with its securities arbitration rules.

(v) If the party seeking the arbitration elects to arbitrate the dispute or claim at the HKIAC, either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the HKIAC.

(vi) The PRC law shall govern the arbitration of disputes or claims referred to in clause (a) above, unless otherwise provided by law or administrative regulations.

(vii) The award of the arbitral body is final and shall be binding on the parties thereto.

(viii) The agreement to arbitrate is made by the Director or officer with the Company on its own behalf and on behalf of each shareholder; and

(ix) Any reference to arbitration shall be deemed to authorise the arbitral tribunal to conduct the hearing in open session and to publish its award.

The Company is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

(x) Subsequent listing

The Company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of overseas listed foreign shares are adequately protected.

(xi) English translation

All notices or other documents required under Chapter 17 of the GEM Listing Rules to be sent by the Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

(i) General

If changes in the PRC law or market practices materially alter the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the Company, subject to such special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the GEM Listing Rules to impose additional requirements and make special conditions in respect of the listing of the Company.

(3) Other Legal and Regulatory Provision

Upon the listing of the Company on GEM, the provisions of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the Hong Kong Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to the Company.

(4) Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association or the Company Law shall be arbitrated at either CIETAC or HKIAC in accordance with their respective rules.

The Securities Arbitration Rules of Hong Kong International Arbitration Centre contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs or companies incorporated in the PRC and listed on GEM so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purposes of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

(5) Taxation

(a) Dividends

Where a company is not subject to Hong Kong profits tax, any dividends paid by it to persons who carry on a business in Hong Kong are liable to profits tax, to the extent that such dividends form part of the profits of such persons arising from their Hong Kong business.

(b) Profits tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property (such as the H Shares). Persons who carry on a trade, profession or business in Hong Kong and derive income in Hong Kong from such trade, profession or business are liable to profits tax. Securities dealers carrying on a business in Hong Kong and who make trading gains from the sale and purchase of shares will be subject to profits tax. Currently, profits tax for corporations is payable at the rate of 17.5% of their assessable profits. Profits tax for individuals is levied on a progressive scale and the maximum rate is 16%.

(c) Stamp duty

The sale and purchase of shares are subject to stamp duty payable by both the seller and the buyer. Duty is payable with reference to the amount of the consideration or, if higher, the fair value of the shares being sold. The current rate of stamp duty is 0.1% of the amount of the consideration or, if higher, the fair value of the shares on every sold note and every bought note. Stamp duty is usually shared between the buyer and the seller equally in respect of transactions on the Stock Exchange. A fixed rate of duty of HK$5 is also payable in respect of every instrument of transfer which is required to be registered on a register or branch register maintained in Hong Kong.

(d) Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

Set out below is a summary of the principal provisions of the Articles of Association which were adopted at a general meeting of the Company held on 19 March 2008. A copy of the full Chinese texts of the Articles of Association is available for inspection as mentioned in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in appendix VII to this prospectus.

(1) DIRECTORS AND SENIOR MANAGEMENT

(a) Power to allot and issue shares

There is no provision in the Articles of Association empowering the Directors to allot and issue shares.

In order to increase the capital of the Company, the Board must formulate a proposal and submit it for approval at a shareholders' general meeting. Subject to the approval required by the Articles of Association, such increase in the capital shall be conducted in accordance with the procedures under the relevant laws, administrative regulations of the State.

(b) Power to dispose of the assets of the Company or any subsidiary

The Board shall be responsible for the general meeting.

The Board shall not, without the prior approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of the amount or value of the consideration for the proposed disposition, and the amount or value of the consideration for any such disposition of any fixed assets of the Company that has been completed in the period of four months immediately preceding the proposed disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet placed before the shareholders in general meeting.

For the purposes of the above paragraph, disposition of fixed assets includes an act involving the transfer of an interest in assets but does not include the provision of fixed asset by way of security.

The validity of a disposition by the Company of fixed assets shall not be affected by the breach of the above paragraph.

(c) Remuneration and compensation and payments for loss of office

The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with a Director or Supervisor wherein his emoluments are stipulated. The aforesaid emoluments include:

(1) emoluments in respect of his service as Director, Supervisor or senior management of the Company;

(2) emoluments in respect of his service as director, supervisor or senior management of any subsidiary of the Company;

(3) emoluments in respect of the provision of other services in connection with the management of the affairs of the Company and any of its subsidiaries;

(4) payment by way of compensation for loss of office or retirement from office.

No proceedings may be brought by a Director or Supervisor against the Company for any interest due to him in respect of the matters mentioned above except pursuant to a contract which has been entered into in the foregoing manner.

The contract concerning the emoluments between the Company and its Directors or Supervisors should provide that in the event of a takeover of the Company, the Directors and Supervisors shall, subject to the prior approval of shareholders in general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. For the purpose of this paragraph, a "takeover of the Company" includes any of the following:

(1) a general acquisition offer made by any person to all shareholders;

(2) a general acquisition offer made by any person with a view to the offeror becoming a "controlling shareholder" within the meaning set out in Article 60 of the Articles of Association.

If the relevant Director or Supervisor does not comply with the foregoing paragraph, any sum so received by him shall belong to those persons who have sold their shares as a result of such offer. The expenses incurred in distributing that sum pro rata amongst those persons shall be borne by the relevant Director or Supervisor and not be paid out of that sum.

(d) Loans to Directors, Supervisors and other senior management

The Company shall not directly or indirectly make a loan to or provide any guarantee in connection with the making of a loan to a Director, Supervisor, general manager or other senior management of the Company or of holding company of the Company or any of their respective associates.

The foregoing prohibition shall not apply to the following circumstances:

(1) the provision by the Company of a loan or a guarantee in connection with the making of a loan to its subsidiary;

(2) the provision by the Company of a guarantee of a loan or a guarantee in connection with the making of a loan or any other funds available to any of its Directors, Supervisors, general managers, and other senior management to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of a service contract approved by the shareholders in general meeting; and

(3) if the ordinary course of business of the Company includes the lending of money or the giving of guarantees, the Company may make a loan to or provide a guarantee in connection with making of a loan to any of the relevant Directors, Supervisors, general managers and other senior management or their respective associates in the ordinary course of its business on normal commercial terms.

Any person who receives funds from a loan which has been made by the Company acting in breach of the foregoing provision shall, irrespective of the terms of the loan, forthwith repay such funds.

A guarantee for the repayment of a loan which has been provided by the Company acting in breach of the provision d(1) above shall not be enforceable against the Company, save in respect of the following circumstances:

(1) the guarantee was provided in connection with a loan which was made to an associate of any of the Directors, Supervisors, general managers and other senior management of the Company or of holding company of the Company and the lender of such funds did not know of the relevant circumstances at the time of making the loan; or

(2) the collateral which has been provided by the Company has already been lawfully disposed of by the lender to a bona fide purchaser.

For the purposes of the foregoing provisions, a "guarantee" includes an undertaking or property provided to secure the obligor's performance of his obligations.

(e) Financial assistance for the acquisition of shares in the Company or any of its subsidiaries

The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to a person who is acquiring or is proposing to acquire shares in the Company. This includes any person who directly or indirectly assumes any obligations as a result of the acquisition of shares in the Company (the "Obligor").

The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to the Obligor for the purposes of reducing or discharging the obligations assumed by such person.

The following activities are not prohibited:

(1) the provision of financial assistance by the Company where the financial assistance given in good faith in the interests of the Company, and the principal purpose of which is not for the acquisition of shares in the Company, or the giving of the financial assistance is an incidental part of some larger purpose of the Company;

(2) the lawful distribution of the Company's assets as dividends;

(3) the allotment of bonus shares as dividends;

(4) a reduction of registered capital, a repurchase of shares of the Company or a reorganisation of share capital structure of the Company effected in accordance with the Articles of Association;

(5) the lending of money by the Company within its scope of business and in the ordinary course of its business (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits); and

(6) contributions made by the Company to the employee share ownership schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits).

For the purposes of the foregoing provisions,

(a) "Financial assistance" includes (without limitation):

  (1) gift;

  (2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the Obligor), compensation (other than compensation in respect of the Company's own default) or release or wavier of any rights;

  (3) the provision of a loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party to the agreement, or a change in the parties to, or the assignment of rights under, such a loan or other agreement; or

  (4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

(b) "Assumption of obligation" include the assumption of obligations by way of contract or by way of arrangement (irrespective of whether such contract or arrangement is enforceable or not and irrespective of whether such obligation is to be borne solely by the Obligor or jointly with other persons) or by any other means which results in a change in his financial position.

(f) Disclosure of interests in contracts to which the Company or any of its subsidiaries is a party

Where a Director, Supervisor, general manager or other senior management of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, other than his contract of service, he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefore is otherwise subject to the approval of the Board. Unless the interested Director, Supervisor, general manager or other senior management has disclosed his interest in accordance with the Articles of Association and the contract, transaction or arrangement has been approved by the Board at a meeting in which the interested party is not counted in the quorum and has refrained from voting and attending the relevant part of meeting, any contract, transaction or arrangement in which such party is materially interested is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the relevant Director, Supervisor, general manager or other senior management. For the purposes of this provision, a Director, Supervisor, general manager or other senior management is deemed to be interested in any contract, transaction or arrangement in which a person connected to him is interested.

In accordance with the Articles of Association, a Director or a supervisor is required to abstain from voting nor be counted in the quorum for the voting on any resolution of the Directors or supervisors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested. Such Director or supervisor will also be required to physically absent himself from the relevant session of the Board meeting or meeting of the supervisory committee before the disinterested Directors or supervisors discuss and decide on the matter.

Where a Director, Supervisor, general manager or other senior management gives to the Board a general notice in writing before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company, stating that, by reason of the facts specified in the notice, he is interested in contracts or transactions or any other forms of arrangement which may subsequently be made by the Company, that notice shall be deemed for the purposes of the foregoing to be a sufficient disclosure of the interests of the relevant Director, Supervisor, general manger or other senior management, so far as attributable to those facts, in relation to any contract, transaction or arrangement of that description which may subsequently be made by the Company.

(g) Remuneration

The emoluments of a Director shall be approved by shareholders in general meeting as referred to under the sub-paragraph (c) headed "Remuneration and payments for loss of office" above.

(h) Retirement, appointment and removal

The term of office of the Chairman and other Directors shall be three years commencing from the date of appointment or re-election, renewable upon re-election.

A Director is not required to hold any shares in the Company.

The Directors shall be elected and dismissed by the shareholders in general meeting.

A person may not serve as a Director, Supervisor, general manager or other senior management of the Company if such person:

(i) has no civil capacity or has limited civil capacity;

(ii) was sentenced for the offence of corruption, bribery, expropriation, misappropriation of property or for disrupting the social and economic order, and less than five (5) years has elapsed since the sentence was served, or who has been deprived of political rights due to such crimes, where less than five (5) years has elapsed since the deprivation was completed;

(iii) was a former director, factory manager or general manager of a company or enterprise which has been dissolved or put into liquidation on the ground of maladministration and was personally liable for the winding up of such company or enterprise, and less than three (3) years has elapsed since the date of completion of the dissolution and liquidation of the Company or enterprise;

(iv) was a former legal representative of a company or an enterprise which has had its business license revoked for violating the laws, and was personally liable for that revocation, and less than three (3) years has elapsed since the date of revocation;

(v) has comparatively large amount of individual debts that have become overdue and have not been settled;

(vi) has been currently under investigation or prosecuting by judicial organs for criminal offence which investigation or prosecution is not yet concluded;

(vii) is prohibited from acting as leader of an enterprise by virtue of any laws and administrative regulations;

(viii) is not a natural person;

(ix) has been adjudged by the State Council Securities Regulatory Commission as a person prohibited from dealing in securities, and such prohibition has not yet been removed; or

(x) has been convicted by relevant competent authorities for violation of securities-related laws and regulations, where such violation involved fraudulent or dishonest acts, and less than five (5) years has elapsed since the date of such conviction.

The validity of an act by a Director, general manager or other senior management to bona fide third party shall not be affected by any irregularity in his appointment, election or eligibility.

The board shall consist of seven (7) members. Members of the board shall have a chairman and a vice-chairman and five (5) other Directors. The chairman and vice-chairman should be elected and removed by over half of the entire member of the board.

(i) Borrowing powers

Subject to compliance with applicable laws and regulations of the PRC, the Company has the power to raise and borrow money which power includes (without limitation) the issue of debentures, the charging or pledging of part or whole of the ownership or usage right of the Company's properties. The Articles of Association do not contain any specific provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any specific provision in respect of the manner in which such powers may be varied, other than: (a) provisions which give the Directors the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions which provide that the issuance of debentures must be approved by the shareholders in a general meeting by way of a special resolution.

(j) Notice and Minutes of Board Meetings

Board meetings shall be held at least four times every year. If the time and place of the board meeting have been decided in advance, no notice of such meeting shall be required. If no advance decision has been made by the board as to the time and place of the meeting, board meetings shall be convened by way of a notice served to all Directors and the chairman of the supervisory committee not less than 10 days and not more than 30 days before the date of the meeting. Upon requisition by three or more directors or general manager, an extraordinary meeting of the board may be held. The chairman of the board shall convene and preside the meetings by way of notice served to all Directors, Supervisors and general manager not less than 2 days and not more than 10 days before the date of the meeting. The board shall keep minutes of board resolutions and the attending Directors and the person taking the minutes shall sign the board minutes.

Board meetings shall be held only if more than one-half of the Directors are present.

Each Director shall have one vote. Resolutions of the Board require the approval of more than half of all the Directors.

Where the numbers of votes voting for and against a resolution are equal, the chairman of the Board shall have a casting vote.

(k) Duties

In addition to the obligations imposed by laws, administrative regulations or the Listing Rules of the stock exchange on which shares of the Company are listed, each of the Company's Directors, Supervisors, general managers and other senior management owes a duty to each shareholder, in the exercise of the functions and powers of the Company entrusted to him:

(1) not to cause the Company to exceed the scope of business stipulated in its business licence;

(2) to act honestly and in the best interests of the Company;

(3) not to expropriate the Company's property in any way, including (without limitation) usurpation of opportunities which benefit the Company; and

(4) not to expropriate the individual rights of shareholders, including (without limitation) rights to distributions and voting rights, save and except according to a restructuring of the Company which has been submitted to the shareholders for approval in accordance with the Articles of Association.

Each of the Directors, Supervisors, general managers and other senior management owes a duty, in the exercise of his powers and in the discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of the Directors, Supervisors, general managers and other senior management shall exercise his powers or perform his duties in accordance with the fiduciary principle and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation) discharging the following obligations:

(1) to act honestly in the best interests of the Company;

(2) to act within the scope of his powers and not to exceed such powers;

(3) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in a general meeting, not to delegate the exercise of his discretion;

(4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(5) unless otherwise provided for in the Articles of Association or except with the informed consent of the shareholders given in a general meeting, not to enter into any contract, transaction or arrangement with the Company;

(6) not to take advantage of the assets of the company in any form without the informed consent of the shareholders given in a general meeting;

(7) not to exploit his position to accept bribes or other illegal income or expropriate the Company's property in any way, including (without limitation) opportunities which benefit the Company;

(8) not to accept commissions in connection with the Company's transactions, unless with the informed consent of the shareholders given in a general meeting;

(9) to comply with the Articles of Association, to perform his official duties faithfully, to protect the Company's interests and not to exploit his position and power in the Company to advance his own interests;

(10) not to compete with the Company in any way, unless with the informed consent of the shareholders given in a general meeting;

(11) not to misappropriate the Company's funds, or to deposit the funds of the Company in their own or other personal bank accounts, not to appropriate the capital of the company or to loan such funds to other or provide assets of the Company as guaranty for others;

(12) not to release any confidential information which he has obtained during his term in office, without the informed consent of the shareholders in a general meeting; nor shall be use such information otherwise than for the Company's benefit save that disclosure of such information to the court or other governmental authorities is permitted if:

    (i) disclosure is required by law;

    (ii) public interests so warrants; or

(iii) the interests of the relevant Director, Supervisor, general managers or other senior management so requires.

Each Director, Supervisor, general managers and other senior management of the Company shall not direct the following persons or entities ("associates") to act in a manner which he is prohibited from doing:

(1) the spouse or minor child of the Director, Supervisor, general managers or other senior management;

(2) the trustee of the Director, Supervisor, general managers or other senior management or of any person described in sub-paragraph (1) above;

(3) the partner of that Director, Supervisor, general manager or other senior management or any person referred to in sub-paragraphs (1) and (2) above;

(4) a company in which that Director, Supervisor, general managers or other senior management, whether alone or jointly with one or more of the persons referred to in sub-paragraphs (1), (2) and (3) above and other Directors, Supervisors, general managers and other senior management, has de facto controlling interest; and

(5) the Directors, Supervisors, general managers, deputy general managers and other senior management of a company which is being controlled in the manner set out in sub-paragraph (4) above.

The fiduciary duties of the Directors, Supervisors, general managers and other senior management of the Company do not necessarily cease with the termination of their tenure. The duty of confidentiality in respect of trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as the principle of the Company may require depending on the amount of time which has lapsed between the termination and the act concerned and the circumstances and the terms under which the relationship between the relevant Director, Supervisor, general managers, deputy general managers and other senior management on the one hand and the Company on the other hand was terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, general managers or other senior management of the Company breaches the duties which he owes to the Company, the Company has a right:

(1) to demand such Director, Supervisor, general managers or other senior management to compensate it for losses sustained by the Company as a result of such breach;

(2) to rescind any contract or transaction which has been entered into between the Company and such Director, Supervisor, general managers, or other senior management or between the Company and a third party (where such third party knows or should have known that such Director, Supervisor, general managers or other senior management representing the Company has breached his duties owed to the Company);

(3) to demand such Director, Supervisor, general managers or other senior management to account for profits made as a result of the breach of his duties;

(4) to recover any monies which should have been received by the Company and which were received by such Director, Supervisor, general managers or other senior management instead, including (without limitation) commissions;

(5) to demand repayment of interest earned or which may have been earned by such Director, Supervisor, general managers or other senior management on monies that should have been paid to the Company; and

(6) to take legal actions to rule that the properties obtained by such Director, Supervisor, general manager or other senior management as result of their violation of certain obligation shall be returned to the Company.

(2) ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

Pursuant to the provisions of law, administrative regulations and the Articles of Association, the Company can amend the Articles of Association.

The amendments to the Articles of Association involving the contents of Mandatory Provisions shall become effective upon approvals by the companies approving department and securities regulatory authority authorised by the State Council and by the CSRC. If there is any change relating to the registered particulars of the Company, application shall be made for change in registration in accordance with relevant law.

The Board shall amend the Article of Association in accordance with the resolution duly passed and authorised by the Shareholders.

(3) VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Any proposal by the Company to vary or abrogate the rights conferred on any class of shareholders ("class right") must be approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the Articles of Association. The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class:

(1) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or allocation rights or privileges equal or superior to the shares of that class;

(2) to exchange all or part of the shares of that class for shares of another class or to exchange or to create a right to exchange all or part of the shares of another class for shares of that class;

(3) to remove, or reduce rights to accrued dividends or rights to cumulative dividends attached to share of that class;

(4) to reduce or remove preferential rights to receive dividends or to the distribution of assets in the event that the Company is liquidated attached to shares of that class;

(5) to add, remove or reduce conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to shares of that class;

(6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of that class;

(7) to create a new class of shares having voting or allocation rights or privileges equal or superior to those of the shares of that class;

(8) to restrict the transfer or ownership of the shares of that class or to increase the types of restrictions attaching thereto;

(9) to allot and issue rights to subscribe for, or to convert the existing shares into, shares in the Company of that class or another class;

(10) to increase the rights or privileges of shares of another class;

(11) to restructure the Company in such a way so as to result in the disproportionate distribution of obligations between the various classes of shareholders; and

(12) to vary or abrogate the provisions in Chapter 9 of the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings shall nevertheless have the right to vote at class meetings in respect of matters concerning (2) to (8) and (11) to (12) above, but interested shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of shareholders shall be passed by votes representing more than two-thirds of the voting rights of shareholders of that class present at the relevant meeting who, according to the Articles of Association, are entitled to vote thereat.

Written notice of a class meeting shall be given to all shareholders who are registered as holders of that class in the register of shareholders 45 days before the date of the class meeting. Such notice shall give such shareholders notice of the matters to be considered at such meeting, the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply concerning attendance at the class meeting to the Company 20 days before the date of the class meeting.

If the shareholders who intend to attend such class meeting represent more than half of the total number of shares of that class which have the right to vote at such meeting, the Company may hold the class meeting; if not, the Company shall within five days give the shareholders further notice of the matters to be considered, the date and the place for the class meeting by way of public announcement. The Company may then hold the class meeting after such public announcement has been made.

Notice of class meetings are only required to be served on shareholders entitled to vote at the class meeting. Class meetings shall be conducted, as far as is possible, in the same manner as shareholders' general meetings. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any class meeting of shareholders. Holders of domestic shares and overseas listed foreign shares are deemed to be different classes of shareholders, while holders of domestic shares and non-listed foreign shares are not deemed to be different classes of shareholders.

The special procedures for approval by a class of shareholders shall not apply in the following circumstances:

(a) where the Company issues, upon approval by a special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued domestic shares and overseas-listed foreign-invested shares; or

(b) where the Company's plan to issue domestic shares and overseas-listed foreign-invested shares at the time of its incorporation is completed within fifteen months from the date of approval by the CSRC; or

(c) where the Company's Domestic Shares are transferred or converted to H Shares upon the approval of the State Council or its authorised approving authorities and publicly tradable on overseas stock exchange.

For the purposes of the class rights provisions of the Articles of Association, the meaning of "interested shareholders" is:

(a) in the case of a repurchase of Share by way of a general offer to all shareholders on a pro-rata basis or by way of public dealing on a stock exchange pursuant to the Articles of Association, a "controlling shareholder" within the meaning of the Articles of Association;

(b) in the case of a repurchase of Shares by an off-market contract pursuant to the Articles of Association, a holder of the Shares to which the proposed contract relates; and

(c) in the case of a restructuring proposal of the Company, a shareholder within a class who bears a relatively lower proportion of obligation compared with that imposed on that class of shareholders under the proposed restructuring or who has an interest in the proposed restructuring different from the general interest of other shareholders of that class.

(4) ORDINARY AND SPECIAL RESOLUTIONS – MAJORITY REQUIRED

Resolutions of shareholders general meetings shall be classified into ordinary resolutions and special resolutions.

An ordinary resolution must be passed by votes representing more than one-half of the voting rights represented by the shareholders (including proxies) present at the meeting.

A special resolution must be passed by votes representing two-thirds or more of the voting rights represented by the shareholders (including proxies) present at the meeting.

(5) VOTING RIGHTS (GENERALLY, ON A POLL AND RIGHT TO DEMAND A POLL)

The shareholders have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote in proportion to their shareholdings thereat.

A shareholder (including a proxy), when voting at a shareholders' general meeting, may exercise such voting rights as are attached to the number of voting shares which he represents. Each share shall have one vote.

At any shareholders' general meeting, a resolution shall be decided on a show of hands unless a poll is demanded before or after a vote is carried out by a show of hands:

(a) by the chairman of the meeting;

(b) by at least two shareholders present in person or by proxy entitled to vote thereat; or

(c) by one or more shareholders present in person or by proxy and representing individually or collectively 10% or more of all shares carrying the right to vote at the meeting.

Unless a poll is demanded, a declaration by the chairman that a resolution has been passed on a show of hands and the record of such in the minutes of the meeting shall be conclusive evidence of the fact such resolution has been passed. There is no need to provide evidence on the number or proportion of votes in favour of or against such resolution.

The demand for a poll may he withdrawn by the person who demands the same.

A poll demanded on the election of the chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which the poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded. On a poll taken at a meeting, a shareholder (including a proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall have a casting vote.

(6) REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

The Board shall convene a shareholders' annual general meeting once each year within six months of the end of the preceding financial year.

(7) ACCOUNTS AND AUDIT

The Company shall formulate its own financial and accounting system and internal audit system in accordance with the relevant requirements of PRC laws, administrative regulations and the PRC accounting standards formulated by the financial department of the State Council.

The Company shall prepare financial statements at the end of each fiscal year. Such statements shall be audited and examined under the requirements of laws. The board shall place before the shareholders at every annual general meeting such financial statements prepared by the Company in accordance with relevant laws, administrative regulations or directives promulgated by competent local and central governmental authorities.

The financial reports of the Company shall be made available for shareholders' inspections at the Company not less than 20 days before the annual general meeting. Each shareholder of the Company shall be entitled to obtain a copy of the financial reports.

The Company shall send the printed copies of the abovementioned financial reports together with the directors' report to each Shareholder by mail at least 21 days before the annual general meeting. The service address shall be the address recorded in the register of shareholders.

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards, or that of the overseas place where the Shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in a note to the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

Any interim and quarterly results or financial information published or disclosed by the Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place of where the Shares are listed.

The appointment, dismissal or termination of the office of the auditors shall be determined at shareholders' general meetings and reported to the relevant State Council securities regulatory authorities for record.

Shareholders in general meeting may by ordinary resolution remove the Company's auditors before their term of office expires, irrespective of any provisions contained in the contract entered into between the Company and the auditors. Any right of the auditors to claim against the Company in connection with their removal shall not be affected by such removal.

In the event of the dismissal or termination of the services of the auditors, such auditors who are to be dismissed or whose services are to be terminated shall be given notice in advance. Such auditors shall have the right to present their views at the following shareholders' general meetings:

(i) the shareholders' general meeting at which their term of office would otherwise have expired;

(ii) any shareholders' general meeting at which it is proposed to fill the casual vacancy caused by their removal; or

(iii) any shareholders' general meeting convened on their resignation.

The Company shall publish four financial reports every financial year, and the quarterly report or interim report shall be published within 45 days after the expiry of the first three-month, six month or nine-month period of the financial year and the year end. The annual financial report will be published within 90 days after the expiry of the financial year.

(8) NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers according to law.

The Company shall not, without the prior approval of shareholders in general meeting, enter into any contract with any person (other than a Director, Supervisor, general manager or other senior management) pursuant to which such person shall be responsible for the management and administration of the whole or any substantial part of the Company's business.

Shareholders' general meetings can be annual general meetings or extraordinary general meetings. Shareholders' meetings shall be convened by the board.

The board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following circumstances:

(1) where the number of Directors is less than the number stipulated in the Company Law of the PRC or two-thirds of the number specified in the Articles of Association;

(2) where the unrecovered losses of the Company amount to one-third of the total amount of its share capital;

(3) where shareholder(s) holding 10% or more of the Company's issued and outstanding shares carrying voting rights request(s) in writing for the convening of an extraordinary general meeting;

(4) whenever the Board considers necessary or the supervisory committee so requests;

(5) where one half (at least two) of the independent Directors request convening of an extraordinary general meeting; and

(6) where one half (at least two) of the external supervisor so request.

When the Company convenes a shareholders' general meeting, written notice of the meeting shall be given not less than 45 days (the day on which the notice is issued shall not be counted while the day of meeting shall be counted in the notice period) before the date of the meeting to notify all of the shareholders whose names appear in the share register of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver to the Company his written reply concerning the attendance at such meeting to the Company 20 days (exclusive of the date of meeting) before the date of the meeting.

The shareholders holding over and including 3%, representing three percent, of the total shares of the Company by oneself or in total may put forward interim proposals and submit such to the board in written 10 days before the meeting. The board shall submit such proposals to the shareholders' general meeting for discussion.

An extraordinary shareholders' general meeting shall not decide on matters not stated in the notice of meeting.

The Company shall, based on the written notice which it replies receives 20 days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting amount to more than one-half of the Company's total voting shares, the Company may hold the meeting; if not, then the Company shall within five days notify the shareholders again by way of public announcement the matters to he considered at, the place and date for, the meeting. The Company may then hold the meeting after such announcement.

Notice of general meeting of shareholders shall:

(a) be in writing;

(b) specify the venue, date and time of the meeting;

(c) specify the registration date for entitlement to attend the general meeting;

(d) state the matters to be discussed at the meeting;

(e) provide such information and explanation as are necessary for the shareholders to make an informed decision on the proposals put before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another to repurchase shares of the Company, to reorganise the share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;

(f) contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, general manager or other senior management in the proposed transaction and the effect of the proposed transaction on such Director, Supervisor, general manager or other senior management in his capacity as shareholder in so far as it is different from the effect on the interests of other shareholders of the same class;

(g) contain the full text of any special resolution to he proposed at the meeting;

(h) contain a clear statement that a shareholder entitled to attend and vote at such meeting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf and that a proxy need not he a shareholder;

(i) contain a written reply indicating the shareholder's intention to attend the general meeting and specify the time and place for lodging the proxy form for the relevant meeting; and

(j) the name and contact number (telephone) of the standing contact person of the meeting.

Notice of shareholders' general meeting shall be served on, each shareholder (whether or not such shareholder is entitled to vote at the meeting), by personal delivery or prepaid mail to the address of the shareholder as shown in the register of shareholders. For the holders of domestic shares, notice of the meetings may also be issued by way of public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more national newspapers designated by the CSRC within the interval between 45 days and 50 days before the date of the meeting. After the publication of such announcement, the holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

The following matters shall be resolved by way of ordinary resolution at the general meeting:

(a) working reports of the board and the supervisory committee;

(b) profit distribution proposals and proposals for making up losses formulated by the board;

(c) dismissal of members of the board and the supervisory committee and their remuneration and manner of payment;

(d) annual preliminary and final budgets, balance sheets, profit and loss accounts and other financial statements;

(e) engagement or dismissal or cessation of engagement of accounting firms; and

(f) matters other than those required by the laws and administrative regulations or by the Articles of Association to be adopted by special resolution.

The following matters shall be resolved by way of special resolution of the shareholders' general meeting:

(a) increase or reduction of the Company's share capital and the issuance of shares of any class, warrants and other similar securities;

(b) issue of debentures of the company;

(c) issuance of other securities and proposals for listing;

(d) the separation, merger, change of corporate form, dissolution or liquidation of the Company;

(e) amendment of the Articles of Association;

(f) share repurchase of the Company;

(g) share incentive scheme;

(h) where the Company purchases or sells any important assets, or provides a guaranty of which the amount exceeds 30% of its latest audited total assets;

(i) removal of any director whose term of office has not expired; and

(j) any other matters which should be adopted by a special resolution as required by laws, administrative regulations and the Articles of Association or as considered to be material to the company under the ordinary resolution passed in the shareholders' meeting.

(9) TRANSFER OF SHARES

Fully paid overseas listed foreign shares listed in Hong Kong shall be transferred freely in accordance with the provisions set forth in the Articles of Associations. However, the Board may refuse to recognize any instrument of transfer without giving any reason, unless:

(1) a fee (for each instrument of transfer) of HK$2.00 or any higher fee as provided by, from time to time, the Hong Kong Stock Exchange GEM Listing Rules has been paid to the Company for registration of any transfer or any other document which is related to or will affect ownership of or change of ownership of the Shares;

(2) The share transfer document only involves the overseas listed foreign shares listed in Hong Kong;

(3) Stamp duty has been paid in respect of the share transfer document;

(4) Relevant share certificates and such other evidence as the board of directors may reasonably require to show the right of the transferor to make the transfer have been produced;

(5) If the shares are transferred to joint holders, the number of joint holders shall not exceed four;

(6) The shares are free from any lien in favour of any company.

(10) REGISTER OF SHAREHOLDERS

(I) Register of shareholders

The Company shall keep a complete register of shareholders which shall contain the following particulars:

(1) the name (title) and address (residence), the occupation or nature of each shareholder;

(2) the quantity and the class of shares held by each shareholder;

(3) the amount paid-up on or agreed to be paid-up on the shares held by each shareholder;

(4) the share certificate number(s) of the shares held by each shareholder;

(5) the date on which each shareholder was entered in the register as a shareholder; and

(6) the date on which any shareholder ceased to be a shareholder.

Unless there is evidence to the contrary, the register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company.

The register of shareholders shall comprise the following parts:

(1) the register of shareholders which is maintained at the Company's residence (other than those share registers which are described in sub-paragraphs (2) and (3) below);

(2) the register of shareholders in respect of the holders of overseas-listed foreign-invested Shares of the Company which is maintained in the same place as the overseas stock exchange on which the shares are listed; and

(3) the register of shareholders which are maintained in such other place as the board may consider necessary for the purposes of listing of the Company's shares.

The Company may, in accordance with the mutual understanding and agreements made between the CSRC and overseas securities regulatory organisations, maintain the register of shareholders of overseas-listed foreign-invested shares overseas and appoint overseas agent(s) to manage such share register. The original share register for holders of H Shares shall be maintained in Hong Kong.

A duplicate of the register of shareholders for holders of overseas-listed foreign-invested shares shall be maintained at the Company's residence. The appointed overseas agent(s) shall ensure consistency between the original and the duplicate register of shareholders at all times. If there is any inconsistency between the original and the duplicate register of shareholders for holders of overseas-listed foreign-invested shares, the original register of shareholders shall prevail.

Different parts of the register of shareholders shall not overlap. No transfer of any shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

Amendments or rectification of the register of shareholders shall be made in accordance with the laws of the place where the register of shareholders is maintained.

No changes in the shareholders' register due to the transfer of shares may be made within thirty (30) days before the date of a shareholders' general meeting or within five (5) days before the record date for the Company's distribution of dividends.

(11) POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES AND REDUCE ITS SHARE CAPITAL

Subject to the provisions of the Articles of Association, the Company may reduce its registered capital.

The Company may, in accordance with the procedures set out in the Articles of Association and with the approval of the competent authority of the PRC, repurchase its own issued shares under the following circumstances:

(1) cancellation of shares for the purpose of reducing its share capital;

(2) merging with another company that holds shares in the Company;

(3) to award the employees of the Company with shares;

(4) it is requested by any shareholder to purchase his shares because this shareholder raises any objection to the Company's resolution on merger or de-merger made at the shareholders' general meeting; or

(5) other circumstances as permitted by law and administrative regulations.

Where a company needs to purchase its own shares for any of the reasons as mentioned in items (1) through (3) of the preceding paragraph, it shall be subject to a resolution of the shareholders' general meeting. After the Company purchases its own shares pursuant to the provisions of the preceding paragraph, such Shares shall, under the circumstance as mentioned in item (1), be cancelled within 10 days or any other period as prescribed from time to time by the laws, administrative rules and the Listing Rules of the jurisdiction where the shares are listed after the purchase; while under either circumstance as mentioned in item (2) or (4), such Shares shall be transferred or cancelled within 6 months or any other period as prescribed from time to time by the laws, administrative rules and the Listing Rules of the jurisdiction where the shares are listed after the purchase.

The shares purchased by the Company in accordance with item (3) of the preceding paragraph shall not exceed 5% of the total shares already issued by the Company. The fund used for the share acquisition shall be paid from the after-tax profits of the Company. The shares purchased by the Company shall be transferred to the employees within 1 year after the purchase.

The Company may not accept any subject matter taking the Shares of the Company as a pledge.

The Company may repurchase shares in one of the following ways, with the approval of the relevant governing authority of the PRC:

(1) by making a general offer for the repurchase of shares to all its shareholders on the same pro rata basis;

(2) by repurchasing shares through public dealing on a stock exchange;

(3) by repurchasing shares outside of the stock exchange by means of an off-market agreement.

The Company must obtain the prior approval of the shareholders in a general meeting (in the manner stipulated in the Articles of Association) before it can repurchase shares outside of the stock exchange by means of an off-market agreement. The Company may, by obtaining the prior approval of the shareholders in general meeting (in the same manner), release, vary or waive its rights under an agreement which has been so entered into.

An agreement for the repurchase shares referred to in the preceding paragraph includes (without limitation) an agreement to become liable to repurchase shares or an agreement to have the right to repurchase shares.

The Company may not assign an agreement for the repurchase of its shares or any right contained in such an agreement.

As for the cancellation of repurchased shares pursuant to the Articles of Association, the Company shall apply to the companies registration authority for registration of the change of its registered capital.

The aggregate par value of the cancelled shares shall be deducted from the Company's registered share capital.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued shares:

(1) where the Company repurchases shares at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a new issue of shares made for the purpose of repurchase of old shares;

(2) where the Company repurchases shares of the Company at a premium to its par value. payment up to the par value may be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of shares made for the purpose of repurchase of old shares. Payment of the portion in excess of the par value shall be effected as follows:

  (i) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;

  (ii) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of shares made for the purpose of repurchase of old shares, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased nor shall it exceed the book value of the Company's premium account (or if applicable, capital reserve fund account, including the premiums on the new issue) at the time of the repurchase;

the Company shall make the following payments out of the Company's distributable profits:

  (i) payment for the acquisition of the right to repurchase its own shares;

  (ii) payment for variation of any contract for the repurchase of its shares;

  (iii) payment for the release of its obligation(s) under any contract for the repurchase of shares;

after the Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value of shares which have been repurchased shall be transferred to the Company's capital reserve fund account.

Upon the reduction of registered capital, the Company shall prepare a balance sheet and a list of its assets. The Company shall notify its creditors within 10 days from the date of passing of the resolution for the reduction of registered capital and shall publish the notice for at least three times in a newspaper within 30 days thereof. Creditors who receive this notice shall have the right within 30 days from the date of receiving the notice and the creditors who have not received the notice shall have the right within 90 days from the date the notice was published in the newspaper, to require the Company to settle the debt or to provide corresponding security in respect of the debt.

The registered capital shall not be less than the minimum statutory requirement after the reduction of registered capital.

(12) POWER FOR ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN THE COMPANY

There are no provisions in the Articles of Association preventing ownership of shares in the Company by a subsidiary.

(13) DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION

The Company may distribute dividends in the following forms:

(a) cash; or

(b) shares.

Dividends or other payments declared by the Company to be payable to holders of domestic shares shall be declared and calculated in Renminbi. Those payable to holders of foreign-invested shares shall be declared and calculated in Renminbi, and paid in Hong Kong dollars.

Where power is taken to forfeit unclaimed dividends, that power shall not be exercised until after the expiration of the applicable limitation period.

The Company shall appoint receiving agents for holders of the overseas-listed foreign-invested shares. Such receiving agents shall receive dividends which have been declared by the Company and all other amounts which the Company should pay to holders of overseas-listed foreign-invested shares on such shareholders' behalf.

The receiving agents appointed by the Company shall meet the relevant requirements of the laws of the place at which the stock exchange on which the Company's shares are listed or the relevant regulations of such stock exchange.

The receiving agents appointed for holders of H Shares shall each be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

(14) PROXIES

Any shareholder who is entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy or proxies to attend and vote on his behalf, and a proxy so appointed shall:

(a) have the same rights as the shareholder to speak at the meeting;

(b) have the right to demand or join in demanding a poll; and

(c) have the right to vote by hands or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing, a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is legal person, under the hand of the authourised representative or his attorney duly authorised. The instrument appointing a proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy propose to vote or the time specified for the passing of the resolution. If such instrument is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation document shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or such person as is authorised by resolution of its board of directors or other governing body may attend at any meeting of shareholders of the Company as a representative of the appointor.

Any form issued to a shareholder by the board for use by the shareholder for appointing a proxy to attend and vote at a meeting of the Company shall be such as to enable the shareholder, according to his intention, to instruct the proxy to vote in favour of or against each resolution dealing with the business to be transacted at the meeting. Such a form shall contain a statement to the effect that, in the absence of such instructions by the shareholder, the proxy may vote as he thinks fit. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid have been received by the Company before the commencement of the meeting.

(15) CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in the Articles of Association relating to the making of calls on Shares or for the forfeiture of Shares.

(16) INSPECTION OF REGISTER OF SHAREHOLDERS AND SHAREHOLDERS' OTHER RIGHTS TO INFORMATION

The holders of ordinary shares of the Company shall enjoy the following rights:

(a) to receive dividends and other forms of profit distributions in proportion to the number of Shares held;

(b) to attend or appoint a proxy to attend shareholders' general meetings on his behalf and to vote thereat;

(c) to supervise the business operations of the Company and to present proposals or to raise enquiries;

(d) to transfer give or pledge shares in accordance with laws, administrative regulations and provisions of the Articles of Association;

(e) to obtain relevant information in accordance with the Articles of Association including:

    (a) the right to a copy of the Articles of Association at cost;

    (b) the right to inspect and copy upon paying reasonable charges:

        (i) all parts of the register of shareholders;

        (ii) personal particulars of each of the Directors, Supervisors, general managers and other senior management including:

            (aa) present and former name and alias;

            (bb) principal residential address;

            (cc) nationality;

            (dd) primary and all other part-time occupations and duties;

            (ee) identification documents and their numbers;

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

        (iv) reports showing the aggregate number and par value of Shares repurchased by the Company since the end of the last accounting year, the aggregate amount paid by the Company for the Shares repurchased and the maximum and minimum price paid in respect of each class of Shares repurchased; and

        (v) minutes of Shareholder's general meetings.

(f) in the event of the termination or liquidation of the Company to participate, in the distribution of surplus assets of the Company in accordance with the number of Shares held; and

(g) other rights conferred by laws, administrative regulations and the Articles of Association.

(17) QUORUM FOR GENERAL MEETINGS AND CLASS MEETINGS

The Company may convene a shareholders' general meeting where the number of voting shares represented by those shareholders from whom the Company has received, 20 days before the meeting, notices of intention to attend the meeting is more than one-half of the Company's total number of voting shares; or, if not, the Company shall within five days publicly announce to the shareholders the agenda, the date and venue of the meeting. Having made announcement by way of notice, the Company may convene shareholder's general meeting.

The Company may convene a class meeting where the number of voting shares represented by those shareholders from whom the Company has received, 20 days before the meeting, notices of intention to attend the meeting is more than one-half of the total number of voting shares of that class; or, if not, the Company shall within five days publicly announce to the shareholders the agenda, the date and venue of the meeting. Having made announcement by way of notice, the Company may convene shareholders' class meetings.

The above procedure applies mutates mutandis to shareholders of the relevant class of shares in respect of class meetings.

(18) RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to obligations imposed by laws, administrative regulations or required by the stock exchanges on which H Shares of the Company are listed, a Controlling Shareholder (as defined below) shall not exercise his voting rights in a manner prejudicial to the interests of all or some of the shareholders of the Company in respect of the following matters:

(a) to relieve a Director or Supervisor of his duty to act honestly in the best interests of the Company;

(b) to approve the expropriations by a Director or Supervisor (for his own benefit or for the benefit of another person) of the Company's assets in any way, including without limitation, opportunities beneficial to the Company; or

(c) to approve the expropriations by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including without limitation, rights to distributions and voting rights except pursuant to a restructuring of the Company which has been submitted to the shareholders for approval in a general meeting in accordance with the Articles of Association.

For these purposes, a "Controlling Shareholder" means a person who satisfies any one of the following conditions:

(i) he alone or acting in concert with others has the power to elect more than half of the Directors;

(ii) he alone or acting in concert with others has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;

(iii) he alone or acting in concert with others holds 30% or more of the issued shares; or

(iv) he alone or acting in concert with others in any other manner is in de facto control of the Company.

(19) PROCEDURES ON LIQUIDATION

Shareholders have the right to participate in the distribution of the surplus assets of the Company in proportion to the number of shares held by them in the event of a liquidation of the Company.

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

(1) its business licence is expired;

(2) where the shareholders' general meeting resolves that the Company should be dissolved;

(3) where dissolution is necessary as a result of the merger or division of the Company;

(4) where the Company is declared insolvent according to the law because it is unable to pay its debts as they fall due;

(5) where the Company is ordered to be dissolved by the People's Court pursuant to section 138 of the Company Law; or

(6) when the Company is ordered to be closed down by reason of its violation of laws or administrative regulations.

A liquidation committee shall be set up within 15 days of the Company being dissolved pursuant to sub-paragraphs (1) and (2) of the preceding paragraph to carry out a liquidation. The liquidation committee shall comprise people as determined by the shareholder's general meeting as ordinary resolution.

Where the Company is dissolved under sub-paragraphs (4) and 5 of the preceding paragraph, the People's Court shall in accordance with the provisions of relevant laws organise the shareholders, relevant organisations and relevant professional personnel to establish a liquidation committee to carry out the liquidation.

Where the Company is dissolved under sub-paragraph (6) of the preceding paragraph, the relevant competent authorities shall form a liquidation team comprising of the shareholders, relevant authorities and relevant authorities and relevant professionals in accordance with the laws to proceed with the liquidation thereof.

Where the board proposes to liquidate the Company due to reasons other than where the Company's declaration of its own insolvency, the board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the board is of the opinion that the Company will be able to pay its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in general meeting for the liquidation of the Company, all functions and powers of the board shall cease.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the committee's income and expenses, the business of the Company and the progress of the liquidation; and to present a final report to the shareholders' general meeting on completion of the liquidation.

(20) OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

(a) General Provision

The Company is a joint stock limited company whose term of operation is perpetual term.

From the date on which the Articles of Association come into effect, the Articles of Association shall constitute a legally binding public document regulating the Company's organisation and activities, and the rights and obligations between the Company and each shareholder and among the shareholders inter se.

The Company may invest in other listed companies; or joint stock listed companies. The Company's liabilities to an investee company shall be limited to the amount of its capital contribution to the investee company. Otherwise, the Company shall not become an investor that assumes joint guarantee liability of the debt of any investee company.

(b) Share capital

The Company may, based on its operating and development needs, increase its share capital pursuant to the Articles of Association.

The Company may increase its capital in the following ways:

(i) by offering new shares for subscription to unspecified investors;

(ii) by placing new shares to its existing shareholders;

(iii) by allotting bonus shares to its existing shareholders;

(iv) by converting from the capital reserve fund;

(v) by issuing convertible bonds;

(vi) by any other means which is permitted by laws and administrative regulations.

After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provision of the Articles of Association, the issuance thereof should be made in accordance with procedures set out in the relevant laws and administrative regulations.

(c) Shareholders' obligations

The ordinary shareholders of the Company shall assume the following obligations:

(i) to comply with the Articles of Association;

(ii) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(iii) other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders are not liable to make further contribution to the share capital other than as agreed by the subscriber of the relevant shares at the time of subscription.

(d) Secretary of the Board

The Company shall have one secretary of the Board. The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed and removed by the Board. His primary responsibilities, amongst other things, are to ensure that:

(i) the Company maintains a complete organisational documents and records;

(ii) the Company prepares and submits all reports and documents to the relevant authorities required by the law;

(iii) the register of shareholders of the Company is properly maintained and that the persons entitled to receive the Company's records and documents are furnished therewith without delay;

(iv) the information disclosed by the company is timely, accurate, legal, actual and complete;

(v) the marketing activities are co-ordinated and organized, the matters concerning reception are co-ordinated, the investors relations are dealt with, the liaison between regulatory organs, investors and intermediaries are maintained and public relations are co-ordinated; and

(vi) the secretary shall fulfil the duties of a company secretary in accordance with the law and the Articles of Association (including reasonable requests of the board).

(e) Supervisory Committee

The Company shall have a supervisory committee.

The Directors, general managers and other senior managements shall not act concurrently as Supervisors.

The supervisory committee shall be composed of six Supervisors. One of the members of the supervisory committee shall be the chairman. Each Supervisor shall serve for a term of three years, which term is renewable upon reelection and re-appointment.

The election or removal of the chairman of the supervisory committee shall be determined by two-thirds or more of the members of the supervisory committee.

The supervisory committee shall comprise two representatives nominated by the shareholders and two representative nominated by the staff and two independent supervisors. The representatives of the shareholders shall be elected and removed by shareholder's general meeting while the representatives of staff shall be elected and removed by the staff of the Company democratically.

The supervisory committee shall be accountable to the shareholders in general meeting and shall exercise the following functions and powers in accordance with law:

(1) to monitor financial situations of the Company;

(2) supervising the related acts of any of the Directors, general managers and other senior management who violates any laws, administrative regulations or the Articles of Association;

(3) to demand any Director, general managers, any other senior management who acts in a manner which is detrimental to the Company's interest to rectify such behavior;

(4) to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board to the shareholders' general meetings and to authorise, in the Company's name, publicly certified and practicing accountants to assist in the re-examination of such information should any doubt arise in respect thereof;

(5) to propose to convene a shareholders' extraordinary general meeting;

(6) to propose resolution at the shareholders' meeting;

(7) to represent the Company in negotiations with or in bringing actions against a Director; and

(8) other functions and powers specified in any law administrative regulation the Articles of Association.

The supervisors may attend the meetings of the board.

(f) General manager

The Company shall have one general manager, who shall be appointed and dismissed by the Board.

The general manager shall be accountable to the Board and shall exercise the following powers:

(i) to be in charge of the Company's operation and management and to implement the resolutions of the board;

(ii) to formulate and implement the Company's annual business plan and investment plan;

(iii) to formulate the Company's internal management structure;

(iv) to formulate the Company's basic management system;

(v) to formulate the basic rules and regulations of the Company;

(vi) to propose the appointment or dismissal of out company's deputy managers, financial controllers and senior controllers;

(vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board;

(viii) (he himself personally or authorises the deputy general manager) to convene and managers' meeting, such managers' meeting shall be participated by the general manager, deputy managers and other members of the senior management;

(ix) to make decisions as to the awards to, and sanctions against, promotion or demotion of, change in salary of, employment or dismissal of, employees; and

(x) to exercise other powers conferred by the Articles of Association and the board.

The general manager shall be present at meetings of the board, but shall have no voting rights at the meetings if it is not a Director.

The general manager, in performing its functions and powers, shall act honestly and diligently and in accordance with laws, administrative regulations and the Articles of Association.

(g) Board

The board is accountable to the shareholders' general meeting and exercises the following and powers:

(1) to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders' general meeting;

(2) to implement the resolutions passed by the shareholders in general meetings;

(3) to determine the Company's business plans and investment proposals;

(4) to formulate the Company's annual preliminary and final financial budgets;

(5) to formulate the Company's profit distribution proposal and loss recovery proposal;

(6) to formulate proposals for the increase or reduction of the Company's registered capital, for the issuance of shares and listing and for the issuance of the Company's debentures;

(7) to draw up plans for the merger, division, change of the Company form or dissolution of the Company;

(8) to consider and approve connected transactions which are required to be approved by the Board as stipulated by laws, administrative regulations and regulations or other relevant normative documents;

(9) to decide on the Company's internal management structure;

(10) to appoint or remove the Company's general manager and, based on the recommendations of the general manager, decide on the appointment or removal of the deputy general manager, financial controller and their respective remuneration;

(11) to formulate the Company's basic management system;

(12) to formulate proposals for any amendment of the Articles of Association and put to a vote of a general meeting;

(13) to formulate major property acquisition or disposal plans of the Company;

(14) subject to the relevant laws, regulations and the Articles of Association, to decide on the raising and borrowing of moneys, execution of collaterals, lease and contract out, and transfer of the major assets of the Company and may authorise the general manager to exercise limited powers within a specified period;

(15) to exercise any other powers conferred by the shareholders in general meeting or the Articles of Association.

Except the Board's resolutions in respect of the matters specified in sub-paragraphs (6), (7), (12) and (13) above which shall be passed by the affirmative vote of more than two-thirds of all the Directors the Board's resolutions in respect of all other matters may he passed by the affirmative vote of more than half of the Directors.

Meetings of the Board of Directors shall be held only if more than half of the Directors are present.

Each Director shall have one vote.

Where a Director is interested in any resolution proposed at a Board meeting, such Director shall have no right to vote nor may vote on behalf of any other person, and shall not attend such part of the meeting where his interested transaction is discussed.

The meeting of the board shall not be held unless more than half of the disinterested directors are present at the meeting. A resolution of the board shall be adopted by more than half of the disinterested directors. If the number of disinterested directors in person is less than 3 persons, the matter shall be submitted to the shareholders' general meeting for deliberation.

Where there is an equality of votes cast both for and against a resolution, the chairman of the board shall have a casting vote.

(h) Accounts and audit

(i) Appointment of an auditor

The Company shall appoint an independent firm of certified public accountants ("CPA") which is qualified under the relevant regulations of the PRC to audit the Company's annual financial reports and review the Company's other financial reports.

The term of office of an auditor shall commence from the conclusion of the annual general meeting of shareholders at which the appointment is made and end at the conclusion of the next annual general meeting of shareholders.

If there is a vacancy of the position of the auditors of the Company, the Board may appoint a CPA firm to fill such vacancy before the convening of the shareholders' general meeting. Any other CPA firm which has been appointed by the Company may continue to act during the period during which a vacancy arises.

The shareholders in general meeting may by ordinary resolution remove an auditor before the expiration of its term of office, irrespective of any terms in the contract between the Company and the auditors. However, the auditors' right to claim for damages which arise from its removal shall not be affected thereby.

The remuneration of auditors or the manner in which such auditor is to be remunerated shall be determined by the shareholders in general meeting. The remuneration of an accountant appointed by the board shall be determined by the board.

(ii) Change and removal of an accounting firm

The Company's appointment of, removal of and non-reappointment of a certified public accountants' firm shall be resolved by shareholders in general meeting. The relevant resolution of the shareholders' general meeting shall be filed with the competent securities authority of the State Council.

Where a resolution is proposed to be passed at a general meeting of shareholders to appoint as auditor a person other than an incumbent auditor, to fill a casual vacancy in the office of auditor, to reappoint as auditor a retiring auditor who was appointed by the board to fill a casual vacancy, or to remove an auditor before the expiration of his term of office, the following provisions shall apply:

(aa) A copy of the proposal shall be sent to the firm proposed to be appointed or proposing to leave its post or the firm which has left its post (leaving includes leaving by removal, resignation and retirement) before notice of meeting is given to the shareholders.

(bb) If the auditor leaving its post makes representations in writing and requests the Company to notify such representations to the shareholders, the Company shall (unless the representations are received too late) take the following measures:

(i) in any notice of the resolution given to shareholders, state the fact of the representations having been made; and

(ii) attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association.

(cc) if the auditor's representations are not sent in accordance with the preceding paragraph, the auditor may (in addition to its right to he heard) require that the representations be read out at the shareholders' general meeting and may lodge further complaints.

(dd) An auditor which is leaving its post shall be entitled to attend:

(i) the shareholders' general meeting at which its term of office would otherwise have expired;

(ii) any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and

(iii) any shareholders' general meeting convened on its resignation;

and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former auditor of the Company.

(iii) Resignation of an auditor

A CPA firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may he stipulated in such notice. Such notice shall contain the following statements:

(1) a statement to the effect that there are no circumstances connected with its resignation which it considers should he brought to the notice of the shareholders or creditors of the Company; or

(2) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within 14 days deliver a copy of the notice to the relevant governing authorities. If the notice contains a statement under the preceding paragraph (2), a copy of the notice shall be kept at the Company, for the inspection of the shareholders. The Company shall also send a copy of the notice to every shareholder of the overseas-listed foreign shares who is entitled to receive a report on its financial situation at the address registered in the register of shareholders.

Where the auditor's notice of resignation contains a statement in respect of the above, it may require the board to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

(i) Dispute resolution

The Company shall abide by the following principles for dispute resolution:

(1) Whenever any disputes or claims arising between holders of the overseas listed foreign-invested Shares and the Company, holders of the overseas listed foreign-invested Shares and the Company's Directors, Supervisors, general manager or other senior management officers, or holders of the overseas listed foreign-invested Shares and holders of domestic invested Shares, based on the Articles of Association or any rights or obligations conferred or imposed by the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is the Company or the Company's shareholder, Director, Supervisor, general manager, deputy general manager or other senior management officers. Disputes in relation to the identification of shareholders and disputes in relation to the share register need not be referred to arbitration.

(2) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the clamant.

If a claimant elects arbitration at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

(3) If any disputes or claims of rights mentioned in the first paragraph of section (i) are referred to arbitration, the laws of the PRC shall apply, save as otherwise provided in laws and administrative regulations.

(4) The award of an arbitration body shall be final and conclusive and binding on all parties.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Establishment of the Company

The Company was established in the PRC under the Company Law as a joint stock limited company on 26 June 2006 by the promoters, being Teda Holding and TEDA Asset Company. On the same day, it obtained the business license issued by Tianjin Administration of Industry and Commerce (registration number 1200001191697). On 10 July 2006, the Company changed its name from 天津濱海基地物流集團股份有限公司 to Tianjin Binhai Teda Logistics (Group) Corporation Limited (天津濱海泰達物流集團股份有限公司) and obtained the business licence for 50 years under the new name from Tianjin Administration of Industry and Commerce. The Company has established a place of business in Hong Kong at Suite 2208, 22nd Floor, Jardine House, 1 Connaught Place, Hong Kong and has been registered as an oversea company in Hong Kong under Part Xl of the Companies Ordinance on 26 March 2008, Messrs., X.J. Wang & Co has been appointed as the authorised representative of the Company for the acceptance of service of process in Hong Kong.

As the Company was established in the PRC, it is subject to the relevant laws and regulations of the PRC. A summary of the relevant laws and regulations of the PRC is set out in appendix IV and a summary of the Articles of Association is set out in appendix V to this prospectus.

2. Restructuring

The establishment of the Company as a joint stock limited company and the restructuring of Company in preparation for listing of the H shares on GEM involved, among other matters, the following procedures and approvals:

(a) Pursuant to the approval document entitled "Reply concerning the approval on the reorganisation of capital and shareholding structure of Teda Holding" (Jin Kai Pi [2006] No. 786) issued by the Management Commission of TEDA on 25 May 2006, the reorganisation plan involving the establishment of the Company, funded by the shareholdings in four companies held by Teda Holding together with the necessary cash provided by Teda Holding and the cash contributed by TEDA Asset Company, was approved. The intended registered share capital of the Company was RMB265 million, among which Teda Holding and Teda Asset Company would hold approximately 70% and approximately 30% respectively.

(b) On 31 May, 2006, the Promoters (ie. Teda Holding and Teda Asset Company) entered into a promoters' agreement whereby the Promoters agreed to establish the Company.

(c) On 1 June 2006, the Promoters entered into a restructuring agreement pursuant to which Teda Holding contributed its share of registered capital of the Company by injecting all of its 52% equity interests in Tianjin Alps Teda Logistics, 52% equity interests in Tianjin Fengtian Logistics, 50% equity interests in Dalian Alps Teda Logistics, 60% equity interests in TBW and RMB422,900 in cash into the Company. TEDA Asset Company contributed its share of registered capital of the Company by injecting RMB80 million cash into the Company. In consideration of and in exchange for such capital contribution, the Company issued 185,000,000 Domestic Shares and 80,000,000 Domestic Shares to Teda Holding and TEDA Asset Company, respectively on its establishment, which represented approximately 70% and approximately 30% of the entire issued share capital of the Company immediately prior to the Placing.

(d) On 20 June 2006, the inaugural meeting of the Company was held by the Promoters at which, among other resolutions,

  (i) the establishment of the Company as a joint stock limited company by way of promotion by Teda Holding and TEDA Asset Company were approved;

  (ii) the initial Articles of Association of the Company were adopted;

  (iii) the members of the Board and supervisory committee of the Company were elected; and

  (iv) the relevant expenses incurred by the shareholders from the establishment of the Company to be borne by the Company subsequent to its establishment was approved.

(e) On 24 June 2006, State-owned Asset Supervision and Administration Commission of Tianjin Municipal Government issued an approval document (Jin Guo Zi Chan Quan [2006] No. 85) approving the management proposal of the state-owned shares of the joint stock limited company.

(f) According to a capital verification report issued by 天津市津評協通有限責任會計師事務所 dated 26 June 2006, the capital contributions of the Promoters were fully paid up. The registered capital of the Company was RMB265,000,000.

(g) On 26 June 2006, the Tianjin Administration of Industry and Commerce issued an enterprise legal person business licence (registration number 1200001191697), whereupon the Company was established as a joint stock limited company.

(h) On 10 July 2006, the name of the Company was changed from 天津濱海基地物流集團股份有限公司 to Tianjin Binhai Teda Logistics (Group) Corporation Limited (天津濱海泰達物流集團股份有限公司), and a enterprise legal person business licence with the new name was issued by Tianjin Administration of Industry and Commerce accordingly.

(i) On 9 October 2006, Tianjin Municipal Government issued an approval document entitled "Reply to the approval of the issuance and listing of shares of Tianjin Binhai Teda Logistics (Group) Corporation Limited in Hong Kong" (Jin Zheng Han [2006] No. 132) (《關於同意天津濱海泰達物流集團股份有限公司在香港發行股票並上市的批覆》), approving the application by the Company to issue and to list the H shares on GEM.

(j) On 9 November 2006, SASAC issued the approval document (Guo Zi Chan Quan [2006] No. 1418) (《關於天津濱海泰達物流集團股份有限公司國有股權管理有關問題的批覆》) to approve the proposal for the management of stated-owned shares of the Company.

(k) On 5 December 2006, SASAC issued the approval document (Guo Zi Chan Quan [2006] No. 1477) (《關於天津濱海泰達物流集團股份有限公司國有股劃轉有關問題的批覆》) to approve that at the time of issue H Share by the Company, Teda Holding and TEDA Asset Company shall transfer 6,187,821 and 2,675,815 shares of the Company to NSSF Council respectively.

(l) On 15 December 2006, NSSF Council issued a letter (She Bao Ji Jin Gu [2006] No. 24) to the Company stating, among others, that it had determined the number of the Company's shares to be transferred to the NSSF Council as held by SASAC and requested the Company to apply for the conversion of such state-owned shares into H shares at the time of making application to the CSRC for the listing.

(m) On 16 January 2007, the CSRC issued a document confirming receipt of the application from the Company for approval of the issuance and listing of H shares on GEM.

(n) On 22 October 2007, the SASAC issued the approval document (Guo Zi Chan Quan [2007] No.1172) (《關於天津濱海泰達物流集團股份有限公司股份劃轉有關問題的批覆》) to approve that upon the issuance of H shares by the Company, Teda Holding and TEDA Asset Company shall transfer the Reduction Shares to the NSSF Council in accordance with the applicable laws.

(o) On 3 January 2008, the CSRC issued an approval document entitled "Reply to the approval of the issuance of H Shares of Tianjin Binhai Teda Logistics (Group) Corporation Limited" (Zheng Jian Xu Ke [2008] No. 26) (《關於同意天津濱海泰達物流集團股份有限公司發行境外上市外資股的批覆》) authorising the issuance and listing of H shares of the Company on GEM.

3. Registered share capital

(a) At the time of the establishment of the Company as a joint stock limited company on 26 June 2006, its initial registered capital was RMB265,000,000, divided into 265,000,000 Shares of par value of RMB1.00 each, all of which were held and fully paid up or credited as fully paid up as follows:

Promoters	No. of Shares held	Percentage of shareholding
Teda Holding	185,000,000	69.81%
TEDA Asset Company	80,000,000	30.19%
Total:	265,000,000	100%

(b) Immediately after the Placing (subject to the Over-allotment option), the registered share capital of the Company will be RMB353,600,000, made up of 353,600,000 existing Shares (comprising 256,140,000 Domestic Shares and 97,460,000 H Shares), fully paid up or credited as fully paid up, representing approximately 72% and 28% of the registered share capital respectively, all of which are held as follows:

Shareholders	No. of Shares held	Approximate percentage of shareholding
Teda Holding	178,814,717	50.57%
TEDA Asset Company	77,325,283	21.87%
Holders of H Shares	97,460,000	27.56%
Total:	353,600,000	100%

Saves as disclosed herein, there has been no alteration in the share capital of the Company since its establishment.

4. Proceedings at the Company's general meetings

(a) At the extraordinary general meeting of the Company held on 15 September 2006, the following resolutions, among others, were passed, pursuant to which:

(i) the group reorganisation in anticipation of the listing of the H Shares on GEM was approved;

(ii) the issue of the H Shares by the Company and the application for listing of the H Shares on GEM was approved;

  - (iii) the Board was authorised to deal with all matters relating to the application for listing of the H Shares on GEM;
  - (iv) the proposed use of the proceeds in respect of the issue of the H Shares was approved; and
  - (v) the revised draft Articles of Association of the Company were approved.

- (b) At the extraordinary general meeting of the Company held on 6 February 2007, the following resolutions, among others, were passed, pursuant to which:
  - (i) subject to the fulfilment of the following conditions, the issue and placing of 177,300,000 H shares at nominal value of RMB0.50 each upon the terms and conditions as set forth in the prospectus was approved:
    - (1) the GEM Listing Committee has approved the issue of H shares pursuant to the Prospectus by the Company and the listing of such H shares on GEM; and
    - (2) the obligations of the underwriters under the relevant placing and underwriting agreement have become effective unconditionally and have not been terminated pursuant to the terms of the placing and underwriting agreement;
  - (ii) the Company and the Board, on behalf of the Company, were granted an unconditional mandate to issue the Domestic Shares/ H shares either separately or simultaneously, at intervals of not less than 12 months each time, provided that the Domestic Shares/ H shares issued under the mandate shall not exceed 20% of the respective issued Domestic Shares/H shares;
  - (iii) the registered share capital of the Company be increased to align with the issue of H shares, provided that such increase shall depend upon the actual number of issued H shares after the completion of the issue and subject to the approvals of the relevant PRC authorities and Hong Kong regulatory bodies;
  - (iv) application for listing of the H shares issued by the Company on GEM was approved;
  - (v) the Board was authorised to solely execute and deal with all arrangements relating to the (i) issue of H shares, or (ii) increase in registered share capital of the Company to align with issue of

H shares, or (iii) application for listing of H shares issued by the Company on GEM, including but without limitation:

(1) for and on behalf of the Company to confirm the issue price and timetable for the issue and placing of H shares for and on behalf of the Company;

(2) to draft, amend, sign and submit all relevant documents and agreements for and on behalf of the Company; and

(3) to amend and approve the final version of the prospectus, to publish the prospectus and its related documents, and at its absolute discretion, to make any appropriate amendments to the aforementioned documents for and on behalf of the Company;

(vi) the Board was authorised to issue the H share certificates to the persons entitled to such H share certificates after the completion of the issue of H shares;

(vii) the Articles of Association be amended to align with the issue of H shares, and authorising the Board to further amend the Articles of Association in accordance with the Company Law, the GEM Listing Rules and other relevant laws and regulations in the PRC and Hong Kong, and approving and adopting the aforementioned amended version of the Articles of Association in place of the then existing Articles of Association;

(viii) in respect of the listing application and issue of H shares, the then Shareholders approved the appointment of:

(1) Deloitte Touche Tohmatsu as the auditors of the Company; and

(2) Deloitte Touche Tohmatsu as the reporting accountants of the Company.

(c) At the annual general meeting of the Company held on 27 July 2007 the following supplemental resolutions for the issue and listing of H Shares on GEM, among others, were passed, pursuant to which:

(i) the placing of not more than 88,636,364 H Shares to overseas investors at the nominal value of RMB1.00 (without taking into account any Reduction Shares or H Shares to be issued pursuant to the Over-allotment Option) and the listing of such H Shares on GEM was approved.

(ii) upon fulfilment of the following conditions:

  (1) CSRC has approved the issue and listing of H Shares on GEM;

  (2) the GEM Listing Committee has approved the listing and dealing of H Shares; and

  (3) the obligations of the Underwriters under the Placing and Underwriting Agreement have become effective and have not been terminated pursuant to its terms,

  the Placing was approved and the Board was authorised to implement the Placing pursuant to the resolutions passed in the general meetings.

(iii) the application for listing of H Shares on GEM was approved;

(iv) the amended Articles of Association was approved;

(v) the reduction of state-owned shares in accordance with the Provisional Administrative Measures for the Reduction of State-owned Shares and other relevant laws and regulations, at such price and manner in accordance with the requirements and requests of the relevant PRC authorities, was approved, and Mr. Zhang Jian was authorised to sign the relevant documents on behalf of the Company;

(vi) upon completion of the issue of H Shares, the Company shall be transformed into foreign funded company limited by shares (境外募集股份有限公司);

(vii) the use of net proceeds of the Placing.

(viii) in connection with the issue and listing of H shares, the Board (or its authorised representatives) was authorised to do the followings:

(1) to determine the number and price of, as well as the manner and the relevant dates for issue of H Shares, etc.;

(2) to appoint the relevant professional parties, approve the relevant agreements and documents to be entered in relation to the issue and listing of H shares and any amendments thereto, and to approve the execution of such agreements and documents, including but without limitation, the Placing and Underwriting Agreement;

(3) to prepare, amend and submit to the relevant PRC authorities and the Stock Exchange the relevant application and documents, and authorising the Board to deal with all matters in connection with listing application and the submission of listing application to the Stock Exchange;

(4) to approve the content of the prospectus;

(5) to offer for subscription of the H Shares by way of Placing pursuant to the terms and conditions contained in the prospectus;

(6) to issue the H Shares to the persons entitled upon completion of the Placing;

(7) to approve the increase in the registered share capital due to the issue of H Shares and the Placing, and to amend the relevant provisions in the Articles of Association, including but without limitation the provisions relating to the registered share capital, before and after completion of the Placing;

(ix) upon completion of the Placing, all the then Shareholders shall be entitled to share the retained profits of the Company prior to the Placing;

(x) the resolutions passed in this general meeting in connection with the issue and listing of H shares shall be valid for a period of one year from the date of the general meeting (save and except the resolutions are revoked or amended in another general meeting of the Company subsequently);

(xi) in case of any discrepancy between the resolutions passed in the previous general meetings and this general meeting, those resolutions passed in this general meeting shall prevail.

(d) At the extraordinary general meeting of the Company held on 19 March 2008, the following resolutions, among others, were passed, pursuant to which:

(i) the issue of not less than 88,600,000 H Shares but no more than 101,890,000 H Shares was approved;

(ii) the offer for subscription of 88,600,000 H Shares by way of placing pursuant to the terms and conditions of the Placing and Underwriting Agreement, and the grant of the Over-allotment Option to the Lead Manager for the additional issue of no more than 13,290,000 H Shares upon the Placing by the Company were approved;

(iii) the Board or such authorised representatives of the Board was authorised to issue the H Shares for and on behalf of the Company (including the issue of H Shares upon exercise of the Over-allotment Option); and

(iv) the respective appointment and the scope of duties of the audit committee, the nomination committee and the remuneration committee of the Company was approved.

B. FURTHER INFORMATION ABOUT THE COMPANY'S SUBSIDIARIES AND OTHER ESTABLISHMENTS

1. Investment in subsidiaries

As at the Latest Practicable Date, the Company had the following subsidiaries, which were established under the laws of the PRC:

Name	Place and date of establishment	Percentage of equity Interests attributable to the Company	Principal activities
Tianjin Alps Teda Logistics	PRC 27 October 1992	52%	provision of logistics and supply chain solutions for electronic components sector
Tianjin Fengtian Logistics	PRC 19 July 1996	52%	provision of logistics and supply chain solutions for automobiles and car components sectors
TBW	PRC 1 December 2001	100%	provision of warehousing services
Yuan Da Logistics	PRC 18 December 2006	100%	provision of warehousing services
Binhai Yuan Sheng	PRC 14 September 2007	55%	provision of warehousing services relating to steel materials

2. Alteration in share capital and change in shareholdings of subsidiaries

The following alteration in the share capital and changes in shareholdings of the Company's subsidiaries has taken place within two years immediately preceding the date of this prospectus:

(1) Tianjin Alps Teda Logistics

On 23 May 2006, Teda Holding and TEDA I/E entered into an equity transfer agreement, pursuant to which Teda Holding agreed to acquire the 10% equity interest in Tianjin Alps Teda Logistics from TEDA I/E at a consideration which was determined by reference to the appraised value of the 10% equity interest in Tianjin Alps Teda Logistics as at 31 December 2005.

On 24 May 2006, another equity transfer agreement was entered into between Teda Holding and Alps Logistics, pursuant to which Alps Logistics sold 2% equity interest in Tianjin Alps Teda Logistics to Teda Holding at a consideration which was determined by reference to the appraised value of the 2% equity interest in Tianjin Alps Teda Logistics as at 31 December 2005.

In June 2006, after obtaining the approval from TEDA Administrative Commission on such equity transfer, Tianjin Alps Teda Logistics was owned as to 52% by Teda Holding and 48% by Alps Logistics.

As part of the Reorganisation, in June 2006, Teda Holding contributed its share of registered capital of the Company by transferring, among others, all its 52% equity interests in Tianjin Alps Teda Logistics to the Company at the value of such 52% equity interest as at 31 December 2005 of approximately RMB56,093,800 as appraised by an independent PRC valuer.

Immediately following the Reorganisation and as at the Latest Practicable Date, Tianjin Alps Teda Logistics was owned as to 52% by the Company and as to the remaining 48% by Alps Logistics.

(2) Tianjin Fengtian Logistics

As part of the Reorganisation, in June 2006, Teda Holding contributed its share of registered capital of the Company by transferring, among others, all its 52% equity interest in Tianjin Fengtian Logistics to the Company at the value of such 52% equity interest as at 31 December 2005 of approximately RMB50,943,000 as appraised by an independent PRC valuer. Immediately following the Reorganisation and as at the Latest Practicable Date, Tianjin Fengtian Logistics was owned as to 52% by the Company, 36.2% by Toyota Tsusho, 7.3% by Kamigumi Company Limited and 4.5% by Toyota Transportation Corporation.

(3) TBW

As part of the Reorganisation, in June 2006, Teda Holding contributed its share of registered capital of the Company by transferring, among others, all its 60% equity interests in TBW to the Company at the value of such 60% equity interest as at 31 December 2005 of approximately RMB64,048,800 as appraised by an independent PRC valuer. The registration of such transfer with the relevant administrative authority of industry and commerce was completed in July 2006. Immediately following the Reorganisation, TBW was owned as to 60% by the Company and 40% by TEDA Asset Company.

As part of the Reorganisation, in July 2006, the Company and TEDA Asset Company entered into an equity transfer agreement, pursuant to which the Company acquired from TEDA Asset Company its 40% equity interests in TBW at a cash consideration of RMB42,699,200, which was determined with reference to the value of such 40% equity interest as at 31 December 2005 as appraised by an independent PRC valuer. The disposal of such equity interest was approved by TEDA Finance Bureau in July 2006 and the registration of such transfer with the relevant administrative authority of industry and commerce was completed in September 2006. Upon completion of such transfer and as at the Latest Practicable Date, TBW was a wholly-owned subsidiary of the Company.

(4) Yuan Da Logistics

Yuan Da Logistics was established as a PRC limited liability company on 18 December 2006 with a registered capital of RMB10 million. It is a wholly-owned subsidiary of the Company.

(5) Binhai Yuan Sheng

Binhai Yuan Sheng was established as a PRC limited liability company on 18 September 2007 with registered capital of RMB10,000,000, which is owned as to 55% by Yuan Da Logistics and 45% by Mr. Xiao Hua Kang, who is not connected with the Group except for his equity interest and directorship.

3. Summary of the corporate information and major terms of joint venture arrangements of the PRC establishments as at the Latest Practicable Date

(i) Tianjin Fengtian Logistics

a. Corporate name : Tianjin Fengtian Logistics Co., Ltd (天津豐田物流有限公司)

b. Date of incorporation : 19 July 1996

c. Registered office : No. 15, the 11th Avenue, Tianjin Economic and Technological Development Area, Tianjin, China

d. Economic nature : Sino-foreign equity joint venture

e. Registered owners : The Company (52%)
Toyota Tsusho (36.20%)
Toyota Transportation Corporation (4.50%)
Kamigumi Company Limited (7.30%)

f. Total investment : USD11,940,000

g. Registered capital : USD8,645,600 (fully paid up)

h. Attributable interest to the Group : 52%

i. Term of operation : 19 July 1996 to 19 July 2016

j. Scope of business : International transport agency of import and export cargoes by air and sea freight forwarding, including shipments collection, berth booking, warehousing, packaging, transshipment, containers consolidation and de-consolidation, settlement of shipping and handling costs, declaration for custom and inspection, insurance and related short-distance transportation and consultation businesses, business relating to freight forwarding of containers and cargoes by road and relevant construction and operation of warehousing facilities (exclusive of mail correspondences or commodity with nature of mail correspondences)

k. Name of directors : Zhang Jian (張艦), Sun Quan (孫泉), Tang Tianqiang (唐天強), 高梨建司, 花崎輝次

l. Legal representative : Zhang Jian

m.	Pre-emptive rights and restrictions on the sale, assignment or transfer of a joint venture partner's interest in the registered capital	:	(aa)	The joint venture partners shall obtain the consent from other joint venture partners prior to any transfer of all or any part of its interest in the registered capital of Tianjin Fengtian Logistics to any third party, and to obtain approval by the relevant regulatory authority.
			(bb)	The joint venture partners shall be entitled to exercise the pre-emptive rights if any of them wishes to transfer all or part of its interests in the registered capital of Tianjin Fengtian Logistics. Nevertheless, the Japanese joint venture partners shall first be entitled to exercise the pre-emptive rights if any other Japanese joint venture partner wishes to transfer all or part of its interests therein.
			(cc)	The terms and conditions in respect of transfer of interests in Tianjin Fengtian Logistics to any third party should be no more favourable than those available to the existing joint venture partners.
n.	Arrangements concerning the management of its business and operations	:		The board of directors consists of five members of which, three are appointed by the Company (including the chairman of the board of directors), one is appointed by Toyota Tsusho and the remaining one is appointed by Kamigumi Company Limited and Toyota Transportation Corporation Limited alternatively every two years.
o.	Decision-making of the board	:		All the decisions of the board are to be determined by simple majority of the attendees of the relevant board meetings except that, in respect of matters relating to (i) the amendment of the articles of association,

			(ii) increases or transfers of the registered capital, (iii) establishment of joint venture companies by Tianjin Fengtian Logistics with, or merger of Tianjin Fengtian Logistics with, other economic entity, and (iv) termination and dissolution of Tianjin Fengtian Logistics, the approval by all attendees of the relevant board meetings is required.
p.	Veto power granted to the minority shareholders	:	The articles of association of Tianjin Fengtian Logistics do not provide any overriding or veto power to the minority shareholders of Tianjin Fengtian Logistics against the decision of the board.
q.	Percentage of interests in profit	:	The after tax net profit to be shared between all the joint venture partners in proportion to their respective interest in the registered capital of Tianjin Fengtian Logistics and in accordance with the relevant laws and regulations of the PRC.
r.	Distribution of assets and liabilities upon termination or expiry of the joint venture	:	The remaining asset (if any) after settlement of all legitimate debts of Tianjin Fengtian Logistics, will be distributed to all joint venture partners in proportion to their respective interest in the registered capital of Tianjin Fengtian Logistics and in accordance with the relevant laws and regulations of the PRC.
s.	Termination of the joint venture agreement	:	The joint venture agreement shall terminate upon: (i) failure to obtain licence for international freight forwarding agencies which renders Tianjin Fengtian Logistics unable to operate; (ii) the liabilities or loss of Tianjin Fengtian Logistics exceeds its capital, as a result of which, Tianjin Fengtian Logistics is unable to operate normally;

(iii) any party(ies) to the joint venture agreement fail(s) to perform the obligations of the joint venture agreement and articles of association, as a result of which, Tianjin Fengtian Logistics is unable to operate;

(iv) the joint venture agreement is cancelled as a result of occurrence of an force majeure event in accordance with the terms of the joint venture agreement and articles of association;

(v) all parties to the joint venture agreement unanimously agree that Tianjin Fengtian Logistics fails to meet its business purpose and has no prospects; or

(vi) any other reasons whereby all parties to the joint venture agreement deem fit to terminate the agreement.

t. Dispute resolution : The parties shall negotiate in good faith to resolve any dispute between them regarding the joint venture agreement. If the negotiations do not resolve the dispute, the parties may resort to arbitration. The arbitration shall take place at the place of domicile of the defendant. If the defendant is a PRC company, the dispute shall be submitted to China International Economic & Trade Arbitration Centre for arbitration. If the defendant is a Japan company, the arbitration shall be submitted to 社團法人國際商事仲裁協會名古屋支部 for arbitration; and shall be conducted in accordance with the prescribed rules of the arbitration body. An arbitration award is final and binding on all parties to the joint venture agreement.

(ii) Tianjin Alps Teda Logistics

a.	Corporate name	:	Tianjin Alps Teda Logistics Co., Ltd (天津泰達阿爾卑斯物流有限公司)
b.	Date of incorporation	:	27 October 1992
c.	Registered office	:	No. 21, Bohai Road, Tianjin Economic and Technological Development Area, Tianjin, China
d.	Economic nature	:	Sino-foreign equity joint venture
e.	Registered owners	:	The Company (52%) Alps Logistics (48%)
f.	Total investment	:	USD8,000,000
g.	Registered capital	:	USD6,000,000 (fully paid up)
h.	Attributable interest to the Group	:	52%
i.	Term of operation	:	27 October 1992 to 26 October 2022
j.	Scope of business	:	International transport agency of import and export cargoes by air and sea freight forwarding, including shipments collection, berth booking, warehousing, transshipment, containers consolidation and de-consolidation, settlement of shipping and handling costs, declaration for custom and inspection, insurance and related short-distance transportation and consultation businesses, ancillary and maintenance services for containers (exclusive of mail correspondences or commodity with nature of mail correspondences), road freight forwarding business (general freight forwarding services and container and cargo transportation)

k. Name of directors : Zhang Jian (張艦), Sun Quan (孫泉), Shi Bing (石冰), Liao Qiujian (廖秋建), 片岡政隆, 安間洋一, 橫山日出雄, 岸島宏治

l. Legal representative : Zhang Jian

m. Pre-emptive rights and restrictions on the sale, assignment or transfer of a joint venture partner's interest in the registered capital :

(aa) No joint venture partner may sell, transfer or otherwise dispose of all or part of its interest in the registered capital of Tianjin Alps Teda Logistics without the prior written consent of the other joint venture partner and the approval by the relevant regulatory authority.

(bb) If a joint venture partner wishes to transfer all or part of its interest in the registered capital of Tianjin Alps Teda Logistics, the other joint venture partner shall have the pre-emptive right exercisable within 30 days from the date of notification by the transferring joint venture partner, on terms no less favourable than those available to the third party.

n. Arrangements concerning the management of its business and operations : The board of directors consists of eight members of which, four are appointed by the Company (including the chairman of the board of directors), and the remaining four are appointed by Alps Logistics.

o. Decision-making of the board : Under the articles of association of Tianjin Alps Teda Logistics, except for matters that require the unanimous consent of the board under the relevant laws and regulations, all decisions of Tianjin Alps Teda Logistics shall be made with the consent of at least six directors. As advised by the Company's PRC legal advisers, matters requiring unanimous consent of the board under the PRC laws and regulations include (i) the amendment of the articles of association, (ii) cessation or dissolution of joint venture enterprise, (iii) increases or reduction of the registered capital, (iv) merger or partition of joint venture enterprise.

p. Veto power granted to the minority shareholder : The articles of association of Tianjin Alps Teda Logistics do not provide any overriding or veto power to any of Alps Logistics or the Company against the decision of the board.

q. Percentage of interests in profit : The after tax net profit shall be shared between all the joint venture partners in proportion to their respective interest in the registered capital of Tianjin Alps Teda Logistics and in accordance with the relevant laws and regulations of the PRC.

r. Distribution of assets and liabilities upon termination or expiry of the joint venture : The remaining asset (if any) after settlement of all legitimate debts of Tianjin Alps Teda Logistics, will be distributed to all joint venture partners in proportion to their respective interest in the registered capital of Tianjin Alps Teda Logistics and in accordance with the relevant laws and regulations of the PRC.

s. Termination of the joint ventures agreement : The joint venture agreement may terminate upon:

  (i) the expiry of the joint venture agreement or early termination of the joint venture agreement as agreed by the parties thereto;

  (ii) the authorised representative of any joint venture partner is refused participation in the Board without reasonable cause;

  (iii) Tianjin Alps Teda Logistics suffers severe loss and it cannot sustain;

  (iv) breach of the joint venture agreement by any party thereto and, in the reasonable opinion of the non-defaulting party, as a result of the breach, the business purpose of Tianjin Alps Teda Logistics is defeated or the non-defaulting party and Tianjin Alps Teda Logistics suffer loss, with substantive adverse impact imposed on the interests of Tianjin Teda Alps Logistics;

  (v) Tianjin Alps Teda logistics is unable to meet its performance target; or

(vi) the occurrence of an force majeure event and as a result of which, Tianjin Alps Teda logistics cannot operate.

t. Dispute resolution : The parties shall negotiate in good faith to resolve any dispute between them regarding the joint venture agreement and articles of association. If the negotiations do not resolve the dispute within a reasonable period, parties may resort to arbitration by notification to the other, save for the matters governed by PRC courts under the litigation laws of the PRC. The dispute may be submitted to China International Economic & Trade Arbitration Centre for arbitration after 30 days of such notification and shall be conducted in accordance with the relevant arbitration rules.

(iii) Dalian Alps Teda Logistics

a. Corporate name : Dalian Alps Teda Logistics Co., Ltd (大連泰達阿爾卑斯物流有限公司)

b. Date of incorporation : 21 March 2003

c. Registered office : IC-42, Dalian Free Trade Zone, Dalian, Liaoning Province, China

d. Economic nature : Sino-foreign equity joint venture

e. Registered owners : Alps Logistics (50%)
The Company (50%)

f. Total investment : USD4,800,000

g. Registered capital : USD2,400,000 (fully paid up)

h. Attributable interest to the Group : 50%

i. Term of operation : 21 March 2003 to 20 March 2033

j.	Scope of business	:	Warehousing, delivery of components parts, international trade within bonded zone, re-export trade, consultation services (other than specific projects subject to approval)
k.	Name of directors	:	Zhang Jian (張艦), Sun Quan (孫泉), Tang Tianqiang (唐天強), 安間洋一, 吉野浩司, 橫山日出雄
l.	Legal representative	:	Zhang Jian
m.	Pre-emptive rights and restrictions on the sale, assignment or transfer of a joint venture partner's interest in the registered capital	:	(aa) No joint venture partner may sell, transfer or otherwise dispose of all or part of its interest in the registered capital of Dalian Alps Teda Logistics without the consent of the other joint venture partner and the approval by the relevant regulatory authority. (bb) If a joint venture partner wishes to transfer all or part of its interest in the registered capital of Dalian Alps Teda Logistics, the other joint venture partner shall be entitled to the pre-emptive right. In case the joint venture partner does not intend to exercise its pre-emptive right, the transferring joint venture partner may transfer its interest to third party on terms no more favourable than those available to existing joint venture partner.
n.	Arrangements concerning the management of its business and operations	:	The board of directors consists of six members of which, three are appointed by the Company (including the chairman of the board of directors), and the remaining three are appointed by Alps Logistics.
o.	Decision-making of the board	:	The following matters require unanimous consent of the attendees of the relevant board meetings: (i) termination or amendment to the

articles of association and joint venture agreement, (ii) extension, cessation or dissolution of joint venture, (iii) increases or transfer of the registered capital, and (iv) merger of joint venture.

The following matters require consent of the two-third attendees of the relevant board meetings: (i) appointment or dismissal of the general manager and deputy general manager, (ii) confirmation or alteration to the corporate structure, (iii) approval of business plan, budget, financial accounts and dividends distribution proposal, and (iv) establishment or dissolution of subsidiaries, branches or other representative offices in the PRC.

The following matters require consent of more than half of the attendees of the relevant board meetings: (i) formulation of important governing mechanisms within the joint venture; (ii) appointment or dismissal of senior management and determination of the standard of staff welfare; (iii) launch of application for arbitration; and (iv) other important matters of the joint venture.

p. Veto power granted to the minority shareholders : The articles of association of Dalian Alps Teda Logistics do not provide any overriding or veto power to the minority shareholders of Dalian Alps Teda Logistics against the decision of the board.

q. Percentage of interests in profit : The after tax net profit shall be shared between all the joint venture partners in proportion to their respective interest in the registered capital of Dalian Alps Teda Logistics and in accordance with the relevant laws and regulations of the PRC.

r.	Distribution of assets and liabilities upon termination or expiry of the joint venture	:	The remaining asset (if any) after settlement of all legitimate debts of Dalian Alps Teda Logistics will be distributed to all joint venture partners in proportion to their respective interest in the registered capital of Dalian Alps Teda Logistics and in accordance with the relevant laws and regulations of the PRC.
s.	Termination of the joint venture agreement	:	(a) The joint venture agreement may terminate upon: (i) the expiry of the joint venture agreement; (ii) an arbitration order has been made as a result of dispute for the termination the contract; (iii) the joint venture parties agree to terminate the joint venture agreement the company. (b) If any joint venture party fails to perform or materially violates the requirements of the joint venture agreement or articles of association, as a result of which the company cannot continue in operation or is unable to meet its business purpose, the party in default will be deemed to have unilaterally terminated the joint venture agreement.
t.	Dispute resolution	:	The parties shall negotiate in good faith to resolve any dispute between them regarding the joint venture agreement. If the negotiations do not resolve the dispute, parties may resort to arbitration. The arbitration shall take place at the place of domicile of the defendant. If the defendant is PRC company, the arbitration proceedings shall take place at China International Economic & Trade Arbitration Centre in Beijing in the presence of Japanese interpreter. If the defendant is a Japan company, the arbitration proceedings shall take place at 東京國際商事仲裁會 in the presence of Chinese interpreter. The arbitration proceedings shall be conducted in accordance with the prescribed rules of the arbitration body. An arbitration award is final and binding on all parties to the joint venture agreement.

(iv) TBW

a.	Corporate name	:	Teda General-Bonded Warehouse Co., Ltd. (天津開發區泰達公共保税倉有限公司)
b.	Date of incorporation	:	1 December 2001
c.	Registered office	:	No. 39, Bohai Road, Tianjin Economic and Technological Development Area, Tianjin, China
d.	Economic nature	:	PRC limited liability company
e.	Registered owners	:	The Company (100%)
f.	Registered capital	:	RMB80,000,000 (fully paid up)
g.	Attributable interest to the Group	:	100%
h.	Term of operation	:	1 December 2001 to 30 November 2031
i.	Scope of business	:	Bonded warehousing and related services, processing and selling of materials, machinery equipment, electronic products and spare parts, maintenance of equipment, after-sales services, exhibition of merchandise, technologies consulting, import and export operations, import and export of all types of merchandise and technologies for itself or as agent (except for such operation or import and export of such merchandise and technologies as restricted or prohibited by the State), leasing of equipment, materials warehousing and related services, leasing of site, sea, road and air international cargo agency services and integrated freight forwarding agency services (subject to such specific requirements for any particular operations as prescribed by the relevant requirements prescribed by the State)

j. Name of directors : Zhang Jian (張艦), Sun Quan (孫泉), Tang Tianqiang (唐天強), Liu Li Ming (劉利明) and Kwong Kwan Tong (鄺焜堂)

k. Legal representative : Zhang Jian

(v) Yuan Da Logistics

a. Corporate name : Tianjin Yuan Da Xian Dai Logistics Co., Ltd.
(天津元大現代物流有限公司)

b. Date of incorporation : 18 December 2006

c. Registered office : No. 39, Bohai Road, Tianjin Economic and Technological Development Area, Tianjin, China

d. Economic nature : PRC limited liability company

e. Registered owner : The Company (100%)

f. Registered capital : RMB10,000,000 (fully paid up)

g. Attributable interest to the Group : 100%

h. Term of operation : 18 December 2006 to 17 December 2056

i. Scope of business : Logistics information consultation, logistics technology development, warehousing, unloading and related technical services, domestic and international freight forwarding agency services, import and export of cargos for itself or as agent (save for items prohibited by PRC laws or regulations), sale of home appliances, daily necessities, paper products, textile products, construction materials, electronic products and etc (subject to such specific requirements prescribed for any particular operations as prescribed by the PRC government).

j. Name of directors : Zhang Jian, Cao Wei Zhong and Yu Ang

k. Legal representative : Zhang Jian

(vi) Tianjin Port Automobile Logistics

a.	Corporate name	:	Tianjin Port International Automobile Logistics Co., Ltd. (天津港國際汽車物流有限公司)
b.	Date of incorporation	:	27 March 2006
c.	Registered office	:	No. 39, Bohai Road, Tianjin Economic and Technological Development Area, Tianjin, China
d.	Economic nature	:	PRC limited liability company
e.	Registered owners	:	TBW (50%) Tianjin Port Electrical Engineering Co., Ltd. (天津港灣電力工程有限公司) (30%) Tianjin Port Container Freight Co., Ltd. (天津港集裝箱貨運有限公司) (20%)
f.	Registered capital	:	RMB 5,000,000 (fully paid up)
g.	Attributable interest to the Group	:	50%
h.	Term of operation	:	27 March 2006 to 26 March 2036
i.	Scope of business	:	Import and export of cargos and technology, for itself or as agent (except such operations prohibited by the State), warehousing of vehicles for import and export, consolidation, deconsolidation, transit for cargo containers (except transportation), business consultation services, sea, road and air international freight forwarding agency services (subject to such specific requirements for any particular operations as prescribed by the relevant requirements prescribed by the State)
j.	Name of directors	:	Hong Ming (洪明), Zhang Jian (張艦), Tang Tianqiang (唐天強), Wang Lichen (王立臣), Kan Shengli (闞勝利), Tong Shiping (同世平)
k.	Legal representative	:	Hong Ming

l. Pre-emptive rights and restrictions on the sale, assignment or transfer of a shareholder's interest in the registered capital :

(aa) Approval by majority of the shareholders of Tianjin Port Automobile Logistics is required if a shareholder ("**Selling shareholder**") wishes to transfer all or part of its interest in the registered capital of Tianjin Port Automobile Logistics to third party other than the other shareholder(s) ("**Non-selling shareholder**") of Tianjin Port Automobile Logistics. If a Non-selling shareholder dissents to proposed transfer, it shall purchase the registered capital proposed to be sold itself, failing which it shall be deemed to have agreed to the transfer.

(bb) If a Selling shareholder wishes to transfer all or part of its interest in the registered capital of Tianjin Port Automobile Logistics, and such transfer has been approved by the majority of the shareholders, the Non-selling shareholders shall have pre-emptive right to purchase the registered capital proposed to be sold on the same terms as those available to the third party.

m. Arrangements concerning the management of its business and operations : The board of directors consists of six members and shall be elected by the shareholders at general meetings, provided that any staff represented director of Tianjin Port Automobile Logistics shall be elected by its staff.

n. Percentage of interests in profit : The after tax net profit, after appropriation of the relevant reserves in accordance with the requirements of te articles of association and the Company Law, shall be shared between all the shareholders in proportion to their respective interest in the registered capital of Tianjin Port Automobile Logistics.

o.	Distribution of assets and liabilities upon dissolution of the company	:	The surplus asset (if any) after settlement of all legitimate debts of Tianjin Port Automobile Logistics, cost of dissolution, wages and employees' insurance and other outstanding tax, will be distributed to all shareholders in proportion to their respective interest in the registered capital of Tianjin Port Automobile Logistics.
p.	Dissolution of the company	:	Upon occurrence of any of the following: (i) shareholders of Tianjin Port Automobile Logistics resolve to dissolve Tianjin Port Automobile Logistics; (ii) dissolution as a result of expiry of the term of operation in accordance with the requirement under the articles of association; (iii) merger or partition of Tianjin Port Automobile Logistics requiring dissolution; or (iv) Tianjin Port Automobile Logistics being ordered to close its operation as a result of breach of laws and administrative regulations.

(vii) Tianjin Teda Materials Recycling Co., Ltd.

a.	Corporate name	:	Tianjin Teda Materials Recycling Co., Ltd. (天津泰達物資回收有限公司)
b.	Date of incorporation	:	6 April 2006
c.	Registered office	:	Room 203, No. 39, Bohai Road, Tianjin Economic and Technological Development Area, Tianjin, China
d.	Economic nature	:	PRC limited liability company
e.	Registered owners	:	TBW (40%) 天津海潤國際貨運代理有限公司 (Tianjin Hairun International Freight Forwarding Agency Co., Ltd.) (35%) 天津開發區四達倉儲有限公司 (Tianjin Development Zone Sida Warehousing Co., Ltd.) (25%)

f.	Registered capital	:	RMB300,000 (fully paid up)
g.	Attributable interest to the Group	:	40%
h.	Term of operation	:	6 April 2006 to 5 April 2036
i.	Scope of business	:	Recycling waste materials, including collecting and selling waste or old mechanical or electronic products, chemical products (other than hazardous chemical products and poisonous products) (subject to such specific requirements for any particular operations as prescribed by the relevant requirements prescribed by the State)
j.	Name of directors	:	Tang Tianqiang (唐天強), Hu Xiaobo (胡曉波) and Sun Rongming (孫榮鳴)
k.	Legal representative	:	Tang Tianqiang (唐天強)
l.	Pre-emptive rights and restrictions on the sale, assignment or transfer of a shareholder's interest in the registered capital	:	(aa) Approval by majority of the shareholders of Tianjin Teda Materials Recycling Co., Ltd. is required if a shareholder ("**Selling shareholder**") wishes to transfer all or part of its interest in the registered capital of Tianjin Teda Materials Recycling Co., Ltd. to third party other than the other shareholder(s) ("**Non-selling shareholder**") of Tianjin Teda Materials Recycling Co., Ltd. If a Non-selling shareholder dissents to proposed transfer, it shall purchase the registered capital proposed to be sold itself, failing which it shall be deemed to have agreed to the transfer. (bb) If a Selling shareholder wishes to transfer all or part of its interest in the registered capital of Tianjin Teda Materials Recycling Co., Ltd., and such transfer has been approved by the majority of the shareholders, the Non-selling shareholders shall have pre-emptive right to purchase the registered capital proposed to be sold on the same terms as those available to the third party.

m. Arrangements concerning the management of its business and operations : The board of directors consists of three members and shall be elected by the shareholders at general meetings, provided that any staff represented director of Tianjin Teda Materials Recycling Co., Ltd. shall be elected by its staff.

n. Percentage of interests in profit : The after tax net profit, after appropriation of the relevant reserves in accordance with the requirements of te articles of association and the Company Law, shall be shared between all the shareholders in proportion to their respective interest in the registered capital of Tianjin Teda Materials Recycling Co., Ltd..

o. Distribution of assets and liabilities upon dissolution of the company : The surplus asset (if any) after settlement of all legitimate debts of Tianjin Teda Materials Recycling Co., Ltd., cost of dissolution, wages and employees' insurance and other outstanding tax, will be distributed to all shareholders in proportion to their respective interest in the registered capital of Tianjin Teda Materials Recycling Co., Ltd.

p. Dissolution of the company : Upon occurrence of any of the following:

  (i) shareholders of Tianjin Teda Materials Recycling Co., Ltd. resolve to dissolve Tianjin Teda Materials Recycling Co., Ltd;

  (ii) dissolution as a result of expiry of the term of operation in accordance with the requirement under the articles of association;

  (iii) merger or partition of Tianjin Teda Materials Recycling Co., Ltd. requiring dissolution; or

  (iv) Tianjin Teda Materials Recycling Co., Ltd. being ordered to close its operation as a result of breach of laws and administrative regulations.

(viii) Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd.

a.	Corporate name	:	Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. (天津泰達斯迪爾電子交易市場經營管理有限公司)
b.	Date of incorporation	:	11 September 2007
c.	Registered office	:	No. 39, Bohai Road, Tianjin Economic and Technological Development Area, Tianjin, China
d.	Economic nature	:	PRC limited liability company
e.	Registered owners	:	The Company (35%) 上海斯迪爾電子交易市場經營管理有限公司 (Shanghai Sidier Electronic Trading Market Operation and Management Co., Ltd.) (35%) 北方國際信託投資股份有限公司 (Northern International Trust Investment Co., Ltd.) (30%)
f.	Registered capital	:	RMB20,000,000 (fully paid up)
g.	Attributable interest to the Group	:	35%
h.	Term of operation	:	11 September 2007 to 10 September 2037
i.	Scope of business	:	Provision of market management services for electronic dealings among domestic operators of rolled steel and ferrous metal; wholesale and retailing of metal materials, construction materials, electrical appliances and equipments, automobile components, electronic products, etc., import and export of cargos for itself or as agent (subject to such specific requirements prescribed for any particular operations as prescribed by the PRC government).
j.	Name of directors	:	Zhang Jian (張艦), Li Wenfeng (李雯峰), Cao Weizhong (曹衛中), Zhang Wenqi (張文琦), Sun Hao (孫浩)
k.	Legal representative	:	Zhang Jian

l. Arrangements concerning the management of its business and operations : The board of directors consists of five members, two of which shall be nominated by the Company, two by Shanghai Sidier Electronic Trading Market Operation and Management Co., and one by Northern International Trust Investment Co., Ltd..

m. Pre-emptive rights and restriction on the sale, assignment or transfer of a shareholder's interest in the registered capital :

(aa) Approval by majority of the shareholders of Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. is required if a shareholder ("**Selling shareholder**") wishes to transfer all or part of its interest in the registered capital of Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. to third party other than the other shareholder(s) ("**Non-selling shareholder**") of Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd..

(bb) If a Selling shareholder wishes to transfer all or part of its interest in the registered capital of Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd., the Non-selling shareholder shall be entitled to the pre-emptive right. In case the Non-selling shareholder does not intend to exercise its pre-emptive right, the Selling shareholder may transfer its interest to third party on same terms available to the Non-selling shareholder.

n. Percentage of interests in profit : The after tax net profit, after appropriation of the relevant reserves in accordance with the requirements of the articles of association and the Company Law, shall be shared between all the shareholders in proportion to their respective interest in the registered capital of Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd..

o. Distribution of assets and liabilities upon dissolution of the company : The surplus asset (if any) after settlement of all legitimate debts of Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd., cost of dissolution, and remuneration of dissolution team members, will be distributed to all shareholders in proportion to their respective interest in the registered capital of Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd.

p. Dissolution of the company : Upon occurrence of any of the following:

(i) dissolution as a result of expiry of the term of operation and other matters in accordance with the requirement under the articles of association;

(ii) shareholders of Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. resolve to dissolve the company;

(iii) merger or partition of Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. requiring dissolution;

(iv) Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. being ordered to close its operation, its business licence being revoked or cancelled; or

(v) dissolution by the People's Court in accordance with the applicable laws.

(ix) Binhai Yuan Sheng

a.	Corporate name	:	Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd. (天津濱海元盛鋼材市場經營管理有限公司)
b.	Date of incorporation	:	14 September 2007
c.	Registered office	:	Room 202, No.39, Bohai Road, Tianjin Economic and Technological Development Area, Tianjin, China
d.	Economic nature	:	PRC limited liability company
e.	Registered owners	:	Yuan Da Logistics (55%) Xiao Hua Kang (肖華康) (45%)
f.	Registered capital	:	RMB10,000,000 (fully paid up)
g.	Attributable interest to the Group	:	55%
h.	Term of operation	:	14 September 2007 to 13 September 2027
i.	Scope of business	:	Provision of management services for steel and commodity operators, venue and property leasing, warehousing (other than hazardous chemical products and poisonous products), loading and unloading of goods and delivery (subject to such specific requirements for any particular operations as prescribed by the relevant requirements prescribed by the State)
j.	Name of directors	:	Cao Wei Zhong (曹衛中), Xiao Hua Kang (肖華康), Tang Yue Feng (湯躍峰), Yu Ang (俞昂), Jia Tie Lin (賈鐵林)
k.	Legal representative	:	Cao Wei Zhong
l.	Arrangements concerning the management of its business and operations	:	The board of directors consists of five members, out of which three members shall be nominated by Yuan Da Logistics and two members shall be appointed by Mr. Xiao Hua Kang.

m. Decision-making of the board : Under the articles of association of Binhai Yuan Sheng, the following decisions are to be determined by unanimous consent of the attendees of the relevant board meeting:

(i) convening any shareholders' meeting and reporting to the shareholders;

(ii) implementation the resolutions passed in shareholders' meetings;

(iii) establishment of any plan for increase or decrease in registered share capital or issue of bonds of the company;

(iv) establishment of any plan for merger, division, dissolution or otherwise alteration of the nature of the company;

(v) provision of any material guarantee to other corporate investors or other persons within the scope of the approval of the shareholders;

(vi) approval of fundamental management system;

(vii) approval of the annual budget and accounts of the company;

(viii) approval of any plan for distribution of profits and compensation for losses;

(ix) formulation of the business plan and investment proposal of the company;

(x) determination of the establishment of any internal management committees of the company;

(xi) determination of the recruitment or dismissal of general manager, financial officers and any matters relating to their remunerations, and the recruitment or dismissal of any deputy general manager, department heads and any matters relating to their remuneration based on the recommendation of the general manager; and

(xii) any other authorities specified in the articles of association of the company.

n. Pre-emptive rights and restrictions on the sale, assignment or transfer of registered capital :

(aa) If a shareholder wishes to transfer its interest in the registered capital of Binhai Yuan Sheng to a third party, the other shareholder shall be entitled to the pre-emptive right. In case the shareholder fails and/or refuses to exercise its pre-emptive right in accordance with the articles of association, the transferring shareholder shall be entitled to transfer its interest to a third party on terms no more favourable than those available to the existing shareholder.

(bb) Notwithstanding the above, Mr. Xiao Hua Kang shall not transfer any of his interest in the registered capital of Binhai Yuan Sheng unless written consent of Yuan Da Logistics has been obtained.

o. Percentage of interests in profit : The profit shall be shared between all the shareholders in proportion to their respective interest in the registered capital of Binhai Yuan Sheng, provided that if the shareholders have agreed to any other profit sharing arrangement, such arrangement shall prevail.

p. Distribution of assets and liabilities upon dissolution of the company : The surplus asset (if any) after settlement of all legitimate debts of Tianjin Binhai Yuan Sheng Steel Products Marketing Management Co., Ltd., cost of dissolution, wages, employees' insurance and compensation, and outstanding tax, will be distributed to all shareholders in proportion to their respective interest in the registered capital of Binhai Yuan Sheng.

q. Dissolution of the company : Upon occurrence of any of the following:

(i) dissolution as a result of expiry of the term of operation and other matters in accordance with the articles of association;

(ii) shareholders of Binhai Yuan Sheng resolve to dissolve Binhai Yuan Sheng;

(iii) merger or partition of Binhai Yuan Sheng requiring a dissolution;

(iv) Binhai Yuan Sheng being ordered to close its operation, its business licence being revoked or cancelled;

(v) dissolution by the People's Court in accordance with the applicable laws;

(vi) deadlock between the shareholders of Binhai Yuan Sheng relating to its development and operation and such deadlock remains unresolved for a period of sixty days after one shareholder has proposed termination of the cooperation; or

(vii) Binhai Yuan Sheng fails to meet its business purpose, or any shareholder becomes significantly and adversely affected due to any new law or regulation, and the shareholders fail to agree upon any solution.

C. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business), were entered into by the Company within the two years preceding the date of this prospectus and are or may be material:

(a) a non-competition agreement entered into between Teda Holding, TEDA Asset Company and the Company on 30 March 2008, pursuant to which each of Teda Holding and TEDA Asset Company has given certain non-compete undertakings as more particularly set out in the sub-section headed "Non-compete undertaking by Teda Holding and TEDA Asset Company" in the section headed "Business" of this prospectus;

(b) a Placing and Underwriting Agreement dated 23 April 2008 entered into between the Company, the executive Directors, the Initial Management Shareholders, the Sponsor, the Lead Manager and the Underwriters, details of which are set out in the section headed "Underwriting" of the prospectus;

(c) an equity transfer agreement dated 3 July 2006 entered into between TEDA Asset Company as vendor and the Company as purchaser, the vendor transferred 40% equity interest in TBW to the Company for cash at a consideration of RMB42,699,200;

(d) a deed of indemnity dated 30 March 2008 entered into between Teda Holding, TEDA Asset Company and the Company, pursuant to which each of Teda Holding and TEDA Asset Company has given indemnities in respect of certain taxation and leased properties of the Company on a joint and several basis as more particularly set out in the paragraph F1 of this appendix; and

(e) two Corporate Placing Agreements both dated 31 March 2008 entered into by the Company and the Lead Manager with each of Tianjin Port Development and Topway respectively, pursuant to which each of Tianjin Port Development and Topway has agreed to subscribe for certain number of Placing Shares as more particularly set out in the sub-section headed "The corporate placing" in the section headed "Structure and conditions of the Placing" of this prospectus.

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, the Company has registered the following trademarks:

Trademark	Class	Place of Registration	Registration Date	Trade Mark Number
TBTL	39 *(note)*	Hong Kong	25 January 2007	300803646

As at the Latest Practicable Date, the Company has applied for registration of the following trademarks:

Trademark	Class	Place of Application	Application Date	Application Number
TBTL	39 *(note)*	The PRC	26 January 2007	5868596

Note: Class 39 includes transport, packaging and storage of goods and travel arrangement services.

D. FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

1. Particulars of Directors' and Supervisor' service contracts

Each of the Directors (including the non-executive Director and the independent non-executive Directors) and Supervisors (save for Ren Gang, Lu Xia, Yu Ang and Tong Xin) has previously entered into a service contract with the Company for a term of three years commencing from the respective date of the service contract. On 19 March 2008, each of the Directors and Supervisors has further entered into a new service contract with the Company (which shall replace the previous service contract upon the Listing) for a term of three years commencing from the Listing Date. Each of the Directors and Supervisors was appointed as director and supervisor of the Company respectively subject to termination in certain circumstances as stipulated in the relevant service contracts.

The basic annual salaries of the Directors and Supervisors before the Listing are as follows:

Directors	*(RMB)*
Zhang Jian	30,000
Zhang Jun	30,000
Sun Quan	30,000
Ding Yi	30,000
Liu Jingfu	60,000
Zhang Limin	60,000
Luo Yongtai	60,000

Supervisors	*(RMB)*
Xing Jihai	30,000
Tian Shuyong	10,000
Ren Gang	10,000
Lu Xia	10,000
Yu Ang	Nil
Tong Xin	Nil

Pursuant to the new service contracts entered into between the Company and each of the Directors and Supervisors (which shall replace the previous service contracts upon the Listing), the basic annual salaries of the Directors and Supervisors upon the Listing are as follows:

Directors	*(RMB)*
Zhang Jian	Nil *(note 1)*
Zhang Jun	30,000
Sun Quan	30,000
Ding Yi	30,000
Liu Jingfu	60,000
Zhang Limin	60,000
Luo Yongtai	60,000

Supervisors	*(RMB)*
Xing Jihai	30,000
Tian Shuyong	10,000
Ren Gang	10,000
Lu Xia	10,000
Yu Ang	Nil *(note 2)*
Tong Xin	Nil *(note 3)*

Note:

1. Mr. Zhang Jian, by acting as the general manager of the Company, receives a basic annual salary of RMB688,800.

2. Mr. Yu Ang, by acting as the project manager in the group companies business development department of the Company, receives a basic annual salary of RMB114,600.

3. Mr. Tong Xin, by acting as the supervisor in the administrative office (legal affairs) of the Company, receives a basic annual salary of RMB61,600.

Save as disclosed above, none of the Directors or Supervisors has entered or proposed to enter into a service contract with the Company (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Particulars of service agreements

(a) Each of the executive Directors has previously entered into a service contract with the Company for an initial term of three years commencing from the respective date of the service contract, and further entered into a new service contract with the Company (which shall replace the previous service contract upon the Listing) for a term of three years commencing from the Listing Date, subject to the termination provisions therein. Each of the executive Directors or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

(b) Each of the executive Directors is entitled to a basic salary which will be reviewed at the discretion of the Board after such executive Directors has completed 12 months of service.

(c) Each of the independent non-executive Directors has previously entered into a service contract with the Company as an independent non-executive Director for a term of three years commencing from the respective date of the service contract, and further entered into a new service contract with the Company (which shall replace the previous service contract upon the Listing) for a term of three years commencing from the Listing Date. Each of the independent non-executive Directors or the Company may terminate the appointment by giving the other party not less than six months prior notice in writing.

(d) Save as disclosed in this prospectus, no Director has entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

2. Directors' and Supervisors' remuneration

(a) Directors

An aggregate of salaries, housing allowances, other allowances and benefits in kind paid by the Company to the Directors for each of the three years ended 31 December 2007 were approximately nil, RMB72,000 and RMB310,000 respectively. Further information in respect of the Directors' remuneration and emoluments is set out in appendix I to this prospectus.

Under the arrangements currently in force, the Company estimates that the remuneration (including benefits in kind and excluding discretionary bonus, if any) of the Directors payable for the year ending 31 December 2008 will be approximately RMB739,200.

The remuneration provided to the executive Directors are determined on the basis of, among other things, the relevant executive Director's experience, responsibility and the time devoted to the Company.

(b) Supervisors

An aggregate of salaries, housing allowances, other allowances and benefits in kind paid by the Company to the Supervisors for the three years ended 31 December 2007 were approximately nil, RMB20,000 and RMB132,000 respectively.

Under the arrangements currently in force, the Company estimates that the remuneration (including benefits in kind and excluding discretionary bonus, if any) of the Supervisors payable for the year ending 31 December 2008 will be approximately RMB225,000.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

Immediately following the completion of the Placing, none of the Directors, Supervisors and general manager of the company has any interests or short positions in the shares, underlying shares and debentures of the company or any associated corporation (within the meaning of Part XV of the SFO) which (i) will have to be notified to the company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have under such provisions of the SFO); or (ii) will be required, pursuant to section 352 of the SFO, to he entered in the register referred to therein; or (iii) will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

2. Substantial shareholders

So far as the Directors are aware, immediately following the completion of the Placing, the persons (other than a Director, Supervisor or general manager of the Company) who will have an interest or short position in the shares or underlying shares of the company which would fall to be disclosed to the company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any member of the Group are as follows:

Company/ member of the Group	**Shareholder**	**Capacity**	**Number and class of shares/amount of registered capital of the company (Long position)**	**Approximate percentage shareholding in the entire issued share capital of the company**
The Company	Teda Holding	Beneficial Owner	178,814,717 Domestic Shares	50.57%
The Company	TEDA Asset Company	Beneficial Owner	77,325,283 Domestic Shares	21.87%
Tianjin Fengtian Logistics	Toyota Tsusho	Beneficial Owner	USD3,129,707	36.2%
Tianjin Alps Teda Logistics	Alps Logistics	Beneficial Owner	USD2,880,000	48%
Binhai Yuan Sheng	Xiao Hua Kang	Beneficial Owner	RMB4,500,000	45%

3. Disclaimers

Save as disclosed in this prospectus, as at the Latest Practicable Date:–

(a) the Directors were not aware of any person (not being a Director, a Supervisor or chief executive of the Company) who would, immediately after completion of the Share Offer (taking no account of the Over-allotment Option or any Shares which may be taken up under the Share Offer), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions two and three of Part XV of the SFO, or who would, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group;

(b) none of the Directors and the Supervisors had any interest or short position in any of the Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions seven and eight of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, in each case once the H Shares are listed;

(c) none of the Directors or the Supervisors nor any of the parties listed in the section headed "Consents of experts" of this appendix was interested in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to the Company or any of the subsidiaries of the Company, or were proposed to be acquired or disposed of by or leased to the Company or any of the subsidiaries of the Company;

(d) none of the Directors or the Supervisors nor any of the parties listed in the section headed "Consents of experts" of this appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to the business of the Company;

(e) save in connection with the Placing and Underwriting Agreement, none of the parties listed in the section headed "Consents of experts" of this appendix:

    (i) was interested legally or beneficially in any securities of any member of the Group; or

    (ii) had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) none of the Directors, the Supervisors or their associates nor, to the knowledge of the Directors, had any Shareholder who held more than 5% of the total issued Shares as at the Latest Practicable Date had any interest in any of the five largest customers of the Group;

(g) none of the Directors, the Supervisors or their associates nor, to the knowledge of the Directors, had any Shareholder who held more than 5% of the total issued Shares as at the Latest Practicable Date had any interest in any of the five largest suppliers of the Group; and

(h) none of the Directors or the Supervisors had entered into or was proposing to enter into a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

F. OTHER INFORMATION

1. Tax and other indemnity

Each of Teda Holding and TEDA Asset Company has entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each present member of the Group) (being the material contract (d) referred to in paragraph C1 of this appendix) to provide indemnity to the Group on a joint and several basis in relation to any amount of any and all taxation falling on the Group resulting from or by reference to any incomes, profits, gains, increase in assets, rights, contracts, interests, loans or liabilities, transactions or activities which have been earned, accrued, received or entered into or occurred on or before the Listing Date.

The deed of indemnity does not cover any claim and Teda Holding and TEDA Asset Company shall be under no liability under the deed in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of the Group for any accounting period up to 31 December 2007;

(b) to the extent that such taxation or liability falling on any of the members of the Group in respect of their accounting period commencing on 1 January 2008 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of such members (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior consent of Teda Holding or TEDA Asset Company, otherwise than any such act, omission or transaction:

   (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 December 2007; or

   (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 December 2007; or

(c) to the extent that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the PRC tax bureau or PRC Customs or Hong Kong Inland Revenue Department or any other relevant authority coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group up to 31 December 2007 which is finally established to be an over-provision or an excessive reserve in which case Teda Holding's or TEDA Asset Company's liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this item (d) to reduce the Teda Holding's or TEDA Asset Company's liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Each of Teda Holding and TEDA Asset Company has also given indemnity to the Group on a joint and several basis in relation to any costs, losses, damage, liabilities, expenses, penalties and taxation arising from and incident to the Reorganisation.

In addition, pursuant to the deed of indemnity, in the event that any member of the Group is either not being permitted to use or occupy or is being evicted from any of the leased properties ("**Leased Properties**" or each a "**Leased Property**") of the Company or its subsidiaries as more particularly described under Group III of the letter, the summary of valuation and valuation certificate valuation report as set out in appendix III to this prospectus by the relevant landlords, any government authority or third party for any of the following reasons: (a) that the relevant landlord does not own or does not have the land use right in respect of such Leased Property, or does not have the requisite land use right certificate or building ownership certificate; (b) the relevant tenancy agreement or lease is void or not enforceable; or (c) the requisite procedures (including but not limited to the relevant registration or filing requirements with the PRC government, or the requisite consents from the chargors or mortgagors in respect of the entering into of the relevant tenancy agreement) in respect of the relevant tenancy agreement have not been completed, each of Teda Holding and TEDA Asset Company has jointly and severally agreed to indemnify the Group against, where applicable, (i) any increase in the rentals between any substitute premises ("**Substitute Premises**") and the relevant Leased Property for the remaining term of the relevant tenancy agreement payable by the relevant Group member; (ii) all reasonable costs and expenses arising from the relocation of the relevant Group member's business and assets from the relevant Leased Property to the Substitute Premises; (iii) all costs and expenses in connection with the fitting out of the Substitute Premises for the purposes of rendering it fit to be used in the same manner and for the same purposes as that of the relevant Leased Property; and (iv) all operating and business losses which the relevant members of the Group may suffer however arising from the relocation of its business from the Leased Property to the Substitute Premises; (v) all penalties or costs which may be suffered by the Group as a result of the contravention of or non-compliance of any laws or rules relating to the lease, use or occupation of the relevant Leased Property under any building ownership certificates, land use right certificates, or land acquisition contracts by any member of the Group or the landlord; and (vi) any claim in respect of the use or occupation of the relevant Leased Property by the Group.

The Directors have been advised that no material liability for estate duty under the laws of the PRC would be likely to fall upon the Company and any of its subsidiaries.

2. Taxation

Dealings in H Shares will be subject to Hong Kong stamp duty.

Intending shareholders of the H Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in H Shares. It is emphasized that none of Sponsor, the Lead Manager, the Underwriters, the Directors or any other parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of, holders of the H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the H Shares.

3. Litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against the Company or any of its subsidiaries.

4. Underwriters

The Underwriters will receive underwriting commission pursuant to the Underwriting Agreement.

5. Sponsor

The Sponsor has made an application on behalf of the Company to the GEM Listing Committee for the listing of, and the permission to deal in, H Shares in issue and to be issued or sold as mentioned in this prospectus.

The Sponsor will receive normal professional fees for the advisory services to be provided to the Company as compliance adviser after the Listing.

6. No material adverse change

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2007.

7. Preliminary expenses

The preliminary expenses of the Company were approximately RMB172,000 payable by the Company.

8. Promoters

The promoters of the Company are Teda Holding and TEDA Asset Company. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoters in connection with the Placing or the related transactions described in this prospectus.

9. Qualifications of experts

Name	Qualifications
Guotai Junan Capital Limited	Licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Beijing S&P Law Firm	PRC lawyers
Zhong Lun Law Firm	PRC lawyers
DTZ Debenham Tie Leung Limited	Property valuer

10. Consents of experts

Each of Guotai Junan, Deloitte Touche Tohmatsu, Beijing S&P Law Firm, Zhong Lun Law Firm and DTZ Debenham Tie Leung Limited has given and has not withdrawn their respective consents to the issue of this prospectus with inclusion of its advice and/or report and/or letter and/or summary of valuations certificates and/or legal opinion (as the case may be) and in reference to its name in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of the experts named in the paragraph headed “Qualifications of experts” in this appendix had any shareholding interests in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of Group.

11. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

12. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or a consideration other than cash;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries;

(d) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable to any person for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscription, for any shares or debenture of the Company or any of its subsidiaries;

(e) the Company has not issued or agreed to issue any founders, management or deferred shares;

(f) none of the equity and debt securities of the Company is listed or dealt in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) the Company has no outstanding convertible debt securities;

(h) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(i) there are no arrangements under which future dividends are waived or agreed to be waived; and

(j) there have been no interruptions in the business of the Group which may have or have had a material adverse effect on the financial position of the Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of the Companies in Hong Kong for registration were the written consents referred to in the paragraph headed "Consents of experts" in appendix VI to this prospectus and copies of each of the material contracts referred to in the sub-paragraph headed "Summary of material contracts" in the paragraph headed "Further information about the business" in appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of X.J. Wang & Co. Solicitors at 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during the normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in appendix I to this prospectus;

(c) the audited consolidated financial statements of the Company and its subsidiaries for the two years ended 31 December 2007;

(d) the audited financial statements of the companies comprising the Group (if any) for the financial year ended 31 December 2005;

(e) the accountants' report prepared by Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information, the text of which is set out in appendix II to this prospectus;

(f) the letters, summary of valuation and valuation certificates relating to the property interests of the Group prepared by DTZ Debenham Tie Leung Limited, the texts or extracts of which are set out in, among other parts, appendix III to this prospectus;

(g) the material contracts referred to in the sub-paragraph headed "Summary of material contracts" in the paragraph headed "Further information about the business" in appendix VI to this prospectus;

(h) the service contracts and appointment letters referred to in the sub-paragraph headed "Particulars of Director's and Supervisors' contracts" in the paragraph headed "Further information about Directors, Supervisor, senior management and staff" in appendix VI to this prospectus;

(i) the written consents referred to in the paragraph headed "Consents of experts" in appendix VI to this prospectus;

(j) the PRC legal opinion dated 24 April 2008 issued by Beijing S&P Law Firm and Zhong Lun Law Firm; and

(k) all statutes and regulations which are referred to in appendix IV to this prospectus.