TIANJIN Binhai TEDA LOGISTICS (Group) Corporation Limited*

天津濱海泰達物流集團股份有限公司

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

Stock Code 股份代號: 8348

Annual Report 2009

* For identification purposes only

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This report, for which the directors (the "Directors") of Tianjin Binhai Teda Logistics (Group) Corporation Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (1) the information contained in this report is accurate and complete in all material respects and is not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

EXECUTIVE DIRECTORS
Zhang Jian (Chairman), Wang Wei

NON-EXECUTIVE DIRECTORS
Zhang Jun, Hu Jun, Ding Yi, Zhang Jinming

INDEPENDENT NON-EXECUTIVE DIRECTORS
Zhang Limin, Liu Jing Fu, Luo Yongtai

SUPERVISORS
Xing Jihai, Tian Shuyong, Chen Fang, Lu Xia, Yu Ang, He Hongsheng

GENERAL MANAGER AND DEPUTY GENERAL MANAGER OF THE COMPANY
Zhang Jian (General Manager), Cao Wei Zhong, Wang Wei

COMPANY SECRETARY
Wang Xiao Jun
(Practising solicitor in Hong Kong)

BOARD COMMITTEES
Audit Committee
Zhang Limin (Chairman), Liu Jing Fu, Luo Yongtai

Remuneration Committee
Luo Yongtai (Chairman), Ding Yi, Liu Jingfu

Nomination Committee
Zhang Jian (Chairman), Luo Yongtai, Liu Jingfu

COMPLIANCE OFFICER
Zhang Jian

AUTHORISED REPRESENTATIVES
Zhang Jian, Wang Wei

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants

COMPLIANCE ADVISOR
Guotai Junan Capital Limited

H SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre,
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STOCK CODE
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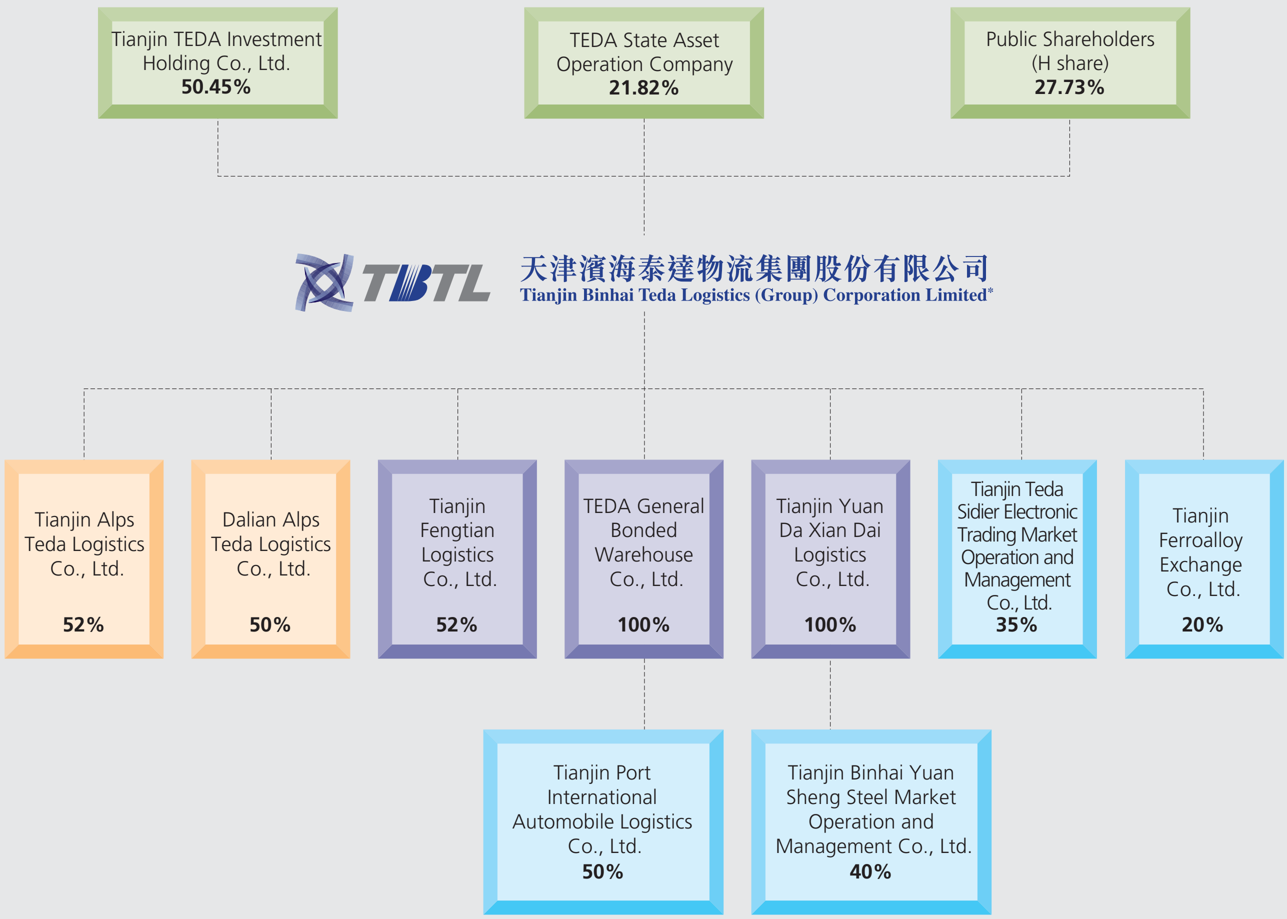
COMPANY WEBSITE
http://www.tbtl.cn

PRINCIPAL BANKERS
Tianjin Cui Heng Plaza Branch of the Industrial and Commercial Bank of China
Tianjin Huang Hai Road Branch of the Agricultural Bank of China
Tianjin Economic and Technological Development Zone Branch of the Bank of Communications

GROUP STRUCTURE



* *For identification purposes only*

RESULTS

A summary of the consolidated results of the Company and its subsidiaries (the "Group") for the three years ended 31 December 2009 extracted from the audited consolidated income statements of the Group prepared under the International Financial Reporting Standards is as follows:

	2009 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	**2,671,206**	1,946,833	949,609
Profit before taxation	**75,658**	93,568	120,443
Income tax	**(13,135)**	(28,270)	(19,907)
Profit for the year	**62,523**	65,298	100,536
Profit attributable to:			
Equity holders of the Company	**51,049**	48,433	64,371
Minority interests	**11,474**	16,865	36,165
Basic earnings per share (RMB)	**0.14**	0.15	0.24

ASSETS AND LIABILITIES

A summary of the assets and liabilities of the Group for the three years ended 31 December 2009 extracted from the audited consolidated balance sheet of the Group prepared under the International Financial Reporting Standards is as follows:

	2009 RMB'000	2008 RMB'000	2007 RMB'000
Non-current assets	**473,016**	372,625	283,116
Current assets	**1,399,086**	1,085,381	464,092
Total assets	**1,872,102**	1,458,006	747,208
Non-current liabilities	**5,514**	9,153	5,740
Current liabilities	**1,232,395**	877,831	352,845
Minority interests	**85,069**	72,947	83,537
Liabilities and minority interests	**1,322,978**	959,931	442,122
Total equity	**634,193**	571,022	388,623

On behalf of the Board of Directors of the Company, I am pleased to present the audited consolidated financial results of the Group for the year ended 31 December 2009 to all shareholders.

RESULTS OF THE YEAR

For the year ended 31 December 2009 (the "Year"), turnover of the Group amounted to approximately RMB2,671,206,000 (2008: RMB1,946,833,000), representing an increase of approximately 37% from last year. Profit attributable to the shareholders was approximately RMB51,049,000 (2008: RMB48,433,000) and the basic earnings per share was approximately RMB0.14 (2008: RMB0.15).

As at 31 December 2009, the total assets and current assets of the Group was approximately RMB1,872,102,000 (2008: RMB1,458,006,000) and approximately RMB1,399,086,000 (2008: RMB1,085,381,000), respectively, representing increases of RMB414,096,000 and RMB313,705,000 from 31 December 2008, respectively. Our net assets and net assets per share at the end of the period was approximately RMB634,193,000 (2008: RMB571,022,000) and RMB1.79 (2008: RMB1.76), respectively, representing increases of 11% and 2% from 31 December 2008.

REVIEW FOR THE YEAR

Regulating and Optimizing the Company's Management Systems

The Group continued to optimize the governance standard and various management systems in order to ensure a standardized operation. The Company and its affiliates Tianjin Alps Teda Logistics Co., Ltd., Tianjin Fengtian Logistics Co., Ltd. and TEDA General Bonded Warehouse Co., Ltd. passed the ISO9001:2008 quality management system certification consecutively. In addition, Tianjin Fengtian Logistics Co., Ltd. passed the ISO14001 environment management system certification, TEDA General Bonded Warehouse Co., Ltd. passed OHSAS18000 occupational health and safety management system certification. Tianjin Alps Teda Logistics Co., Ltd. also passed the ISO14001 environment management system certification and the OHSAS18000 occupational health and safety management system certification. These achievements represent the emphasis placed on compliance by our management and that the overall management capability of the Group has been improving.

Materials Procuring and Related Logistics Services

The operation model of our materials procuring and related logistics business gradually mature in 2009 and the sales results and gross profit thereof increased to approximately RMB1.7 billion and RMB18,951,000, respectively. The proportion of its income and profit in the overall operating results of the Company increased rapidly and this has helped to realize the diversification of the Company's operation income and profit base. The Company has acquired credit facilities of approximately RMB1.6 billion from 11 financial institutions, increasing by 60% when compared with last year. The credit facilities offered strong pillars to the development of logistics business of the Company.

Rapid Development of Logistics Infrastructures

The construction of the container stacking yard and warehouse facilities of the Company at Tianjin Port was completed at the second half of 2009 and such facilities have commenced operation. The re-construction of the storage and warehouse facilities of Tianjin Yuan Da Xian Dai Logistics Co., Ltd. and the extension projects of the warehouses of Tianjin Fengtian Logistics Co., Ltd. and Tianjin Alps Teda Logistics Co., Ltd. were completed and have commenced operation consecutively. The Company acquired a land property (Binhai Logistics 4# Storage and Delivery Base) located in the center of Tianjin Development Zone in the second half of 2009, and such asset brought satisfactory profit. In addition, the Company acquired a plot of land with an area of 77,000m^2, which is close to the container stacking yard at Tianjin Port during the year. Such valuable and scarce land resource will be used for the construction of our new logistics base in the future. The operation and acquisition of the above infrastructures would effectively support the existing operating activities and the future development requirements of the Company.

An Expanded Investment Area

The Company actively extended its scope of investment and invested in the establishment of the first international exchange agency for ferroalloy products – Tianjin Ferroalloy Exchange Co., Ltd. in China, which mainly provides services such as electronic transactions of ferroalloy products, market information consultation, financing guarantee and storage, warehouse and logistics services. Tianjin Ferroalloy Exchange Co., Ltd. aims to provide a new trading platform for domestic and foreign ferroalloy dealers to purchase and sell ferroalloy so as to consolidate the resources in ferroalloy industry. The Company would expand into a new scope of logistics business by using such platform to increase its revenue generating from the provision of logistics services and enhance its operation standard. Meanwhile, the Company has been actively seeking for partners for cooperation and investment opportunities in new logistics businesses.

Awards

During the reporting period, the Company was accredited "5A Comprehensive Logistics Providers", the highest award in national logistics providers industry, which reflected the comprehensive strength of our logistics business and influence on society in the PRC. TEDA General Bonded Warehouse Co., Ltd and Tianjin Port International Automobile Logistics Co., Ltd. under the Company were awarded "High and New Technological Corporations", and such award allowed them to enjoy the relevant preferential taxation policies. TEDA General Bonded Warehouse Co., Ltd is one of the qualified steel futures clearing houses that have been designated by the Shanghai Futures Exchange and it becomes a clearing house designated by two futures exchanges at the same time. These awards had promoted the comprehensive strength and the influential power of the Company and served as critical support for the Company to identify new customers, extend its investment scope and acquiring financing.

Prospectus and Outlook

After experiencing the economic downturn in 2009, it is expected that the world and the PRC economy will show a stable momentum of growth, even though there will still be uncertainties in respect of domestic and international politics and economy. With the lessons we've learnt from the economic crisis and keen competition during last year, the Company will further develop in the coming year. We will further standardize and enhance the service level of our logistics business and continue to build on the existing resources, technology and information in the following ways;

– optimizing the shareholding structure and further enhancing the governance standard of the Company;

– continuously improving the Company's logistics capacity, profitability and development potential;

– continuously and actively exploring innovative logistics services and service modes;

– continuously developing quality logistics infrastructures that will lay a solid foundation for the future;

– actively seeking for partners in order to enhance our integral logistics capacity by different ways of cooperation.

The Group will continue to follow its operation values of "integrity, reputation and responsibility", with a steady and effective work style, to actively develop management concepts, reinforce every aspect of the management, regulate every operation, strive to scale a new height in the results and create higher values for every party in the society.

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

Zhang Jian

Tianjin, PRC, 22 March 2010

BUSINESS REVIEW

The principal businesses of the Group were transportation of finished vehicles and related logistics service, automobile components, electronic components and logistics supply chain services which included Material procurement and bonded warehouse service. The major customers of the Group included Tong Fang Global (Tianjin) Logistics Co., Ltd. (同方環球（天津）物流有限公司), Tianjin Metallic Materials Co., Ltd. (天津市金屬材料有限公司), Shanghai Longna Logistics and Trading Co., Ltd. (上海龍納物貿有限公司), TEWOO Metals International Trade Co., Ltd. (天津物產金屬國際貿易有限公司), Tianjin Jiapulong Commercial & Trading Co., Ltd. (天津市嘉普龍商貿有限公司), Tianjin Kunfeng Industrial & Trading Co., Ltd. (天津坤峰工貿有限公司), Tianjin Taifeng Steel Co., Ltd. (天津泰峰鋼鐵有限公司), Toyota Tsusho (Tianjin) Co., Ltd. (豐田通商（天津）有限公司) (note (i)).

Under the influence of the global financial crisis and the downturn of domestic economy, the performances of the finished vehicles and components supply chain logistics service business, electronic components supply chain logistics service business and bonded warehouse business have worsen to different extents. However, the Group has successfully mitigated the adverse influences of the international financial crisis and domestic economic downturn through adhering to the business approach of consolidating the traditional logistics service business, reducing costs and expenses significantly and taking proactive stance to develop new logistics business, namely materials procurement and related logistics service business. For the year ended 31 December 2009, the Group achieved operating income of RMB2.671 billion, representing an increase of RMB724 million, or 37%, as compared to the corresponding period last year, while combined net profit attributable to equity holders of the Company was RMB51,049,000, representing an increase of RMB2,620,000 or 5.4%.

LOGISTICS AND SUPPLY CHAIN SERVICES FOR TRANSPORTATION OF FINISHED AUTOMOBILE AND COMPONENTS

During the reporting period, due to the decline in turnover of the transportation of domestically made and imported automobiles, as at 31 December 2009, the operating income generated from the logistics and supply chain services regarding transportation of finished automobile and automobile components was approximately RMB743,840,000, down RMB10,374,000 or 1.4% as compared to the corresponding period last year.

LOGISTICS AND SUPPLY CHAIN SERVICES FOR ELECTRONIC COMPONENTS

During the reporting period, the electronic components logistics service realized an operating income of RMB377,792,000, representing a decrease of RMB68,111,000 or 15% as compared to the corresponding period last year.

Note:

(i) Customer names are based on Chinese version, while English names are provided for reference purpose.

MATERIAL PROCUREMENT AND RELATED LOGISTIC SERVICES

During the period, benefiting from the robust development of the Material procurement and related logistics service business, we have generated an operating income of RMB1,707,241,000, representing an increase of RMB777,901,000, or 84%, over the last year and was the main income driver of the Company in 2009.

BONDED WAREHOUSE SERVICES

During the reporting period, this segment generated an operating income of RMB11,029,000, down RMB8,441,000, or 43%, as compared to the corresponding period last year,

WAREHOUSE, SUPERVISION, AGENCY AND OTHER INCOMES

During the reporting period, this segment generated an operating income of RMB14,483,000 (2008: RMB14,401,000).

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2009, turnover of the Group was RMB2.671 billion, representing a leap of RMB724 million or 37% as compared to RMB1.947 billion last year. The substantial increase in turnover is mainly attributable to the strong development of the materials procurement and related logistics service business of the Group.

Cost of sales and gross profit

For the year ended 31 December 2009, the cost of sales of the Group was RMB2.57 billion, up RMB753 million or 41% as compared with 1.817 billion of the corresponding period last year and is in line with the growth trend of turnover for the year.

For the year ended 31 December 2009, gross profit margin of the Group was 3.79%, down 2.86% as compared to 6.65% of 2008. One of the main reasons for the over decline of the gross profit margin of the Group is the different extents of decline of turnover of the finished vehicles and components supply chain logistics service business, electronic components supply chain logistics service business and bonded warehouse service business, which resulted in a decline in gross profit. In addition, the materials procurement and related logistics businesses which we started to engage during the reporting period delivers significant turnover amount but relatively low gross profit margin, which further diluted the overall gross profit margin of the Group.

Administrative expenses

The administrative expenses of the Group amounted to RMB49,781,000 in 2009, representing a decrease of RMB2,001,000, or 3.9% as compared to RMB51,782,000 in 2008. The reason for the decline in administrative expenses was that last year administrative expenses included part of the non-recurring listing expenses, which would not be accounted for again this year. Besides, the Company and its subsidiaries have strengthened their control of certain administrative expenses.

Finance costs

The Group's finance costs for the year increased by RMB252,000 from RMB2,161,000 last year to RMB2,413,000. The main reason for the increase was that the Group increased certain short-term bank borrowings to finance its liquidity during the year.

Taxation expenses

The taxation expenses of the Group for 2009 were RMB13,135,000, representing a decrease of RMB15,135,000 as compared to RMB28,270,000 for the last year. Under the prevailing corporate income tax laws, a parent company is no longer required to pay the difference on tax on the dividends distributed by a subsidiary which is subject to a lower corporate income tax rate. The taxation expenses for the year decreases by a substantial amount as a result.

Earnings attributable to the equity holders of the Company

For the year ended 31 December 2009, earnings attributable to the equity holders of the Company was RMB51,049,000, representing an increase of RMB2,616, 000, or 5.4%, as compared to RMB48,433,000 of last year.

Dividend

For the year ended 31 December 2009, profit attributable to the equity holders of the Company was approximately RMB51,049,000. The Board did not recommend the payment of final dividend for the financial year ended 31 December 2009 at the annual general meeting. On 9 November 2009, the Board proposed an interim dividend of RMB0.04 per share, representing a payout ratio of approximately 28%, and a total dividend payment of RMB14,172,480, which was approved on the general meeting held on 8 January 2010.

Liquidity and financial resources

For the year ended 31 December 2009, the Group maintained a sound financial position. As at 31 December 2009, the cash and bank deposit of the Group was RMB246,560,000 (31 December 2008: RMB247,859,000). As at 31 December 2009, the total assets of the Group was RMB1,872,102,000 (31 December 2008: RMB1,458,006,000). Capital was sourced from current liabilities of RMB1,232,395,000 (31 December 2008: RMB877,831,000), non-current liabilities of RMB5,514,000 (31 December 2008: RMB9,153,000), shareholder's equity attributable to the shareholders of the Company was RMB549,124,000 (31 December 2008: RMB498,075,000) and minority interests of RMB85,069,000 (31 December 2008: RMB72,947,000).

As at 31 December 2009, the balance of the bank loans of the Group was RMB84,414,000 (31 December 2008: RMB27,417,000).

As at 31 December 2009, the ratio of total liabilities to total assets of the Group was 66% (31 December 2008: 61%) and the Group's gearing ratio (a ratio of short-term bank loans to shareholder's equity excluding minority interests) was 15.4% (31 December 2008: 5.5%).

Capital structure

There was no change in the share capital structure of the Company during the year ended 31 December 2009 (please refer to note 24 "Share Capital" of the consolidated financial statements).

Pledge and Charge of Assets

For the year ended 31 December 2009, bank deposits of RMB78,015,000 (31 December 2008: RMB57,856,000) of the Group were pledged to banks for the issuance of banks' acceptance bills. The pledged deposits carry fixed interest rate of ranging from 1.71% to 1.98% (2008: 1.98%). The pledged bank deposits will be released upon the settlement of relevant bills payable. Save as mentioned above, the Group had no pledged or charged assets.

Foreign currency risks

The Group may be exposed to certain extent of foreign currency risks as the proceeds from the issue of H shares by the Group was denominated in Hong Kong dollar and was placed in a Hong Kong Dollars account with commercial banks in the PRC pursuant to the regulations of the relevant foreign exchange administrative authority of the PRC and the Group had the balance of deposit denominated in US dollars of approximately RMB17,059,000 at the end of the period. Save as mentioned above, at present, with limited foreign currency transactions, the relevant effect on the Group is minimal.

Contingent liabilities

As at 31 December 2009, the Group provided guarantee to Tianjin Alps Teda Logistics for its liability arising from air freight logistics operation.

Capital commitments

As at 31 December 2009, the Group had the following capital commitments.

	2009 RMB'000
Property, plant and equipments	
Contracted for but not provided	19,656
Approved but not contracted	–
Total	19,656

MAJOR ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 21 April 2009, the Company published an announcement in relation to the entering into of a capital injection agreement for capital injection by its shareholders into Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd. ("Yuan Sheng"), whereby Yuan Sheng will cease to be an indirect non-wholly owned subsidiary of the Company. Such transaction, which constitutes a connected transaction exempt from the independent shareholders' approval requirements under Rule 20.32 of the GEM Listing Rules, is only subject to the reporting and announcement requirements.

On 11 May 2009, the Company published an announcement in relation to establishment of a limited liability company, namely, Tianjin Ferroalloy Exchange Co., Ltd. in Tianjin, the PRC, for provision of metal products trading market and related warehousing and logistics services. Such transaction, which constitutes a discloseable transaction under Rule 19.06 of the GEM Listing Rules, is only subject to the reporting and announcement requirements.

Save as disclosed above, during the reporting period, there was no major acquisition or disposal of any subsidiaries and associated companies by the Group.

EMPLOYEES

As at 31 December 2009, the Company employed 1,688 employees (31 December 2008: 1,646).

	As at 31 December 2009	As At 31 December 2008
Administration	126	79
Finance	45	46
Information Technology	10	31
Sales and Operation	1,507	1,490
Total	1,688	1,646

REMUNERATION POLICY

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

USE OF PROCEEDS

The Group raised a total net proceeds of approximately HK$162,300,000 from placing on 30 April 2008 and over-allotment on 28 May 2008. Since the date of listing on the GEM to 31 December 2009, the practical applications of the proceeds in accordance with the usage disclosed in the prospectus are as follow:

- Approximately RMB 20,000,000 will be used to repay bank borrowings, which were applied for the development of storage and warehousing facilities on the land at TEDA.
- Approximately RMB 109,400,000 will be used for the acquisition of land at Tianjin Port, development of the container stacking yard and construction of warehousing facilities thereon.
- Approximately RMB 8,000,000 will be used for the development of information technology system.
- Approximately RMB 4,000,000 will be used as general working capital of the Group.

As at 31 December 2009, the actual amount of proceeds used by the Company was approximately RMB141,400,000 in aggregate, and the remaining net proceeds had been placed with the commercial banks in the PRC. The Board believes that the remaining net proceeds will be used according to the intended usages as set out in the Prospectus.

Business objectives for the six months ended 31 December 2009 set out in the Prospectus of the Company	Actual business progress for the six months ended 31 December 2009
Business development	
To develop efficient integrated freight forwarding logistics services by sea, highway and railways spanning across Eastern and Northern Asia.	During the reporting period, such project has achieved significant progress with potential customers acquired during the initial stage gradually entering into formal cooperative relations with the Company.
To provide comprehensive logistics and supply chain solutions complemented by procurement services.	During the reporting period, no endeavor was spared to develop such project and significant progress was achieved.
Sales and marketing	
To secure and improve the existing services of provision of logistics and supply chain solutions and procurement services.	During the reporting period, the material procurement and related logistics service business achieved robust growth and recorded operating income of RMB1,227,593,000 (the income from these services for the corresponding period last year was RMB691,756,000), representing an increase of RMB535,837,000 or 77.5% as compared to the corresponding period last year, and was the main income driver of the Company in 2009.
Logistics infrastructure	
To strengthen the logistics infrastructure (including road and sea freight forwarding facilities and operational equipment) of Binhai Logistics Group at Binhai New Area	During the reporting period, the construction works of the container-stacking yard and warehouse facilities at Tianjin Port was completed and such facilities have commenced operation, while the acquisition process of a stacking land with an area of 76,792.5 square meters at Tianjin Port was initiated.

The comparison of business objectives and actual operation progress for the six months ended 30 June 2009 was set out in the interim report of 2009.

The Company believes that stringent corporate governance practices could enhance creditability and transparency and are in the interests of the shareholders of the Company. The Company has established a complete set of code on corporate governance practices – "Handbook of Corporate Governance Practices" pursuant to the requirements of the GEM Listing Rules. During the reporting year, the Company has complied with all the requirements of the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules.

The Group has adopted a code of dealing in securities by the Directors of the Group, which was formulated in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules for the purpose of setting out its own required standards for assessment of the conduct of the Directors in dealings in the securities of the Group. Upon enquiries made to each Director by the Company, all Directors confirmed that they have complied with the code of dealing in securities by the Directors.

The following summarizes details of the corporate governance of the Company.

THE BOARD

The Board of the Company currently comprises 9 Directors which include 2 executive Directors, 4 non-executive Directors and 3 independent non-executive Directors. Among which, Zhang Jian is the Chairman; Zhang Jian and Wang Wei are executive Directors; Zhang Jun, Hu Jun, Ding Yi and Zhang Jinming are non-executive Directors and Zhang Limin, Liu Jingfu and Luo Yongtai are independent non-executive Directors. Details of the members of the Board are set out under the section headed "Directors, Supervisors and Senior Management". The major responsibilities of the Board include formulating the business plans and investment advices; and convening general meetings and signing resolutions proposed in the general meetings. The interest of the Shareholders and the Company is the primary concern of all Board members. Directors should always comply with the relevant laws and regulations in a due diligence manner.

All the independent non-executive Directors appointed by the Company have extensive experience in the logistics industry, finance or enterprise management and other professional areas. Acting in a due and careful manner, independent directors also need to safeguard the interests of the Company and the Shareholders by providing independent advices related to connected transactions and material issues of the Company and providing professional recommendations for the long-term, stable development of the business of the Company.

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

After reassessment of the independence of the independent non-executive Directors by the Company in March 2010, the Company considered that each of the independent non-executive Directors has complied with all independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

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

The Board has held 9 regular meetings and one extraordinary meeting in 2009 to discuss and decide on material strategies, material operating issues, financial issues and other matters as required in the Articles of the Company. The Company has kept the detailed minutes of the relevant meetings.

THE BOARD *(CONTINUED)*

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

	Number of meeting attended/held	Attendance
Executive Directors		
Zhang Jian	10/10	100%
Sun Quan	5/5	100%
(*Sun Quan appointed Zhang Jian to attend the 20th Board meeting, and resigned from office on 29 June 2009)		
Wang Wei (appointed on 29 June 2009)	5/5	100%
Non-executive Directors		
Zhang Jun (*Zhang Jun has appointed Zhang Jian to attend the 18th Board meeting)	10/10	100%
Ding Yi	10/10	100%
Hu Jun (Hu Jun was appointed as director on 29 June 2009 and appointed Zhang Jian to attend the 21st Board meeting) (*Hu Jun appointed Zhang Jian to attend the 24th Board meeting)	5/5	100%
Zhang Jinming (Zhang Limin was appointed as director on 29 June 2009 and appointed Zhang Jian to attend the 21st Board meeting)	5/5	100%
Independent non-executive Directors		
Zhang Limin (*Zhang Limin appointed Liu Jingfu to attend the 24th Board meeting)	10/10	100%
Luo Yongtai (*Luo Yougtai appointed Zhang Limin to attend the 22nd Board Meeting)	10/10	100%
Liu Jingfu (*Liu Jing Fu appointed Zhang Limin to attend the 21st, 22nd and 24th Board meeting the first extraordinary Board meeting)	10/10	100%

Chairman and Chief Executive Officer

Under the Code Provision A.2.1, the roles of chairman (the "Chairman") of the Board and chief executive officer (the "CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and the CEO should be clearly stipulated and set out in writing.

As at 31 December 2009, the roles of the Chairman and the CEO of the Company have been performed by Mr. Zhang Jian and he is responsible for the management of the operation of the Board and the Group. The Board considered that Mr. Zhang Jian has thorough understanding and expertise regarding the business operations of the Group and thus enabling him to make appropriate decisions which are in the interests of the shareholders as a whole on a timely and effectively basis. The Company believed that the combination of the roles of the Chairman and the CEO helps effectively formulating and implementing the Group's strategies as well as quickly responding to the ever-changing markets. The Board also considered that, at this moment, it is not necessary to separate the roles of the Chairman and the CEO. However, the Board will continue to review the effectiveness of the corporate governance structure of the Group in order to decide whether the roles of the Chairman and the CEO should be separated.

THE BOARD *(CONTINUED)*

The Three Committees of the Board

The Company implements specific terms of reference for the audit committee, remuneration committee and nomination committee, whereby the powers and responsibilities of each committee are clearly defined.

(1) *Audit committee*

The Company has set up an audit committee pursuant to the requirements under Rule 5.28 of the GEM Listing Rules and the "Guidelines for the Establishment of Audit Committees" promulgated by the Hong Kong Institute of Certified Public Accountants, with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules. The audit committee currently comprises of all independent non-executive directors namely Mr. Zhang Limin, Mr. Liu Jingfu and Mr. Luo Yongtai, among which the chairman of the committee, Mr. Zhang Limin, has the competent professional qualification and financial experience. The members of the audit committee convene meetings regularly with the management and external auditors and review the internal audit report and the annual accounts of the Group. The audit committee has reviewed the audited financial statements for the year ended 31 December 2009 and has recommended approval to the Board. In 2009, the audit committee held a total of 4 meetings with an average attendance of 100%. The Company has reported its principal activities to the audit committee in the meeting. For the year ended 31 December 2009, the Company has complied with the requirements of Rules 5.28 of the GEM Listing Rules in respect of the audit committee.

(2) *Remuneration committee*

The Company has also set up a remuneration committee which is responsible for the formulation of policies in relation to human resources management, the review of the remuneration policies and the setting up of the remuneration packages of senior management and managers, the proposals and setting of long-term performance-based compensation and objectives as well as the review and governance of the remuneration packages of all executives and the implementation of the employee benefits scheme. The remuneration committee currently comprises of Mr. Luo Yongtai (chairman), Mr. Liu Jing Fu and Mr. Ding Yi. A majority of the remuneration committee are independent non-executive directors of the Company.

During the reporting period, the remuneration committee of the Company has convened one meeting.

(3) *Nomination committee*

The nomination committee currently has three members, with Mr. Zhang Jian being the chairman and Mr. Luo Yongtai and Mr. Liu Jingfu being the members. A majority of the nomination committee are independent non-executive directors of the Company.

TERM OF OFFICE AND RE-ELECTION

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

SUPERVISORY COMMITTEE

The supervisory committee comprises 6 members, of whom, 4 are external supervisors and 2 are staff representative supervisors. The responsibility of the supervisory committee is to monitor the Board and its members and senior management so as to protect the interests of the Shareholders. In 2009, the supervisory committee has reviewed the financial position and the legal compliance of the operations of the Company and has conducted due diligence review of the senior management by convening meetings of supervisory committee and attending Board meetings and general meetings. It has duly performed its duties according to detailed cautions principles.

INTERNAL CONTROL

During the year of 2009, the Company highly emphasized on internal control and continued to adopt various initiatives to control and monitor the business of the Company and prevent potential risks. The particulars of which are as follows:

1. Financial control

The Company continued to strictly comply with the various financial systems formulated by the Company to further strengthen the financial management of the Company and to enhance its financial management.

The internal auditors of the Company are responsible for monitoring the day-to-day financial management of the Company, and the provision of advice and recommendation for improvements to the financial management department and the general managers.

The audit committee of the Company has held 4 meetings to liaise and discuss with the auditors and the financial management department on the financial management, financial statements and auditing of the Company.

2. Operational control

The management of the Company and all departments undertake their respective works and faithfully perform their functions in accordance with the Articles and the systems of the Company in order to ensure the smooth operation of its businesses. The Company carries out monthly statistics compilation and analysis on its operations to enable the management to have a better grasp of the position and to make judgements and decisions. Material issues of the Company shall be submitted to the Board meetings and general meetings for consideration and voting in accordance with the Articles of the Company. The supervisors are responsible for the supervision of the exercise of authority by the management and the Board in the course of managing affairs of the Company, and to provide advice and recommendation.

3. Compliance control

The Company has, during the course of its business expansion, complied with all relevant laws and regulations so as to strengthen the internal control system of the Company. The management and departments of the Company had entered into contracts in accordance with the management requirements of the Company. The Company has in place a designated team to advise on the legal compliance of the Company when making significant operational decisions.

The Company conducts regular statistics compilations in respect of connected transactions between different departments pursuant to the GEM Listing Rules so as to ensure that the implementation and the procedures of connected transactions and disclosure of information are in compliance with the requirements of the GEM Listing Rules.

4. Risk management

The Company has adopted appropriate measures to manage its investment, guarantee, litigations and material projects, and to further regulate the operation and management system, the Company established the risk management department that is mainly responsible for risk evaluation and management of the businesses, such as finance logistics business and new businesses.

RELATIONSHIP WITH SHAREHOLDERS

The Board intends to encourage and maintain on-going communication with the shareholders through various channels. The Company's annual general meeting provides a good opportunity for the Directors to meet and communicate with the shareholders. All Directors shall use their best endeavors to attend the annual general meeting so as to reply enquiries of the shareholders.

RELATIONSHIP WITH INVESTORS

In respect of any disclosable and significant matters, the Company will make timely, accurate and complete disclosure in newspapers and websites as specified by the relevant regulatory authorities pursuant to the disclosure requirements under the GEM Listing Rules in order to safeguard the right to information and participation of the Shareholders.

The Company has established a specialized department responsible for investor relations. Placing strong emphasis on the communication with investors, the Company considers that maintaining on-going and open communications with investors could enhance investors' understanding of and confidence to the Company.

ACCOUNTABILITY AND AUDIT

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

The Company has appointed PricewaterhouseCoopers as auditors of the Company for the year 2009. Fees for audit services for the year ended 31 December 2009 amounted to RMB1,100,000.

GENERAL MEETINGS

The general meeting of the Company has the highest authority. The Company convened an annual general meeting on 29 June 2009 and an extraordinary general meetings on 26 March 2009 to consider and approve, among others, the resolutions relating to continuing connected transactions and amendments to the Articles of Association. The Company highly values the functions of the general meeting as it is considered to be a direct and effective communication channel between the Board and investors of the Company, and thus encourages all Shareholders to attend the general meetings. The Articles of the Company has express provisions in respect of the rights of the Shareholders including the rights to attend, to receive notices of, and to vote in general meetings.

The Board is pleased to announce the annual report and audited consolidated financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

RESULTS

The financial highlights of the reporting period are set out on page 5 of this annual report. Discussion and analysis of the results and financial position of the Group for the year are set out on pages 8 to 13 of this annual report. The consolidated statement of comprehensive income is disclosed in page 37 to this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2009 prepared in accordance with the International Financial Reporting Standards ("IFRS") are set out on page 37 to 90 of this annual report.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

For the year ended 31 December 2009, profit attributable to the equity holders of the Company was approximately RMB51,049,000. On 9 November 2009, the Board proposed an interim dividend of RMB 14,172,480 and was approved on the general meeting held on 8 January 2010. The Board did not recommend payment of final dividend for the financial year ended 31 December 2009 at the annual general meeting.

RESERVES

Details of movements in the reserves of the Group and the Company during the year and details of the distributable reserves of the Company as at 31 December 2009 are set out in Note 25 to the consolidated financial statements prepared in accordance with the IFRS.

STATUTORY RESERVE FUNDS

Details of the statutory reserve funds are set out in Note 25 to the consolidated financial statements.

PROPERTIES

Particulars of movements in properties of the Group and the Company during the reporting period are set out in Note 15 and Note 16 to the consolidated financial statements.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

There is no material contract between the Group and the controlling shareholders or its subsidiaries during the reporting period.

FINANCIAL SUMMARY

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

SUBSIDIARIES AND ASSOCIATES

On 21 April 2009, the Company published an announcement in relation to the entering into of a capital injection agreement for capital injection by its shareholders into Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd. ("Yuan Sheng"), whereby Yuan Sheng will cease to be an indirect non-wholly owned subsidiary of the Company. Such transaction, which constitutes a connected transaction exempt from the independent shareholders' approval requirements under Rule 20.32 of the GEM Listing Rules, is only subject to the reporting and announcement requirements.

On 11 May 2009, the Company published an announcement in relation to establishment of a limited liability company, namely, Tianjin Ferroalloy Exchange Co., Ltd. in Tianjin, the PRC for provision of metal products trading market and related warehousing and logistics services. Such transaction, which constitutes a discloseable transaction under Rule 19.06 of the GEM Listing Rules, is only subject to the reporting and announcement requirements.

Save as disclosed above, during the reporting period, the Company and its subsidiaries had neither made any investment for establishment of any new company nor increased or withdrawn any capital to or from its invested subsidiaries or associates.

CAPITALIZED INTERESTS

For the year ended 31 December 2009, no capitalization of interest of the Company had been made.

SHARE CAPITAL

During the reporting period, there was no change in the Company's share capital. Details are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DIRECTORS AND SUPERVISORS

The Directors and Supervisors in office during the year and up to the date of this report are as follows:–

Executive Directors	Date of appointment
Zhang Jian (chairman)	30 April 2008
Wang Wei	29 June 2009
Sun Quan	30 April 2008 (resigned on 29 June 2009)
Non-executive Directors	
Zhang Jun	30 April 2008
Hu Jun	29 June 2009
Ding Yi	30 April 2008
Zhang Ijnming	29 June 2009
Independent Non-executive Directors	
Zhang Limin	30 April 2008
Liu Jing Fu	30 April 2008
Luo Yongtai	30 April 2008
Supervisors	
Xing Jihai	30 April 2008
Tian Shuyong	30 April 2008
Chen Fang	29 June 2009
Lu Xia	30 April 2008
Yu Ang	30 April 2008
Tong Xin	30 April 2008 (resigned on 3 February 2010)
Ren Gang	30 April 2008 (resigned on 29 June 2009)
He Hongsheng	3 February 2010

CONFIRMATION OF INDEPENDENCE

The Company has received from each of its independent non-executive directors annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' remuneration and the five highest paid individuals are set out in Note 11 to the consolidated financial statements of this report.

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

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2009, none of the directors, chief executives or supervisors of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

As at 31 December 2009, none of the directors, chief executives or supervisors of the Company hold any beneficial interests in the equity interests of any member of the Group, or had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, or had any interest, directly or indirectly, in any assets acquired or disposed of or leased by or to any member of the Group or proposed to be acquired or disposed of or leased by or to any member of the Group since 31 December 2008.

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

So far as is known to the directors, chief executives and supervisors of the Company, as at 31 December 2009, the following person (other than the directors, chief executives and supervisors of the Company) had interests or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly 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 which were required to be recorded in the register referred to in Section 336 of the SFO:

Long position in Shares

Name	Capacity	Number and class of shares	Approximate percentage of shareholding in the same class of shares	Approximate percentage of shareholding to the Company's total issued share capital
		(Note 1)		
Tianjin Teda Investment Holding Company Limited	Beneficial owner	178,765,011 (L) Domestic shares	69.81%	50.45%
Tianjin Economic and Technological Development Area State Asset Operation Company	Beneficial owner	77,303,789 (L) Domestic shares	30.19%	21.82%
Tianjin Port Development Holdings Limited	Beneficial owner	20,000,000 (L) H shares	20.36%	5.64%
Edmond de Rothchild Asset Management (Note 2)	Investment manager	15,672,000 (L) H shares	15.95%	4.42%
Hongkong Topway Trading Co., Limited	Beneficial owner	10,000,000 (L) H shares	10.18%	2.82%
The National Council for Social Security Fund of the People's Republic of China	Beneficial owner	8,931,200 (L) H shares	9.09%	2.52%

Note:

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

2. Edmond de Rothchild Asset Management was deemed to be interested in the 15,672,000 H shares directly owned by Edmond de Rothchild Asset Management Hong Kong Limited by virtue of its 100% shareholding in Edmond de Rothchild Asset Management Hong Kong Limited.

SUBSTANTIAL SHAREHOLDERS AND PERSONS HOLDING INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(CONTINUED)*

Save as disclosed in this report, so far as is known to the directors and chief executives of the Company, as at 31 December 2009, no any other persons (other than directors or chief executives or supervisors of the Company) had interests or short positions which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or, who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or, which were required to be recorded in the register referred to in Section 336 of the SFO.

SHARE APPRECIATION RIGHTS INCENTIVE SCHEME

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

MAJOR CUSTOMERS AND SUPPLIERS

During this reporting period, the percentage of income of the Group from sales of goods and provision of services to major customers to the turnover of the Group are as follows (note (i)):

Tong Fang Global (Tianjin) Logistics Co., Ltd. (同方環球(天津)物流有限公司)	22%
Tianjin Metallic Materials Co., Ltd. (天津市金屬材料有限公司)	17%
Shanghai Longna Logistics and Trading Co., Ltd. (上海龍納物貿有限公司)	12%
TEWOO Metals International Trade Co., Ltd. (天津物產金屬國際貿易有限公司)	8%
Tianjin Jiapulong Commercial & Trading Co., Ltd. (天津市嘉普龍商貿有限公司)	6%
Five largest customers in total	65%

None of the five largest customers above is a related party of the Group pursuant to the GEM Listing Rules. During this reporting period, the percentage of expenses of the Group arising from the purchase of goods and services from major suppliers to the cost of sales of the Group are as follows (note (ii)):

Tianjin Metallurgical No.1 Iron & Steel Group (天津冶金軋一鋼鐵集團有限公司)	19%
Tianjin Xiantong Material & Trade Co., Ltd. (天津市咸通生產資料有限公司)	14%
Tianjin Metallic Materials Co., Ltd. (天津市金屬材料有限公司)	9%
TEWOO Metals International Trade Co., Ltd. (天津物產金屬國際貿易有限公司)	7%
Tianjin Taifeng Steel Co., Ltd. (天津市泰峰鋼鐵有限公司)	6%
Five largest suppliers in total	54%

None of the five largest suppliers above is a related party of the Group pursuant to the GEM Listing Rules. Save as disclosed above, none of the directors, their associates or, to the knowledge of the Board, shareholders who held 5% or more of the share capital of the Company had any beneficial interest in any of the five largest customers and five largest suppliers of the Group.

Notes:

(i) Customer names are based on Chinese version, while English names are provided for reference purpose.

(ii) Supplier names are based on Chinese version, while English names are provided for reference purpose.

COMPETING INTERESTS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company has entered into a number of transactions with the following entities and persons during the year ended 31 December 2009. The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has exercised its discretion under Rule 20.06 of the GEM Listing Rules to deem these entities and persons as connected persons to the Company and hence, the transactions with them as connected and continuing connected transactions.

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

Alps Logistics Co., Ltd. ("Alps Logistics"), which holds 48% interest in Tianjin Alps Teda Logistics Co., Ltd., a non-wholly owned subsidiary of the Company, is a substantial shareholder of a subsidiary of the Company. 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 a connected person of the Company.

Mr. Xiao Huakang is a substantial shareholder of a subsidiary of the Company, Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd., therefore, Mr. Xiao Kanghua is a connected person of the Company.

Details of the connected transactions and continuing connected transactions for the year ended 31 December 2009 are as follows:

A. Connected transaction

On 21 April 2009, the Company entered into Yuan Sheng Capital Increase Agreement ("Capital Increase Agreement") with Yuan Da, Mr. Xiao Huakang, Mr. Cai Guobin, Mr. Tang Yuefeng and Mr. Wu Shouhua. The registered capital increased from RMB10 million to RMB15 million upon completion of the capital injection on 23 December 2009.

B. Continuing connected transactions

1. On 18 April 2008, the Company entered into a master service agreement with Toyota Tsusho ("Toyota Services Supply Agreement"), pursuant to which the Group shall provide logistics services and supply chain solutions for automobile and car components to Toyota Tsusho and its associates for a period up to 31 December 2010. Such transactions constitute a continuing connected transaction.

   Due to the unexpected increase in the actual business volume of Toyota Tsusho which leads to the corresponding increase in the demand of the logistics services from the Group, the aggregate transaction value, which has been received by the Group for the financial year ended 31 December 2009, slightly exceeded the annual monetary cap of RMB60,000,000 by approximately RMB5,318,000. Accordingly, the Company would like to approve and rectify the aggregate transaction value for the period from 1 January 2009 to 31 December 2009 and increase the annual monetary cap for the period from 1 January 2010 to 31 December 2010 in the coming annual general meeting. For details please see the announcement of the Company dated 12 March 2010.

2. On 18 April 2008, the Company entered into a master service agreement with Toyota Tsusho ("Toyota Services Purchase Agreement"), pursuant to which Toyota Tsusho and its associates shall provide technological consultation and assistance services to the Group for a period up to 31 December 2010.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

B. Continuing connected transactions (continued)

3. On 18 April 2008, the Company entered into a master service agreement with Alps Logistics ("Alps Services Supply Agreement"), pursuant to which the Group shall provide logistics services and supply chain solutions to Alps Logistics and its associates for a period up to 31 December 2010.

4. On 18 April 2008, the Company entered into a master service agreement with Alps Logistics ("Alps Services Purchase Agreement"), pursuant to which Alps Logistics and its associates shall provide overseas freight forwarding and warehousing services, the license over the use of the warehouse management system and information technology system to the Group for a period up to 31 December 2010.

5. On 18 April 2008, the Group entered into a master service agreement with Dalian Alps Teda Logistics ("Dalian Alps Services Purchase Agreement"), pursuant to which Dalian Alps Teda Logistics shall provide bonded warehousing, customs clearance and road freight forwarding services to the Group.

   The Stock Exchange has granted a waiver (the "Waiver") in relation to the Toyota Services Supply Agreement, the Toyota Services Purchase Agreement, the Alps Services Supply Agreement, the Alps Services Purchase Agreement and the Dalian Alps Services Purchase Agreement (the "Framework Agreements") to the Group for a period of three years ending 31 December 2010, from strict compliance with the requirements of (i) disclosure by way of announcement, and (ii) disclosure by way of announcements, circular to shareholders and/or subject to independent shareholders' approval, in respect of the continuing connected transactions as set out in the Prospectus.

6. On 6 February 2009, the Company entered into a logistics service agreement ("Logistics Service Agreement") with Toyato Tsusho, pursuant to which Toyato Tsusho provided logistics services to the Group until 31 December 2011.

ANNUAL CAPS AND ACTUAL FIGURES OF NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY

		Annual Caps for the year ended 31 December 2009 RMB'000	Actual Figures for the year ended 31 December 2009 RMB'000
Transaction			
1.	Toyota Services Supply Agreement	60,000	65,318
2.	Toyota Services Purchase Agreement	1,200	12
3.	Alps Services Supply Agreement	111,000	72,762
4.	Alps Services Purchase Agreement and Dalian Alps Services Purchase Agreement	63,500	41,663
5.	Toyota Logistic Services Agreement	30,000	277

Save as disclosed in B(1) above, during the reporting period, the Group has duly complied with the requirements of Chapter 20 of the GEM Listing Rules.

ANNUAL CAPS AND ACTUAL FIGURES OF NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY (continued)

The independent non-executive Directors, Zhang Limin, Liu Jingfu and Luo Yongtai, have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

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

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

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

In accordance with Rule 20.38 of the GEM Listing Rules, the Board engaged the auditors of the Company to perform certain factual finding procedures on the continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400, "Engagement to Perform Agreed-Upon Procedures Regarding Financial Information" issued by Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings for the selected samples based on the agreed procedures to the Board.

The auditors of the Company have confirmed that the continuing connected transactions:

(1) have received the approval of the Board;

(2) have been entered into in accordance with the relevant agreement governing the transactions;

(3) are in accordance with the pricing policies of the Group for transactions where provision of services are involved; and

(4) have not exceeded the cap disclosed in the Prospectus of the Company dated 24 April 2008 and the Circular of the Company dated 9 February 2009, except for the supply of logistics and supply chain solutions for automobile and car components to Toyota Tsusho.

LITIGATION

As at 31 December 2009, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, no litigation, arbitration or claim of material importance is pending or threatened against the Company or any of its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries had purchased, redeemed or sold or cancelled any listed securities of the Company.

PUBLIC FLOAT

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

TRUST DEPOSITS

As at 31 December 2009, neither the Company nor any of its subsidiaries had placed any trust deposits with any financial institutions within and outside the PRC.

COMPLIANCE ADVISOR'S INTERESTS

The Company has appointed Guotai Junan Capital Limited as its compliance advisor pursuant to Rule 6A.19 of the GEM Listing Rules. The term of the appointment commenced on the Listing Date and will end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after the Listing Date (i.e. the date of despatch of the annual report of the Company in respect of its results for the financial year ending 31 December 2010), subject to early termination.

As at 31 December 2009, as notified by Guotai Junan Capital Limited, none of Guotai Junan Capital Limited, its directors, its employees or associates had any interest in the Company's securities (including share options and other rights to subscribe for the Company's securities).

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

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

By the order of the Board
Zhang Jian

Tianjin, the PRC, 22 March 2010

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

Pursuant to the "Company Law of the People's Republic of China", the relevant laws and regulations and the articles of association of the Company, the Supervisory Committee of the Company (the "supervisory Committee"), under its fiduciary duty, has taken up an responsible role to work reasonably and cautiously with integrity and diligence to protect the interests of the Company and its shareholders during the year.

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

Through its efforts made on supervision and inspections during 2009, the Supervisory Committee considers that the members of the Board, the general manager and other senior management of the Company all strictly observed their fiduciary duties, to act diligently and to exercise their authority faithfully under the premise of safeguarding the best interests of the Company. They carried out duties in accordance with the requirements set out in the articles of association of the Company in a standardized manner with an internal control system that is constantly enhancing. The connected transactions of the Company are carried out on fair and reasonable terms that are in the interests of the shareholders of the Company as a whole. To date, none of the directors, general manager and other senior management had been found abusing their authority, damaging the interests of the Company or infringing upon the interests of its shareholders and employees, nor found to be in breach of any laws and regulations or the articles of association of the Company.

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

The Supervisory Committee is satisfied with the performance and the economic benefits achieved by the Company in 2009, and has full confidence in the future development of the Company.

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

By order of the Supervisory Committee
Xing Jihai
Chairman

Tianjin, the PRC, 22 March 2010

EXECUTIVE DIRECTORS

Mr. Zhang Jian (張艦), aged 52, 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 2008, he had been the manager of the investment management department of Teda Holding. He was a 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, Shenzhen Stock Exchange), 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, Yuan Da Logistics ,TBW and Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. and the vice chairman of Tianjin Port Automobile Logistics and Tianjin Ferroalloy Exchange Co., Ltd., the former 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 affiliated companies of Teda Holding, the Controlling Shareholder and an Initial Management Shareholder.

Mr. Wang Wei (王維), aged 37, joined the Company in October 2008 and became an executive director in June 2009. He obtained a bachelor degree in laws at the Law School of Fudan University (復旦大學) in around July 1996, a master degree in management at the Government Management Faculty (政府管理學院) of Peking University (北京大學) in around July 1999 and a master degree in accounting at Indiana University in around December 2002. Mr. Wang had abundant working experience in the field of finance and accounting and had worked in various accounting firms and enterprises, such as BDO Seidman and KPMG, from December 2002 to September 2008, during which he was responsible for corporate accounting, auditing, internal auditing and risk advisory services. Mr. Wang is currently the vice general manager and the secretary of the Board of the Company, the director of Tianjin Fengtian Logistics Co., Ltd., the director of Tianjin Alps Teda Logistics Co., Ltd., the director of Dalian Alps Teda Logistics Co., Ltd. and the director and general manager of TEDA General Bonded Warehouse Co., Ltd.

NON-EXECUTIVE DIRECTORS

Mr. Zhang Jun (張軍), aged 43, 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 2008, he has been working in Teda Holding. He is currently the general manager of Tianjin TEDA Group Company Ltd., a wholly-owned subsidiary of TEDA, and director of Sihuan Pharmaceutical Co., Ltd. (四環藥業股份有限公司) (Stock code: Shenzhen Stock Exchange 000605),Tianjin TEDA Co., Ltd. (Stock code: Shenzhen Stock Exchange 000652) and Binhai Investment Company Limited (濱海投資股份有限公司) (Stock code: Hong Kong Stock Exchange 8035).

NON-EXECUTIVE DIRECTORS *(CONTINUED)*

Mr. Hu Jun (胡軍), aged 33, joined the Company as a non-executive director in June 2009. He graduated from Nankai University (南開大學) in June 1999, majoring in management; obtained a master degree at Tianjin University of Finance and Economics (天津財經大學) in June 2001; and received a doctoral degree from the Regional and Urban Research Institute of Nankai University (南開大學區域與城市經濟研究所). During the period, he had been the chairman of the Tianjin Federation of Students (天津學生聯合會) and vice chairman of Youth Federation (青年聯合會) from 1998 to 1999 and the senior supervisor of the real estate loan department of the Industrial and Commercial Bank of China Tianjin branch, from 1999 to 2002. From 2002 to present, he has been the assistant manager of the investment management department of Tianjin Teda Investment Holding Co., Ltd.. Mr. Hu is also currently the director of Tianjin Teda Construction Group Co., Ltd (泰達建設集團), Tianjin Binhai Energy & Development Co., Ltd. (天津濱海能源發展股份有限公司) (stock code: 000695, Shenzhen Stock Exchange) and Tianjin Jinbin Development Co., Ltd. (天津津濱發展股份有限公司) (stock code: 000897, Shenzhen Stock Exchange) and the chairman of the supervisory committee of Teda Risk Investments Co., Ltd. (泰達科技風險投資有限公司).

Mr. Ding Yi (丁一), aged 45, joined the Company in October 2006 and became a non-executive director in April 2008. 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).

Mr. Zhang Jinming (張金明), aged 58, joined the Company as a non-executive director in June 2009. He completed his research and study in foreign related economics at the Tianjin Economics and Finance University (天津財經大學) in 1992; joined the Tianjin Port Authority (天津港務局) in 1974; had been the deputy head and head of the accounting department of Tianjin Port (Group) Co., Ltd. (天津港(集團)有限公司) during the period from 1992 to 2006; had been the general manager of the budgeting department of Tianjin Port Holdings Co., Ltd. (天津港股份有限公司) from July 1998 to July 2004 and acted as director from April 2001 to March 2006. From April 2001 to March 2006, Mr. Zhang had been the director of Tianjin Port Holdings Co., Ltd. (天津港股份有限公司) (stock code: 600717, Shanghai Stock Exchange). From September 2005 to present, Mr. Zhang has been the executive director and general manager of Tianjin Port Development Holdings Company Ltd. (天津港發展控股有限公司) (Stock code: 3382, Hong Kong Stock Exchange).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Limin (張立民), aged 55, 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. He is a professor of Accounts of the School of Economic Management at Beijing Jiaotong University (北京交通大學經濟管理學院) and part time professor at Sun Yat-sen University (中山大學). Since 2000, Mr. Zhang has been working as deputy chief accountant and has undertaken professional technical advisory duties at Shenzhen Pengcheng Certified Public Accountants (深圳鵬成會計師事務所). 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 Airport Co., Ltd (深圳市機場股份有限公司) (Stock code: 000089, Shenzhen Stock Exchange) and Shenzhen Expressway Company Limited (深圳市高速公路股份有限公司) (Stock code: 600548, Shanghai Stock Exchange). He is also a director of SORL Auto Parts Inc. (Stock symbol: SORL NASDAQ Global Market). He was 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: 000039, Shenzhen Stock Exchange), Shenzhen Chiwan Wharf Holdings Limited (深圳赤灣港航股份有限公司) (Stock code:000022, Shenzhen Stock Exchange) 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, Shenzhen Stock Exchange).

Mr. Luo Yongtai (羅永泰), aged 64, joined the Company as an independent non-executive director in September 2006. He obtained a doctor 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 was 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, Shanghai Stock Exchange) 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, 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, Shenzhen Stock Exchange) and Sichuan Datong Gas Development Co., Ltd (四川大通燃氣開發股份有限公司) (Stock code: 000593, 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, Hong Kong Stock Exchange).

Mr. Liu Jingfu (劉景福), aged 47, joined the Company as an independent non-executive Director in September 2006. He obtained a 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 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. He is also the vice director of Management Committee for China Railway Freight (中國鐵道物資管理委員會), vice director of the Editorial Board of Railway Purchase and Logistics (《鐵道物流與採購》), vice president of Beijing Logistics Association (北京市物流協會), an expert of the National Logistics Information Standardized Technology Commission (全國物流信息標準化技術委員會), and an expert of the National Logistics Enterprises Comprehensive Evaluation Commission (全國物流企業綜合評估委員會). He is the ambassador of China Green Logistics, and has published about 50 papers on magazines of the second and the first grades, with published words about 400,000, and also completed 4 scientific research projects of ministerial level. Mr. Liu is also a visiting professor at Beijing Jiaotong University (北京交通大學), Zhongnan University of Economics and Law (中南財經政法大學) and Beijing Technology and Business University (北京工商大學). Mr. Liu has accumulated years of experience in the management of the operation of logistics business.

SUPERVISORS

External supervisors

Mr. Xing Jihai (邢吉海), aged 58, 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 Tianjin Economic Management Institute (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 work 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, Shenzhen Stock Exchange) and Tianjin TEDA Co., Ltd. (天津泰達股份有限公司) (Stock code: 000652, Shenzhen Stock Exchange), China Bohai Bank (渤海銀行) and Bohai Insurance (渤海保險), 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, Shenzhen Stock Exchange).

Mr. Tian Shuyong (田樹勇), aged 40, 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 December 2007, he worked as a project manager of TEDA Asset Company and from December 2007 to present, he has been working as the manager of the investment management department of TEDA Asset Company.

Mr. Chen Fang (陳方), aged 46, joined the Company as the shareholder representative supervisor in June 2009. He graduated from the Geography Faculty of Fujian Normal University (福建師範大學) in July 1983; had been a teaching staff at the Geography Faculty in Fujian Normal University (福建師範大學) for a period from 1983 to 1997, during which he had been the associate professor and obtained a doctoral degree; had been the executive assistant general manager of Fujian Province Jiuzhou Real Estate Development Co., Ltd. (福建省九州房地產開發有限公司) in 1997, the vice president of China Fujian International Economic Technology Cooperation Company (中國福建國際經濟技術合作公司) in 1998 and the vice general manager of Fujian Province Zhongfu Company Limited (福建省中福實業股份有限公司) in 1999; had been the special assistant to the president of Xiamen Xianyu Group Corporation (廈門象嶼集團有限公司) from August 2000 to October 2003 has been the vice president and director of Xiamen Xianyu Group Corporation from December 2006 to present.

Ms. Lu Xia (呂霞), aged 42, 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 was honored to be the national reviewing and accounting expert of project funds by the Ministry of Industry and Information Technology of the People's Republic of China in 2007. 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, chief accountant and its subsidiaries as director or supervisor.

STAFF REPRESENTATIVE SUPERVISORS

Mr. Yu Ang (俞昂), aged 38, 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 the vice president of Tianjin Ferroalloy Exchange.

Mr. He Hongsheng (何洪生), aged 48, economist. He worked in Bank of China, Tanggu branch in 1981 and was responsible for non-trading foreign exchange business from 1982 to 1989. In 1989, he was graduated from the China Central Radio and TV University (中央電視大學) with major in English. He acted as the deputy head of department and head of department in the retail department of Bank of China, Tanggu branch from 1989 to 1992, during which he was responsible for the management of non-trading foreign exchange and personal banking retail businesses. He was the head of credit card department of Bank of China, Tianjin Binhai branch from 1993 to 2008, and obtained a bachelor degree in international business administration after his study at the Distance Learning College of the Communist Party Central Academy (中央黨校函授學院) from 1995 to 1997. In 1997, he completed the credit card and new century currency training programme organized by the Singapore training centre of Bank of China and obtained the relevant certificate. In 2002, he completed the business administration programme organized by Nankai University (南開大學) and obtained the relevant certificate. He has been the manager of the risk management department of the Company since 2008.

SENIOR MANAGEMENT

Mr. Zhang Jian (張艦), aged 52, executive Director, and the general manager of the Company. He is responsible for the overall management of operation, liaison with major customers and planning for business development of the Group. Please see his biography set out in the sub-section headed "Executive Directors" above.

Mr. Cao Wei Zhong (曹衛中), aged 39. He graduated from the Beijing Jiaotong University (北京交通大學) in 1994. From 2002 to 2007, Mr. Cao had been the investment manager, general manager of the Shanghai branch, general manager of the Tianjin branch, chief operating executive of the China Railway Modern Logistics Technology Co. Ltd. (中鐵現代物流科技股份有限公司). Mr. Cao is the deputy general manager of the Company.

Mr. Wang Wei (王維), aged 37. Mr. Wang is a Certified Public Accountant of the American Institute of Certified Public Accountants and a Certified Internal Auditor of the Institute of Internal Auditor. Mr. Wang has been acting as the secretary of the Board, deputy general manager and manager of investment and strategic planning department. Please see his biography set out in sub-section headed "Executive Directors" above.

Mr. Liu Li Ming (劉利明), aged 54, joined the Group in 1996. From 1986 to 1989, Mr. Liu was the manager of Tianjin Development Area Storage Centre (天津開發區儲運中心). From 1989 to 1995, Mr. Liu was the minister of Tianjin Development Area Storage Centre (天津開發區總公司儲運中心). He is the operation controller of the Group and is the deputy general manager of Tianjin Fengtian Logistics. He is also a director of TBW.

To the shareholders of
Tianjin Binhai Teda Logistics (Group) Corporation Limited
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Tianjin Binhai Teda Logistics (Group) Corporation Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 37 to 90, which comprise the consolidated and company balance sheets as of 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2010

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Revenue	5	2,671,206	1,946,833
Cost of sales	10	(2,570,037)	(1,817,315)
Gross profit		101,169	129,518
Other income	6	15,457	15,086
Other gains and losses	7	(933)	(6,115)
Administrative expenses	10	(49,781)	(51,782)
		65,912	86,707
Finance costs	8	(2,413)	(2,161)
Share of results of associates	20	12,159	9,022
Profit before income tax		75,658	93,568
Income tax expense	9	(13,135)	(28,270)
Profit / total comprehensive income for the year		62,523	65,298
Profit / total comprehensive income attributable to:			
Equity holders of the Company		51,049	48,433
Minority interests		11,474	16,865
		62,523	65,298
Earnings per share (RMB cents)	13		
– Basic		14	15
– Diluted		14	15
Dividends	12	14,172	–

The notes on pages 44 to 90 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Land use rights	14	115,765	114,457
Property, plant and equipment	15	213,736	238,749
Investment properties	16	90,550	–
Deposit paid for acquisition of a land use right		7,820	–
Interests in associates	20	45,040	19,314
Goodwill	17	105	105
		473,016	372,625
Current assets			
Inventories	21	101,036	13,350
Trade and other receivables	22	968,387	766,096
Amounts due from an associate	27	5,088	–
Taxation recoverable		–	220
Pledged bank deposits	23	78,015	57,856
Cash and cash equivalents	23	246,560	247,859
		1,399,086	1,085,381
Total assets		1,872,102	1,458,006
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	354,312	354,312
Other reserves	25	34,893	29,241
Retained earnings			
– Proposed dividend		14,172	–
– Others		145,747	114,522
		159,919	114,522
		549,124	498,075
Minority interests		85,069	72,947
Total equity		634,193	571,022

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liability	30	–	3,413
Deferred income	31	5,514	5,740
		5,514	9,153
Current liabilities			
Trade and other payables	26	1,134,164	822,201
Amounts due to an associate	27	437	–
Amount due to a related party		–	5
Dividend payable	28	–	17,036
Taxation payable		13,380	11,172
Borrowings	29	84,414	27,417
		1,232,395	877,831
Total liabilities		1,237,909	886,984
Total equity and liabilities		1,872,102	1,458,006
Net current assets		166,691	207,550
Total assets less current liabilities		639,707	580,175

The consolidated financial statements on pages 37 and 90 were approved by the Board of Directors on 22 March 2010 and are signed on its behalf.

Zhang Jian
Director

Wang Wei
Director

The notes on pages 44 to 90 are an integral part of these financial statements.

BALANCE SHEET

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Land use rights	14	52,742	49,880
Property, plant and equipment	15	2,423	24,875
Investment properties	16	83,072	–
Deposit paid for acquisition of a land use right		7,820	–
Interests in subsidiaries	18	177,691	167,691
Interests in jointly controlled entities	19	69,585	69,585
Interests in associates	20	27,000	7,000
		420,333	319,031
Current assets			
Inventories	21	92,881	2,035
Trade and other receivables	22	805,541	610,503
Amounts due from subsidiaries	18	37,257	69,313
Pledged bank deposits	23	78,015	57,200
Cash and cash equivalents	23	169,255	135,418
		1,182,949	874,469
Total assets		1,603,282	1,193,500
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	354,312	354,312
Other reserves	25	67,991	67,991
Retained earnings	25		
– Proposed dividend		14,172	–
– Others		55,837	41,793
Total equity		492,312	464,096

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liability	30	–	3,413
Current liabilities			
Trade and other payables	26	1,025,983	697,548
Taxation payable		3,987	4,443
Borrowings	29	81,000	24,000
		1,110,970	725,991
Total liabilities		1,110,970	729,404
Total equity and liabilities		1,603,282	1,193,500
Net current assets		71,979	148,478
Total assets less current liabilities		492,312	467,509

The consolidated financial statements on pages 37 and 90 were approved by the Board of Directors on 22 March 2010 and are signed on its behalf.

Zhang Jian
Director

Wang Wei
Director

The notes on pages 44 to 90 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to equity holders of the Company					
	Share capital RMB'000	Reserves (note 25) RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1 January 2008	265,000	(42,689)	82,775	305,086	83,537	388,623
Comprehensive income						
Profit / total comprehensive income for the year	–	–	48,433	48,433	16,865	65,298
Transactions with owners						
Transfer from retained earnings	–	16,686	(16,686)	–	–	–
Dividends paid	–	–	–	–	(27,455)	(27,455)
Issue of H shares	89,312	69,530	–	158,842	–	158,842
Share issue expenses	–	(14,286)	–	(14,286)	–	(14,286)
Total transactions with owners	89,312	71,930	(16,686)	144,556	(27,455)	117,101
Balance at 31 December 2008	354,312	29,241	114,522	498,075	72,947	571,022
Comprehensive income						
Profit / total comprehensive income for the year	–	–	51,049	51,049	11,474	62,523
Transactions with owners						
Transfer from retained earnings	–	5,652	(5,652)	–	–	–
Deemed disposal of a subsidiary	–	–	–	–	648	648
Total transactions with owners	–	5,652	(5,652)	–	648	648
Balance at 31 December 2009	354,312	34,893	159,919	549,124	85,069	634,193

The notes on pages 44 to 90 are an integral part of these financial statements.

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Cash generated from operations	32(a)	108,094	181,348
Interest received		3,593	3,555
Interest paid		(2,413)	–
PRC Income tax paid		(14,120)	(23,987)
Net cash generated from operating activities		95,154	160,916
Cash flows from investing activities			
Purchase of property, plant and equipment		(96,616)	(64,159)
Purchase of land use right		–	(38,644)
Proceeds from disposal of property, plant and equipment		1,607	3,596
Increase in pledged bank deposits		(20,159)	(57,856)
Deposit paid for acquisition of land use right		(7,820)	–
Increase of investment in an associate		(20,500)	–
Proceeds from disposal of investment in an associate		115	–
Deemed disposal of interest in a subsidiary	32(b)	(541)	–
Dividends received from associates		7,500	1,650
Net cash used in investing activities		(136,414)	(155,413)
Cash flows from financing activities			
Proceeds from issue of H shares		–	158,842
Proceeds from borrowings		81,000	44,000
Repayments of borrowings		(24,003)	(42,696)
Repayment to a related party		–	(40,000)
Interest paid		–	(2,244)
Dividends paid to equity holders		–	(14,947)
Dividends paid to minority interests		(17,036)	(23,591)
Expenses on issue of shares		–	(14,286)
Payment to a minority shareholder of a subsidiary		–	(2,393)
Net cash from financing activities		39,961	62,685
Net (decrease)/ increase in cash and cash equivalents		(1,299)	68,188
Cash and cash equivalents at 1 January		247,859	179,671
Cash and cash equivalents at 31 December representing bank balances and cash		246,560	247,859

The notes on pages 44 to 90 are an integral part of these financial statements.

1. GENERAL

The Company was established as an investment holding company 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 Tianjin Economic and Technological Development Area State Asset Operation Company (天津經濟技術開發區國有資產經營公司) ("TEDA Asset Company") as a joint stock limited company on 26 June 2006. Both TEDA Holding and TEDA Asset Company are controlled by Tianjin Economic and Technological Development Area Administrative Commission ("TEDA Administrative Commission").

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

The Company together with its subsidiaries are hereafter collectively referred to as the Group ("Group"). The Group is engaged in provision of logistics and supply chain solutions services and material procurement and related logistics services.

The Group's principal operations are conducted in the PRC. The consolidated financial statements have been presented in Renminbi ("RMB"), which is the functional currency of the Company.

The consolidated financial statements were approved by the Board of Directors on 22 March 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policy and disclosures

Following are amendments and interpretations ("new IFRSs") 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") which are relevant to the Group:

(i) Effective in the current year

IAS 1 (revised) *Presentation of financial statements*

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. The consolidated financial statements are presented in compliance with this revised standard, and comparative information has been re-presented accordingly. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(CONTINUED)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures (continued)

(i) Effective in the current year *(continued)*

IAS 23 (revised) *Borrowing costs*

The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. This revision has no significant impact to the Group.

IFRS 8 *Operating segments*

IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in segments being reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

These new IFRSs have no material effect on the results or financial position of the Group for the current or prior accounting periods nor any substantial changes in the Group's accounting policies and presentation of the accounts except the presentation of the consolidated statement of comprehensive income to present the non-owner consolidated changes in equity as required under IAS 1 (Revised) and the segment information as required under IFRS 8.

(ii) Amendments early adopted by the Group

IAS 24 (Revised) "Related party disclosures" and IFRS 8 (Revised) "Operating segments", both of which are effective for annual period beginning 1 January 2011, have been early adopted by the Group.

IAS 24 (Revised) introduces an exemption from all of the disclosure requirements of IAS24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

– the name of the government and the nature of their relationship; and
– the nature and amount of any individually-significant transactions; and
– the extent of any collectively-significant transactions qualitatively or quantitatively.

IFRS 8 (revised) clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker.

(iii) Amendments to accounting standard published and relevant to the Group's but are not effective for the financial year ended 31 December 2009 and have not been early adopted by the Group:

IAS 1 (amendment)	*Presentation of financial statements*
IAS 27 (revised)	*Consolidated and separate financial statements*
IFRS 3 (revised)	*Business combinations*
IFRS 9	*"Financial instruments"*

The Group is in the process of assessing the impact of these new standards, interpretations and amendments but is not yet in a position to state whether they would have a significant impact on its results and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(CONTINUED)*

2.2 Consolidation

(a) Subsidiaries

The consolidated financial statements 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.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition, as appropriate. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (note 2.3).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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 consolidated 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 subsequent changes in equity. 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.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transaction with minority interests

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the group. Disposals to minority interest result in gains and losses for the group and are recorded in the income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(CONTINUED)*

2.2 Consolidation *(continued)*

(c) *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 not to control those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements 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 the net assets of the associates, 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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as a profit.

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.

In the Company's balance sheet, investments in associates are stated at cost less provision for impairment loss (Note 2.9). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(d) *Interests in 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. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar items, line by line, in the consolidated financial statements.

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.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a jointly controlled entity (Note 2.3).

In the Company's balance sheet, investments in jointly controlled entities are stated at cost less provision for impairment loss (Note 2.9). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(CONTINUED)*

2.3 Goodwill

Goodwill 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 its subsidiaries, jointly controlled entities or associated companies at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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. 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. 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.

2.4 Segment reporting

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

2.5 Functional currency

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 the respective 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 translated 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 translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net.

The consolidated financial statements are presented in Renminbi (Rmb), which is the company's functional and the group's presentation currency.

None of the group entities has a functional currency that is different from the presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(CONTINUED)*

2.6 Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost less accumulated depreciation and any identified impairment losses.

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

Depreciation 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.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment losses. Construction in progress is classified to the appropriate category of property, plant and equipment when completed are ready for intended use. Depreciation of the assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Items of property, plant and equipment 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%

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

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.

2.7 Land use rights

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(CONTINUED)*

2.8 Investment property

Property that is held for long-term rental yields and that is not occupied by any of the companies within the Group, is classified as investment property.

Investment property is stated at cost less accumulated depreciation and impairment. Depreciation of investment property is calculated to write-off that cost, less estimated net residual value and accumulated impairment losses, if any, on a straight-line basis over estimated useful lives ranging from 20 to 30 years.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Impairment testing of the investments in subsidiaries, associates or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Financial assets and liabilities

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

(a) 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 related parties and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(CONTINUED)*

2.10 Financial assets and liabilities *(continued)*

(a) *Financial assets (continued)*

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 estimated future cash receipts (including all fees 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.

Interest income is recognised on an effective interest basis for debt instruments.

(b) *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 affected.

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 trade and other receivables that are not assessed to be impaired individually, they are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, an impairment loss is recognised in the consolidated income statement where 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 profit or loss. 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 profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(CONTINUED)*

2.10 Financial assets and liabilities *(continued)*

(b) Impairment of financial assets (continued)

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 profit or loss to the extent that the carrying amount of the asset at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(c) 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.

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.

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 issued by the Company are recorded at the proceeds received, net of direct issue costs.

(d) Financial guarantee contract

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(CONTINUED)*

2.10 Financial assets and liabilities *(continued)*

(e) 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 is recognised in profit and loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised 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 profit or loss.

2.11 Inventories

Inventories which consist of steel and other materials are stated at lower of cost and net realisable value. Cost is calculated using actual cost.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(CONTINUED)*

2.16 Current and deferred income tax

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 statements and the corresponding tax bases used in the computation of taxable profit, and are 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 arises from 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.

2.17 Employee benefits

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

2.18 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".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(CONTINUED)*

2.19 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 and parts, warehousing services and related logistics services for steel trading are recognised upon the completion of services.

Sales of steel materials and sales of resins and electronic components are recognised when the goods are delivered and title has passed.

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

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.20 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.

Rentals payable under operating leases are charged to profit or loss 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.

2.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

2.22 Dividend distribution

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

3. FINANCIAL RISK FACTORS

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

3.1 Market risks

(a) 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. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate risk should the need arise.

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

If interest rates on bank balances and variable-rate bank borrowings had been 100 basis points (2008: 100 basis points) higher/lower and all other variables were held constant, post-tax profit for the year will increase/ decrease by about RMB2 million (2008: RMB2 million).

(b) Foreign currency risk management

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date were set out in note 22 and note 23, and monetary liabilities at the reporting date were set out in note 26 and note 29.

The Group is mainly exposed to foreign currency risk between USD/RMB and HK$/RMB. The following table details the Group's sensitivity to a 10% (2008: 10%) increase in RMB against USD and Hong Kong Dollars.

	2009 RMB'000	2008 RMB'000
Decrease in post-tax profit for the year		
– USD	3,030	1,022
– Hong Kong Dollars	204	4,142

For a 10% (2008: 10%) weakening of RMB against USD and Hong Kong Dollars, there would be an equal and opposite impact on the profit.

3. FINANCIAL RISK FACTORS *(CONTINUED)*

3.2 Credit risk

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

As at 31 December 2009, the Group's exposure to credit risk relates mainly to:

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

– the financial guarantees provided by the Group as disclosed in Note 34

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.

At 31 December 2009 and 2008, the ten largest debtors accounted for approximately 75% and 84% of the Group's total trade receivables respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination the credit limits, credit approvals and other monitoring procedures on customers to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amounts of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The directors of the Company consider that the Group's credit risk is adequately managed.

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

3.3 Liquidity risk

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

As at 31 December 2009, the Group has available unutilised bills and short-term banking facilities of approximately RMB484 million (2008: RMB466 million).

3. FINANCIAL RISK FACTORS *(CONTINUED)*

3.3 Liquidity risk *(continued)*

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

The Group

	Weighted average interest rate %	Less than 3 months RMB'000	Over 3 months but not more than 6 months RMB'000	Over 6 moths but not more than 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities						
As at 31 December 2009						
Trade and other payables (note)	–	848,968	120,018	4,780	973,766	973,766
Amounts due to related parties	–	437	–	–	437	437
Bank borrowings	4.85	34,432	20,637	31,367	86,436	84,414
		883,837	140,655	36,147	1,060,639	1,058,617

The Group

	Weighted average interest rate %	Less than 3 months RMB'000	Over 3 months but not more than 6 months RMB'000	Over 6 moths but not more than 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities						
As at 31 December 2008						
Trade and other payables (note)	–	564,503	203,000	–	767,503	767,503
Amounts due to related parties	–	5	–	–	5	5
Dividend payable	–	17,036	–	–	17,036	17,036
Bank borrowings	2.97	3,631	24,000	–	27,631	27,417
		585,175	227,000	–	812,175	811,961

3. FINANCIAL RISK FACTORS *(CONTINUED)*

3.3 Liquidity risk *(continued)*

The Company

	Weighted average interest rate %	Less than 3 months RMB'000	Over 3 months but not more than 6 months RMB'000	Over 6 moths but not more than 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities						
As at 31 December 2009						
Trade and other payables (note)	–	748,153	117,806	–	865,959	865,959
Bank borrowings	5.02	31,016	20,637	31,367	83,020	81,000
		779,169	138,443	31,367	948,979	946,959

The Company

	Weighted average interest rate %	Less than 3 months RMB'000	Over 3 months but not more than 6 months RMB'000	Over 6 moths but not more than 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities						
As at 31 December 2008						
Trade and other payables (note)	–	407,804	203,000	122	610,926	610,926
Bank borrowings	2.7	–	24,000	–	24,000	24,000
		407,804	227,000	122	634,926	634,926

Note: The amount includes bank acceptance bills endorsed to certain creditors (note 26).

3. FINANCIAL RISK FACTORS *(CONTINUED)*

3.4 Capital risk management

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

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

3.5 Fair value estimation

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

In the process of applying the Group's accounting policies, management makes various estimates and judgements based on past experience, expectations of the future and other information. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed below.

Allowances for bad and doubtful debts

Management makes assessment on the recoverability of trade and other receivable based on objective evidence, taking into consideration the estimation of future cash flow. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flow is less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of trade and other receivable is about RMB968 million (2008: RMB766 million) (net of allowance for doubtful debts of about RMB1 million) (2008: RMB1 million).

5. SEGMENT INFORMATION

IFRS 8 (Operating Segments) has been applied effective 1 January 2009. The Group reports three operating segments; these are managed independently by the responsible segment management bodies in line with the products and services offered and the distribution channels and customer profiles involved. Components of entity are defined as segments on the basis of the existence of segment managers with revenue and segment results (profit before tax less interest income, finance cost and corporate expenses) responsibility who report directly to the Group's senior management who make strategic decisions.

Principal activities of the three reportable segments are as follows:

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

Logistics and supply chain service for electronic components – Provision of logistics services, supply chain management and agency service for electronics components;

5. SEGMENT INFORMATION *(CONTINUED)*

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

	For the year ended 31 December 2009					
	Logistics and supply chain service for finished automobiles and components RMB'000	Logistics and supply chain service for electronic components RMB'000	Materials procurement and related logistics services RMB'000	Reportable segments subtotal RMB'000	All other segments RMB'000	Total RMB'000
Revenue	743,840	387,820	1,707,241	2,838,901	28,736	2,867,637
Inter-segment revenue	–	(10,028)	–	(10,028)	(3,224)	(13,252)
Revenue from external customers	743,840	377,792	1,707,241	2,828,873	25,512	2,854,385
Segment results	31,567	29,420	18,951	79,938	250	80,188
Depreciation and amortisation	(13,360)	(6,272)	(1,984)	(21,616)	(7,260)	(28,876)
Share of results of associates	–	–	–	–	12,159	12,159
Income tax expense	(7,438)	(7,494)	(1,043)	(15,975)	(776)	(16,751)

	For the year ended 31 December 2008					
	Logistics and supply chain service for finished automobiles and components RMB'000	Logistics and supply chain service for electronic production material RMB'000	Materials procurement and related logistics services RMB'000	Reportable segments subtotal RMB'000	All other segments RMB'000	Total RMB'000
Revenue	754,317	461,909	929,340	2,145,566	38,989	2,184,555
Inter-segment revenue	(103)	(16,006)	–	(16,109)	(5,136)	(21,245)
Revenue from external customers	754,214	445,903	929,340	2,129,457	33,853	2,163,310
Segment results	50,525	46,022	21,754	118,301	(260)	118,041
Depreciation and amortisation	(8,194)	(5,282)	(194)	(13,670)	(10,371)	(24,041)
Share of results of associates	–	–	–	–	9,022	9,022
Income tax expense	(10,052)	(9,804)	(11,825)	(31,681)	(1,323)	(33,004)

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

5. SEGMENT INFORMATION *(CONTINUED)*

A reconciliation of segment revenue and results to profit for the year is provided as follows:

	2009 RMB'000	2008 RMB'000
Revenue for reportable segments	2,828,873	2,129,457
Revenue attributable to joint venture partners	(183,179)	(216,477)
Other segments	25,512	33,853
Revenue of the Group	2,671,206	1,946,833
Segment results for reportable segments	79,938	118,301
Segment results attributable to joint venture partners	(14,324)	(22,195)
	65,614	96,106
Other segments	250	(260)
Total segments	65,864	95,846
Share of results of associates	12,159	9,022
Unallocated other income	3,593	3,555
Unallocated corporate expenses	(3,545)	(12,694)
Finance costs	(2,413)	(2,161)
Profit before income tax	75,658	93,568
Income tax expense	(13,135)	(28,270)
Profit for the year	62,523	65,298

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

6. OTHER INCOME

	2009 RMB'000	2008 RMB'000
Interest income from bank deposits	3,593	3,555
Subsidy income (note)	11,864	11,295
Others	–	236
	15,457	15,086

Note: Subsidy income represents subsidies and awards from local government authorities for the Group's contribution to the development of the local economies. Included in the subsidy income is a government grant of RMB9.2 million (2008: RMB10.9 million) 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) to assist the Company.

7. OTHER GAINS AND LOSSES

	2009 RMB'000	2008 RMB'000
Gain on deemed disposal of a subsidiary	1,473	–
Loss on disposal of property, plant and equipment	(739)	(1,012)
Net foreign exchange losses	(375)	(4,880)
Others	(1,292)	(223)
	(933)	(6,115)

8. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest on bank borrowings	2,413	2,161

9. INCOME TAX EXPENSE

	2009 RMB'000	2008 RMB'000
Current income tax		
– the Company and subsidiaries	12,670	19,788
– jointly controlled entities	3,878	5,069
	16,548	24,857
Deferred tax (note 30)		
– the Company	(3,413)	3,413
	13,135	28,270

Under the prevailing tax law in the PRC, the Enterprise Income Tax rate of the Company, the subsidiaries and the jointly controlled entities, other than those stated below, is 25%.

9. INCOME TAX EXPENSE *(CONTINUED)*

Pursuant to the relevant approval by the tax authorities, both Tianjin Fengtian Logistics, a subsidiary of the Group, and Tianjin Alps Teda Logistics, a jointly wholly entity of the Group, which are recognised as manufactory foreign investment enterprises, have been entitled to a preferential tax rate of 15% since 2005. Upon the implementation of the Law of the PRC on Enterprise Income Tax in 2008, a five-year transitional period has been granted to entities that previously enjoyed the preferential tax rate of 15%, over which the tax rate will gradually be increased to the standard rate of 25%. The applicable tax rate for both entities is 20% for 2009 (2008: 18%).

Pursuant to the relevant approval by the tax authorities, TEDA General Bonded Warehouse Co., Ltd., a subsidiary of the Group is recognised as a new high-tech enterprise, entitled a preferential tax rate of 15% for 2009. The preferential tax treatment is subject to review by the relevant tax authority on an annual basis.

The tax charge for the year can be reconciled to the profit before income tax as follows:

	2009 **RMB'000**	2008 RMB'000
Profit before income tax	**75,658**	93,568
Tax at the domestic income tax rate of 25% (2008: 25%)	**18,915**	23,392
Tax effect of:		
– Income attributable to associates	**(3,040)**	(2,255)
– Expenses not deductible for taxation purpose	**2,112**	2,197
– Tax losses not recognised	**1,106**	1,576
– Preferential tax rates of subsidiaries/ jointly controlled entities	**(2,545)**	(1,254)
– Utilisation of tax losses previously not recognised	**–**	(4,898)
– Effect of tax on distributions	**–**	6,099
– Decrease/(increase) in deferred tax liability resulting from undistributed profit of a subsidiary	**(3,413)**	3,413
Income tax expense	**13,135**	28,270

10. EXPENSES BY NATURE

Profit before income tax is arrived after charging:

	2009 RMB'000	2008 RMB'000
Auditor's remuneration	1,100	1,254
Depreciation	23,062	21,482
Amortisation	2,780	2,154
Listing expenses	–	14,286
Operating lease charges	6,057	4,389
Employee benefits expenses (note 11)	95,427	86,501
Cost of materials purchased	1,711,398	968,401
Subcontracting charges	649,862	644,113
Sales tax	12,950	15,003
Transportation	20,518	3,932
Fuel	15,415	22,694
Others	81,249	84,888
	2,619,818	1,869,097

11. EMPLOYEE BENEFIT EXPENSE

	2009 RMB'000	2008 RMB'000
Wages and salaries	60,741	61,783
Employer's contribution to pension scheme	28,756	18,966
Others	5,930	5,752
	95,427	86,501

(a) Director emoluments

	2009 RMB'000	2008 RMB'000
Director's fees	285	270
Other emoluments:		
– Salaries and allowances	850	326
– Performance related bonuses	1,252	337
– Retirement benefit scheme contributions	19	9
	2,406	942

Note: The performance related bonus is determined by reference to the individual performance of the directors.

11. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

The emoluments paid and payable to each of the 10 (2008: 7) directors were as follows:

	Director's fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
For the year ended 31 December 2009					
Executive directors:					
Zhang Jian	–	523	974	19	1,516
Wang Wei (i)	–	327	278	–	605
Sun Quan (ii)	15	–	–	–	15
Non-executive directors:					
Zhang Jun	30	–	–	–	30
Hu Jun (i)	15	–	–	–	15
Zhang Jinming (i)	15	–	–	–	15
Ding Yi	30	–	–	–	30
Independent non-executive directors:					
Liu Jingfu	60	–	–	–	60
Luo Yongtai	60	–	–	–	60
Zhang Limin	60	–	–	–	60
	285	850	1,252	19	2,406

(i) The above Directors were appointed on 29 June 2009.

(ii) The above Director has resigned from the Company on 29 June 2009.

	Director's fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
For the year ended 31 December 2008					
Zhang Jian	–	326	337	9	672
Zhang Jun	30	–	–	–	30
Sun Quan	30	–	–	–	30
Ding Yi	30	–	–	–	30
Liu Jingfu	60	–	–	–	60
Luo Yongtai	60	–	–	–	60
Zhang Limin	60	–	–	–	60
	270	326	337	9	942

11. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

Of the five individuals with the highest emoluments in the Group, two (2008: one) are directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2008: four) individuals were as follows:

	2009 RMB'000	2008 RMB'000
Employees		
– salaries and allowances	**1,237**	1,356
– performance related bonus	**–**	23
– retirement benefit scheme contribution	**–**	29
	1,237	1,408

The emoluments of each of these individuals were below RMB881,000 (2008: RMB882,000) (equivalent to HK$1,000,000) for the year.

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 in the year ended 31 December 2009.

12. DIVIDENDS

On 23 November 2009, the Company announced that an interim dividend of RMB0.04 per share was proposed to be paid to shareholders whose names appear on the register of members of the Company on 8 January 2010. The proposed dividend was approved at an extraordinary general meeting held on 8 January 2010 and paid in February 2010.

This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

13. EARNINGS PER SHARE

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

	2009 RMB'000	2008 RMB'000
Earnings		
Profit attributable to equity holders of the Company	51,049	48,433
Number of shares (thousands)		
Weighted average number of ordinary shares for calculating basic and diluted earnings per share	354,312	324,733

There are no diluted earnings per share presented as there are no potential ordinary shares outstanding for both 2008 and 2009.

14. LAND USE RIGHTS

The Group	2009 RMB'000	2008 RMB'000
At beginning of the year	114,457	66,138
Additions	4,088	50,473
Amortisation charge	(2,780)	(2,154)
At end of the year	115,765	114,457

The Company	2009 RMB'000	2008 RMB'000
At beginning of the year	49,880	–
Additions	4,088	50,473
Amortisation charge	(1,226)	(593)
At end of the year	52,742	49,880

Note: All the land use rights of the Group are situated in the PRC and are amortised over their lease periods. As at 31 December 2009, the land use rights have remaining lease periods ranging from 37 to 48 years.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
The Group						
Cost						
At 1 January 2008	150,591	29,632	19,726	38,448	2,804	241,201
Additions	2,359	4,334	3,383	9,372	51,027	70,475
Transfer	3,594	359	32	9,244	(13,229)	–
Disposals	(1,265)	(1,198)	(2,565)	(3,781)	–	(8,809)
At 1 January 2009	155,279	33,127	20,576	53,283	40,602	302,867
Additions	9,731	1,963	2,609	1,644	80,669	96,616
Transfer	32,434	–	–	313	(32,747)	–
Deemed disposal of a subsidiary	(576)	(32)	(838)	(740)	(23)	(2,209)
Transfer to land use rights	–	–	–	–	(4,088)	(4,088)
Transfer to investment properties	(8,283)	–	–	–	(83,291)	(91,574)
Disposals	(888)	(22)	(3,665)	(991)	–	(5,566)
At 31 December 2009	187,697	35,036	18,682	53,509	1,122	296,046
Accumulated depreciation						
At 1 January 2008	13,919	7,350	6,824	18,744	–	46,837
Charge for the year	6,631	3,735	3,403	7,713	–	21,482
Disposals	(523)	(633)	(1,062)	(1,983)	–	(4,201)
At 1 January 2009	20,027	10,452	9,165	24,474	–	64,118
Charge for the year	7,118	4,773	3,075	7,671	–	22,637
Deemed disposal of a subsidiary	(156)	(5)	(193)	(273)	–	(627)
Transfer to investment properties	(598)	–	–	–	–	(598)
Disposals	(341)	(18)	(2,437)	(424)	–	(3,220)
At 31 December 2009	26,050	15,202	9,610	31,448	–	82,310
Net book values						
At 31 December 2009	161,647	19,834	9,072	22,061	1,122	213,736
At 31 December 2008	135,252	22,675	11,411	28,809	40,602	238,749

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

	Buildings	Machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Company						
Cost						
At 1 January 2008	–	–	888	2,112	7,840	10,840
Additions	–	–	–	–	14,291	14,291
At 1 January 2009	–	–	888	2,112	22,131	25,131
Additions	–	–	218	–	65,248	65,466
Transfer to land use right	–	–	–	–	(4,088)	(4,088)
Transfer to investment properties	–	–	–	–	(83,291)	(83,291)
At 31 December 2009	–	–	1,106	2,112	–	3,218
Accumulated depreciation						
At 1 January 2008	–	–	24	29	–	53
Charge for the year	–	–	119	84	–	203
At 1 January 2009	–	–	143	113	–	256
Charge for the year	–	–	159	380	–	539
At 31 December 2009	–	–	302	493	–	795
Net book values						
At 31 December 2009	–	–	804	1,619	–	2,423
At 31 December 2008	–	–	745	1,999	22,131	24,875

Note: The Group is in the process of applying for the title to certain buildings with cost of approximately Rmb8 million as at 31 December 2009 (2008: Nil). The directors of the Company believe that the title documents will be obtained in due course without significant additional cost.

16. INVESTMENT PROPERTIES

	2009 RMB'000	2008 RMB'000
The Group		
At the beginning of the year	–	–
Transfer from property, plant and equipment	90,975	–
Depreciation charge for the year	(425)	–
At the end of the year	90,550	–

	2009 RMB'000	2008 RMB'000
The Company		
At the beginning of the year	–	–
Transfer from property, plant and equipment	83,291	–
Depreciation charge for the year	(219)	–
At the end of the year	83,072	–

All investment properties of the Group and the Company are warehouses located in the PRC. Based on market comparables and future discounted rental income, the directors believe that the fair value of these warehouses at 31 December 2009 is approximately RMB114 million.

The Group is in the process of applying for the title to certain buildings with cost of approximately Rmb74 million as at 31 December 2009 (2008: Nil). The directors of the Company believe that the title documents will be obtained in due course without significant additional cost.

17. GOODWILL

	2009 RMB'000	2008 RMB'000
The Group		
Amount recognised from acquisition of additional 2% interest in Tianjin Alps Teda Logistics	105	105

The directors of the Company assessed the recoverable amount of the goodwill and consider that the goodwill is not impaired.

18. INTERESTS IN SUBSIDIARIES

	2009 RMB'000	2008 RMB'000
Non-current assets		
Unlisted shares, at cost	**177,691**	167,691
Current assets		
Amount due from subsidiaries (note)	**37,257**	69,313

As at 31 December 2009 and 2008, the Group's subsidiaries are set out in Note 36(a).

Note: Included in the amounts of 2008 were dividend receivables of RMB19,343,000 which was settled in 2009. Other amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The Company	2009 RMB'000	2008 RMB'000
Unlisted shares at cost	**69,585**	69,585

The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

The Group	2009 RMB'000	2008 RMB'000
Current assets	**98,374**	98,422
Non-current assets	**31,216**	27,725
Current liabilities	**38,211**	33,040
Income	**194,613**	238,005
Expenses	**183,342**	218,944
Net profit	**11,271**	19,061

At the balance sheet date, the jointly controlled entities do not have any outstanding contingent liabilities.

The Company provided guarantee to Tianjin Alps Teda Logistics for its liability arising from air freight logistics operation for the period from 18 October 2007 to 18 October 2010 (note 34).

As at 31 December 2009 and 2008, the Group's jointly controlled entities are set out in note 36(b).

20. INTERESTS IN ASSOCIATES

The Group	2009 RMB'000	2008 RMB'000
Investment, at cost	35,500	9,620
Share of post acquisition profits, net of dividends received	9,540	9,694
	45,040	19,314

The Company	2009 RMB'000	2008 RMB'000
Unlisted shares, at cost	27,000	7,000

(a) Movement of the Group's share of net assets are as follows:

	2009 RMB'000	2008 RMB'000
As at 1 January	19,314	11,942
Increase in investment (note (i))	20,500	–
Decrease in investment	(115)	–
Reclassification (note (ii))	682	–
Share of results of associates	12,159	9,022
Dividends received	(7,500)	(1,650)
	45,040	19,314

Notes:

(i) Pursuant to a promoter agreement dated 28 April 2009, the Company together with various metal suppliers establish an entity which is principally engaged in the provision of a trading platform for metal products and related warehousing and logistics services. The Company holds a 20% equity interest with a capital injection of Rmb20 million.

(ii) The Group lost its control over Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd. effective 7 June 2009 as a result of increase in capital injection by the then minority shareholders. The Group's interest is accounted for as investment in associates thereafter. An amount of Rmb682,000 has been reclassified, representing investment cost of Rmb5,500,000 less accumulated loss of Rmb4,818,000.

20. INTERESTS IN ASSOCIATES *(CONTINUED)*

(b) The Group's share of assets, liabilities, revenue and results of the Group's associates are as follows:

	2009 RMB'000	2008 RMB'000
Total assets	162,440	47,855
Total liabilities	(14,049)	(4,614)
Net assets	148,391	43,241
Group's share of net assets	45,040	19,314
Revenue	84,545	62,141
Profit for the year	16,604	16,597
Group's share of results of the year	12,159	9,022

Particulars of principal associates are set out in Note 36(c).

21. INVENTORIES

The Group	2009 RMB'000	2008 RMB'000
Steel	92,726	1,919
Other materials	8,310	11,431
	101,036	13,350

The Company	2009 RMB'000	2008 RMB'000
Steel	92,726	1,919
Other materials	155	116
	92,881	2,035

22. TRADE AND OTHER RECEIVABLES

The Group	2009 RMB'000	2008 RMB'000
Trade receivables	176,741	188,363
Less: impairment recognised	(46)	(537)
	176,695	187,826
Bills receivable (note (c))	447,778	349,134
	624,473	536,960
Prepayment to suppliers	327,306	205,363
Other receivables	17,124	24,288
Less: impairment recognsied	(516)	(515)
	968,387	766,096

The Company	2009 RMB'000	2008 RMB'000
Trade receivables	32,661	56,815
Bills receivables (note (c))	447,778	349,134
	480,439	405,949
Prepayment to suppliers	323,282	203,535
Other receivables	1,820	1,019
	805,541	610,503

(a) The Company and the Group's trade receivables are principally denominated in Renminbi.

(b) The bills are non-interest bearing bank acceptance bills with a maximum maturity period of six months.

(c) Bills receivable outstanding at the balance sheet date amounting to RMB438 million (2008: RMB324 million) have been endorsed to the Company's trade creditors.

As at 31 December 2008, the Company discounted notes receivable of RMB24 million with a bank with recourse (note 29).

The Group continues to recognise the endorsed bills as receivables. Such endorsed bills have not been applied to reduce the amounts of related trade creditors.

22. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(d) The Group allows an average credit period ranging from 30 to 90 days to its trade customers. Bills receivables have a maturity of 180 days.

The following is an aged analysis of trade and bills receivables at the balance sheet date:

The Group	2009 RMB'000	2008 RMB'000
0 – 90 days	339,925	515,493
91 – 180 days	282,984	20,720
181 – 365 days	722	732
1 – 2 years	842	15
	624,473	536,960

The Company	2009 RMB'000	2008 RMB'000
0 – 90 days	199,034	405,949
91 – 180 days	281,405	–
	480,439	405,949

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 96% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

22. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

The Group	2009 RMB'000	2008 RMB'000
91 – 180 days	2,300	20,720
181 – 365 days	722	732
1 – 2 years	842	15
	3,864	21,467

The Company	2009 RMB'000	2008 RMB'000
91 – 180 days	721	–

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

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

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

Movement in impairment loss recognised is as follows:

The Group	2009 RMB'000	2008 RMB'000
At the beginning of the year	1,052	829
Impairment loss/(reversed) recognised	(490)	223
At the end of the year	562	1,052

23. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

The Group	2009 RMB'000	2008 RMB'000
Cash at bank and on hand	175,022	205,609
Short term deposits	71,538	42,250
	246,560	247,859
Pledged bank deposits (note (c))	78,015	57,856

The Company	2009 RMB'000	2008 RMB'000
Cash at bank and on hand	98,917	93,168
Short term deposits	70,338	42,250
	169,255	135,418
Pledged bank deposits (note (c))	78,015	57,200

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

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Currency:				
– US Dollars	17,059	11,042	2,166	8,717
– HK Dollars	2,044	55,231	2,044	48,603
– Japanese Yen	296	220	–	–
– Euro	572	1,323	–	–

23. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS *(CONTINUED)*

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Effective interest rate	**0.01%-1.71%**	0.01%-1.71%	**0.01%-1.71%**	0.01%-1.71%

(c) Bank deposits are pledged to banks to secure bills payable of RMB390 million (2008: RMB272 million) issued by the Group.

The pledged deposits carry fixed interest rate ranging from 1.71% to 1.98% (2008: 1.98%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills payable.

24. SHARE CAPITAL

	2009			2008		
	Domestic shares	**H-share**	**Total**	Domestic shares	H-share	Total
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
At beginning of the year	**256,069**	**98,243**	**354,312**	265,000	–	265,000
Issue of H-shares by placing (note (a))	–	–	–	–	88,600	88,600
Issue of H-shares under over-allotment option (note (b))	–	–	–	–	712	712
Conversion from domestic shares to H-shares (note (c))	–	–	–	(8,931)	8,931	–
At end of the year	**256,069**	**98,243**	**354,312**	256,069	98,243	354,312

Notes:

(a) On 30 April 2008, the Company issued 88,600,000 H shares with a nominal value of RMB1.00 each, at a price of HK$1.98 (approximately RMB1.78) per H share by way of placing to Hong Kong investors.

(b) On 28 May 2008, as a result of the exercise of the over-allotment option by the lead manager, the Company issued 712,000 H shares with a nominal value of RMB1.00 each, at a price of HK$1.98 (approximately RMB1.76) per H share.

(c) In 2008, in accordance with the relevant approval from State-owned Assets Supervision and Administration Commission of the State Council, 6,234,989 and 2,696,211 Domestic shares held by TEDA Holding and TEDA Assets Company respectively were converted into equal number of H shares, and altogether transferred to the National Council for Social Security Fund of the PRC for retention until the completion of the placing of the Company's shares.

25. OTHER RESERVES

The Group	Share premium RMB'000	Other reserves (note b) RMB'000	Statutory reserves (note a) RMB'000	Total RMB'000
Balance at 1 January 2008	–	(73,258)	30,569	(42,689)
Transfer from retained earnings	–	–	16,686	16,686
Issue of H shares	69,530	–	–	69,530
Share issue expenses	(14,286)	–	–	(14,286)
Balance at 31 December 2008	55,244	(73,258)	47,255	29,241
Transfer from retained earnings	–	–	5,652	5,652
Balance at 31 December 2009	55,244	(73,258)	52,907	34,893

The Company	Share premium RMB'000	Statutory reserves (note a) RMB'000	Total RMB'000
Balance at 1 January 2008	–	6,405	6,405
Transfer from retained earnings	–	6,342	6,342
Issue of H shares	69,530	–	69,530
Share issue expenses	(14,286)	–	(14,286)
Balance at 31 December 2008	55,244	12,747	67,991
Transfer from retained earnings	–	–	–
Balance at 31 December 2009	55,244	12,747	67,991

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

25. OTHER RESERVES *(CONTINUED)*

(a) Statutory reserves (continued)

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 articles of association, statutory surplus reserve should be appropriated from net profit of management account under PRC GAAP before distribution. The amount of appropriation should be 10% of profit after taxation, calculated in accordance with the PRC accounting rules and regulations, applicable to enterprises in the PRC, of the Company and its subsidiaries. The appropriation may cease to apply if the balance of the statutory surplus reserve has reached 50% of the entity's registered capital. Statutory surplus reserve can be used to make up prior year losses, to expand operation or to increase share capital. The Company or its subsidiaries may 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.

(b) Other reserves

Other reserves as at 31 December 2008 and 2009 represent the difference between the paid up capital of the subsidiaries and the Group's share of the capital 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 reorganisation of the group prior to listing.

(c) Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB28,216,000 (2008: RMB34,664,000).

26. TRADE AND OTHER PAYABLES

The Group	2009 RMB'000	2008 RMB'000
Trade payables (note (i))	546,935	426,915
Bills payables (note (ii))	390,075	272,000
	937,010	698,915
Deposits from customers	160,398	54,698
Other payables	36,756	68,588
	1,134,164	822,201

The Company	2009 RMB'000	2008 RMB'000
Trade payables (note (i))	455,975	324,134
Bills payables (note (ii))	390,075	272,000
	846,050	596,134
Deposits from customers	160,024	86,622
Other payables	19,909	14,792
	1,025,983	697,548

26. TRADE AND OTHER PAYABLES *(CONTINUED)*

Notes:

(i) At the balance sheet date, the Group has endorsed bank acceptance bills to certain creditors amounted to RMB438 million (Note 22(c)).

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

The aging analysis of the trade payables and bills payables at the balance sheet dates is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
0 – 90 days	**817,357**	694,447	**728,670**	596,134
91 – 180 days	**118,803**	1,361	**117,380**	–
181 – 365 days	**158**	1,194	**–**	–
1 – 2 years	**364**	1,855	**–**	–
Over 2 years	**328**	58	**–**	–
	937,010	698,915	**846,050**	596,134

The Group's trade payable is principally denominated in Renminbi.

27. AMOUNT DUE FROM/ (TO) AN ASSOCIATE

The Group	**2009** **RMB'000**	2008 RMB'000
Amount due from an associate (note (a))	**5,088**	–
Amount due to an associate (note (b))	**437**	–

Notes:

(a) Balance represents land and machinery rental receivable from Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd ("Yuan Sheng").

(b) Balance represents rental deposits paid by Yuan Sheng.

28. DIVIDEND PAYABLE

Dividend payable as at 31 December 2008 was payable to minority shareholders of a subsidiary.

29. BORROWINGS

The Group	2009 RMB'000	2008 RMB'000
Short term bank borrowings	84,414	3,417
Bank acceptance bills discounted with recourse (note (a))	–	24,000
	84,414	27,417
Analysed into:		
– Secured (note (b))	3,414	27,417
– Unsecured	81,000	–
	84,414	27,417

The Company	2009 RMB'000	2008 RMB'000
Short term bank borrowings	81,000	–
Bank acceptance bills (notes (a))	–	24,000
	81,000	24,000
Analysed into:		
– Secured	–	24,000
– Unsecured	81,000	–
	81,000	24,000

Note:

(a) As at 31 December 2008, the Company has discounted bank acceptance bills amounting to RMB24 million with a bank at a discount rate of 2.7%.

(b) Included in the balance is the Group's share of a short term bank borrowing of a jointly controlled entity amounting to RMB3,414,000 (2008: RMB3,417,000). The borrowing is denominated in US Dollars, carrying interest at floating rates ranging from 0.96% to 4.90% (2008: 3.29%–5.71%) and is guaranteed by Alps Logistics Co., Ltd., the joint venture partner of Dalian Alps Teda Logistics as at 31 December 2008 and 2009.

(c) Except for the loan balance of RMB3,414,000 (2008: RMB3,417,000) which is denominated in US Dollars, all other loans are denominated in RMB.

30. DEFERRED TAXATION LIABILITY

The Group and the Company	Undistributed profits of a subsidiary 2009 RMB'000	2008 RMB'000
At beginning of the year	3,413	–
(Credited)/charge to income statement	(3,413)	3,413
At end of the year	–	3,413

31. DEFERRED INCOME

	2009 RMB'000	2008 RMB'000
Government grants received	5,514	5,740

The government grants from TEDA Administrative Commission were received by a subsidiary of the Group in respect of its acquisition of land use rights in 2007. The government grants are recognised as deferred income and will be released to income over the periods necessary to match them with the related costs.

32. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to net cash from operations:

	2009 RMB'000	2008 RMB'000
Profit before tax	75,658	93,568
Adjustment for:		
Interest income	(3,593)	(3,555)
Finance costs	2,413	2,161
Depreciation for property, plant and equipment and investment properties	23,062	21,482
Amortisation of land use rights	2,780	2,154
Loss on disposal of property, plant and equipment	739	1,012
Allowance for bad and doubtful debts	(490)	223
Share of results of associates	(12,159)	(9,022)
Operating cash flow before changes in working capital:	88,410	108,023
(Increase)/decrease in inventories	(87,747)	54,780
Increase in trade and other receivables	(205,414)	(551,496)
(Increase)/decrease in amounts due from related parties	(5,088)	19
Increase in trade and other payables	317,501	570,061
Increase/(decrease) in amounts due to related parties	432	(39)
Net cash from operations	108,094	181,348

(b) Deemed disposal of interest in a subsidiary

	2009 RMB'000	2008 RMB'000
Net assets/(liabilities) disposed		
Property, plant and equipment	1,583	–
Trade and other receivables	3,613	–
Inventories	61	
Cash and cash equivalent	541	–
Trade and other payables	(7,237)	–
Identifiable net liabilities	(1,439)	
Less: minority interests	648	
Net liabilities disposed of	(791)	–
Gain on deemed disposal	1,473	–
Satisfied by:		
Investment in an associate	682	–
Net cash outflow in respect of deemed disposal of a subsidiary	(541)	–

33. COMMITMENT

(a) Operating lease commitment

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

	2009 RMB'000	2008 RMB'000
Buildings		
Within one year	3,850	8,399
In the second to fifth year inclusive	1,220	2,377
	5,070	10,776

	2009 RMB'000	2008 RMB'000
Motor vehicles		
Within one year	1,186	884
In the second to fifth year inclusive	83	–
	1,269	884

The Company has no significant operating lease expenses commitment.

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

	2009 RMB'000	2008 RMB'000
The Group		
Within one year	12,209	–
In the second to fifth year inclusive	6,772	–
	18,981	–

	2009 RMB'000	2008 RMB'000
The Company		
Within one year	7,354	–
In the second to fifth year inclusive	2,678	–
	10,032	–

33. COMMITMENT *(CONTINUED)*

(b) Capital commitment

Capital expenditure in respect of acquisition of property, plant and equipment and land use rights contracted for but not provided in the consolidated financial statements:

	2009 **RMB'000**	2008 RMB'000
Company and subsidiaries	–	75,010
Jointly controlled entities	19,656	3,692
	19,656	78,702

34. FINANCIAL GUARANTEE LIABILITIES

At 31 December 2009, the Company has outstanding guarantee of Rmb9.9 million (2008: Rmb3.6 million) provided to Tianjin Alps Teda Logistics for its liability arising on the air freight logistics operation (Note 19).

The directors of the Company consider that the fair value of this outstanding financial guarantee is insignificant at initial recognition and the possibility of the default is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and on the balance sheet as at 31 December 2009 and 2008.

35. RELATED PARTY TRANSACTIONS

Save for the balances with related party at the balance sheet date as set out in note 27, the Group had the following transactions with related parties:

(a) Transactions with TEDA Asset Company

In 2008, the Group disposed of certain transportation machinery and equipments with no significant gains or losses to TEDA Asset Company, a shareholder of the Company.

(b) Transactions with Tianjin TEDA Construction Group Co., Ltd

During the year, the Company completed the acquisition of land use right and buildings from Tianjin TEDA Construction Group Co., Ltd, a subsidiary of Tianjin TEDA Administrative Commission, at a consideration of RMB15 million.

35. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Transactions with a jointly controlled entity

Income received by a subsidiary of the Company from a jointly controlled entity:

	2009	2008
	RMB'000	RMB'000
Logistics service income	–	65
Rental income	2,463	–

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

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

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

(e) Key management compensation

The details of remuneration of key management personnel, representing emolument of directors of the Company, are set out in note 11.

36. SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(a) The following are subsidiaries in which the Company has direct interest at 31 December 2009, all of which are established and operating in the PRC:

Name of company	Date of establishment	Fully paid/ registered capital	Attributable equity interests of the Group	Principal activities
Tianjin Fengtian Logistics Co., Ltd	19 July 1996	USD8,645,600	52%	Transportation of finished vehicle and supply chain management services
TEDA General Bonded Warehouse Co., Ltd	1 December 2001	RMB80,000,000	100%	Warehouse operation and logistic services
Tianjin Yuan Da Xian Dai Logistics Co., Ltd	18 December 2006	RMB20,000,000	100%	Logistic services

(b) The following are jointly controlled entities at 31 December 2009, all of which are unlisted, incorporated and operating in the PRC:

Name of company	Date of establishment	Fully paid/ registered capital	Attributable equity interests of the Group (note (ii))	Principal activities
Tianjin Alps TEDA Logistics (note (i))	27 October 1992	USD6,000,000	52%	Provision of supply chain management services
Dalian Alps TEDA Logistics Co., Ltd ((i))	21 March 2003	USD2,400,000	50%	Material procurement logistics and provision of supply chain management services

(i) Pursuant to the joint venture agreements, all key financial and operating decisions require the unanimous consent of the Group and the other venture.

(ii) Pursuant to articles of association of the jointly controlled entity, the percentage of profit sharing is the same as the percentage of equity interests of the Group.

36. SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(CONTINUED)*

(c) The following are associates at 31 December 2009, all of which are unlisted, incorporated and operating in the PRC:

Name of company	Date of establishment	Fully paid/ registered capital	Attributable equity interests of the Group	Principal activities
Directly held:				
Tianjin TEDA Sidier Electronic Trading Market Operation and Management Co., Ltd	11 September 2007	RMB20,000,000	35%	Operation of electronics platform for trading business
Tianjin Ferroalloy Exchange Co., Ltd.	9 July 2009	RMB100,000,000	20%	Import and export metal, storage and other services.
Indirectly held:				
Tianjin Port International Automobile Logistics Co., Ltd	27 March 2006	RMB5,000,000	50%	Provision of automobile storage and related services
Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd	14 September 2007	RMB15,000,000	40%	Storage operation (Note 20(a)(ii))
Tianjin TEDA Material Recycling Co., Ltd	6 April 2006	RMB300,000	40%	Inactive (Note (i))

(Note (i)) This Company was wound up as at 31 December 2009.