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: 8348

ANNUAL REPORT

2010

* For identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

This report, for which the directors of the issuer 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 of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.

CONTENTS

CORPORATE INFORMATION

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 Jingfu, 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)*, Wang Wei

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

BOARD COMMITTEES

Audit Committee
Zhang Limin *(Chairman)*, Liu Jingfu, 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
08348

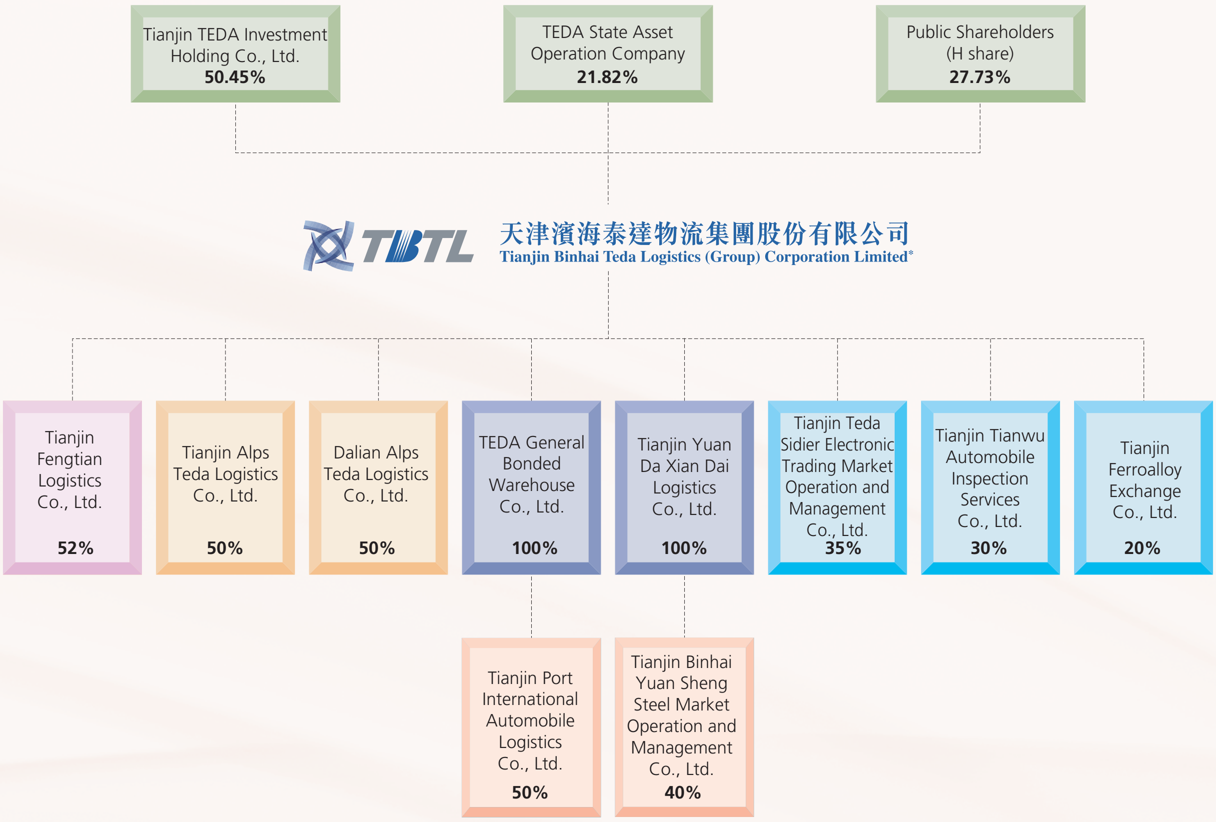
COMPANY WEBSITE
http://www.tbtl.cn

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*

FINANCIAL SUMMARY

RESULTS

A summary of the consolidated results of the Company and its subsidiaries (the "Group") for the three years ended 31 December 2010 extracted from the audited consolidated income statements of the Group prepared under the International Financial Reporting Standards is as follows:

	2010 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	**2,863,018**	2,671,206	1,946,833
Profit before taxation	**124,037**	75,658	93,568
Income tax	**(22,107)**	(13,135)	(28,270)
Profit for the year	**101,930**	62,523	65,298
Profit attributable to:			
Non-controlling interests	**21,069**	11,474	16,865
Owners of the parent	**80,861**	51,049	48,433
Basic earnings per share (RMB)	**0.23**	0.14	0.15

ASSETS AND LIABILITIES

A summary of the assets and liabilities of the Group for the three years ended 31 December 2010 extracted from the audited balance sheet of the Group prepared under the International Financial Reporting Standards is as follows:

	2010 RMB'000	2009 RMB'000	2008 RMB'000
Non-current assets	**504,667**	473,016	372,625
Current assets	**1,464,247**	1,399,086	1,085,381
Total assets	**1,968,914**	1,872,102	1,458,006
Non-current liabilities	**5,289**	5,514	9,153
Current liabilities	**1,255,379**	1,232,395	877,831
Non-controlling interests	**92,433**	85,069	72,947
Liabilities and non-controlling interests	**1,353,101**	1,322,978	959,931
Total equity	**708,246**	634,193	571,022

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of the Company (the "Board"), I am pleased to present the audited consolidated financial results of the Group for the year ended 31 December 2010 to all shareholders.

RESULTS OF THE YEAR

For the year ended 31 December 2010 (the "Year"), turnover of the Group amounted to approximately RMB2,863,018,000 (2009: RMB2,671,206,000), representing an increase of approximately 7% from last year. Profit attributable to the shareholders was approximately RMB80,861,000 (2009: RMB51,049,000) and the basic earnings per share was approximately RMB0.23 (2009: RMB0.14).

As at 31 December 2010, the total assets and current assets of the Group were approximately RMB1,968,914,000 (2009: RMB1,872,102,000) and approximately RMB1,464,247,000 (2009: RMB1,399,086,000), respectively, representing increases of RMB96,812,000 and RMB65,161,000 from 31 December 2009, respectively. Our net assets and net assets per share at the end of the period were approximately RMB615,813,000 (2009: RMB549,124,000) and RMB1.74 (2009: RMB1.55), respectively, representing increases of 12% and 12% from 31 December 2009.

REVIEW FOR THE YEAR

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. As at 31 December 2010, the proceeds were fully applied by the Company in accordance with the provisions contained in the prospectus.

During the reporting period, the Group's businesses were under positive development with the recovery of macro-economy. We have seen growth in the logistics and supply chain services for transportation of finished automobile and components, logistics and supply chain services for electronic components, materials procurement and related logistics services, and traditional logistics services such as stacking yard, supervision and agency, albeit to different extents. Both revenue and profits were the best since the listing of the Company.

The Company continued to optimize its business structure during the reporting period through re-positioning its business focus and customer base and improving capital utilization efficiency in respect of materials procurement and related logistics services, and accordingly set the basic focus, structure and development strategy of the Company's businesses. The operation model of materials procurement and related logistics services have matured. The proportion of the Company's income and profits in the overall operating results increased steadily, which has helped to realize the diversification of the Group's business structure. Together with the rationalization of the overall business structure and improvement of comprehensive management capability, our ability to resist risks has increased significantly.

During the year, the Company has actively allocated existing resources to explore new businesses. The Company has undergone preliminary land preparation work for the stacking land at Tianjin Port. After long-term investigation and research, the Company intends to use the land as frozen food warehouses and location for related inspection in future, and will carry out further construction and development. To diversify our products and services in the area of imported automobiles logistics, the Company invested in projects regarding automobile inspection and related services linked to the import of automobiles. TEDA General Bonded Warehouse Co., Ltd. also conducted redevelopment and construction on part of its old stacking yard. The construction and redevelopment of related infrastructures and investments in the above projects have laid solid foundation and provided project reserves for the Company to further expand its businesses, explore new logistics areas and improve its technical skills and expertise.

During the reporting period, the influential power of the Company continued to enhance. The Company was one of the "Top 100 Enterprises in Tianjin Economic and Technological Development Zone of 2009" and was awarded "Outstanding China Logistics Enterprise of 2010" by the China Federation of Logistics & Purchasing. The logistics case precedent of the Company "Supply chain finance provides a better development platform for SMEs" was awarded "Excellent Case of China Logistics Management" jointly by the China Society of Logistics and the China Federation of Logistics & Purchasing. TEDA General Bonded Warehouse Co., Ltd. is actively proceeding with the accreditation of the non-ferrous metal futures delivery warehouse by the Shanghai Futures Exchange. In this year, Tianjin Fengtian Logistics Co., Ltd. was also recognized as a "High and New Technological Corporation" following the same recognition gained by TEDA General Bonded Warehouse Co., Ltd. and Tianjin Port International Automobile Logistics Co., Ltd. These reflected that our business and innovation models and comprehensive strength are well recognized in our industry and provided critical support for the Company in identifying its new customers, expanding its business and enhancing its financing capability.

Prospectus and Outlook

The global economy in 2010 is gradually leaving behind the influences of the global financial crisis, but fundamental of recovery is still not solid. The global economy in 2011 will continue its recovery at a slow pace. Overall, the external environment for China's economic development is slightly better than that for last year, but it still faces complicated international and domestic situation. The logistics industry is also facing both opportunities and challenges. On the one hand, the implementation of state planning will accelerate the development of emerging industries and bring new opportunities to the logistics industry, but on the other hand, factors such as regional political unrest, rising protectionism in trade, changes in monetary policy, increasing inflationary pressures and exchange rate fluctuations may have significant and negative impacts on industry climate. Particularly, numerous factors such as the surge in crude oil price, new measures for traffic problems and fast rise of labor costs will bring relatively high uncertainty and operating risks to our automobile logistics business. In the coming year, the Company will continue to:

– optimize the shareholding structure, further enhancing the governance standard of the Company;

– actively innovate the business models, explore logistics services and continuously expand business scope;

– vigorously promote the construction of frozen food warehouse facilities at the stacking yard at Tianjin Port, laying solid foundation for the Company to enter into cold chain logistics;

– actively search for business partners in order to increase our general logistics capacity through a variety of ways.

The Group will continue to follow its core values of "integrity, reputation and responsibility", "resource, efficiency and value" and "cooperation, innovation and proactiveness", with the development concept of "resources integration, operation and acquisition" and with a steady and effective work style, so as to actively develop management concepts, reinforce every aspect of the management, regulate every operation and create higher values for every sector of society.

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

Zhang Jian

Tianjin, PRC, 11 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal businesses of the Group are logistics and supply chain services for automobiles and their components, logistics and supply chain services for electronic components, materials procurement and related logistics services, and other services such as bonded warehouse, container yard, supervision and agency services. 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 Haoan Minerals Co., Ltd. (天津浩安礦產有限公司), Tangshan Fengnan East China Steel Co., Ltd. (唐山市豐南區東華鋼鐵有限公司), 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), Toyota Tsusho (Tianjin) Co., Ltd. (豐田通商（天津）有限公司).

In 2009, because of the global financial crisis and the economic downturn of the PRC, the Group's logistics and supply chain services for automobiles and their components, logistics and supply chain services for electronic components all decreased by different extents. During the reporting period, growth resumed in the above two businesses with a significant growth in principal operating income and operating profits compared to the corresponding period last year. Materials procurement and related logistics services maintained a good development momentum, with further expansion of business scale and increased product variety. The container yard at Tianjin Port commenced operation, while the Group signed a long-term leasing contract with a major customer, which contributed to the steady growth of the operating results. The results of Tianjin Port International Automobile Logistics Co., Ltd., a subsidiary of the Company, improved significantly. For the year ended 31 December 2010, the Group achieved an operating income of RMB2.863 billion, representing an increase of RMB192 million, or 7%, as compared to the corresponding period last year, while combined net profit was RMB80,861,000, representing an increase of RMB29,812,000 or 58%, as compared to the corresponding period last year, which recorded the highest level since the establishment of the Group.

In consolidating the traditional logistics businesses, the Group has actively expanded new areas of the logistics businesses and acquired quality infrastructure logistics resources to achieve steady but yet rapid growth.

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

During the reporting period, the operating income generated from the logistics and supply chain services regarding transportation of finished automobile and automobile components was RMB948,914,000, representing an increase of RMB205,074,000 or 28% 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 RMB518,959,000, representing an increase of RMB141,167,000 or 37% as compared to the corresponding period last year.

MATERIALS PROCUREMENT AND RELATED SERVICES

During the reporting period, the Group's materials procurement and related logistics services have steadily improved with significant increase in operating profits. We have generated an operating income of RMB1,610,011,000, substantially the same as compared with last year, and gross profits of approximately RMB33,117,000, representing an increase of 58% as compared to the corresponding period of last year. The increase in operating profits was the main income driver of the Company in 2010.

WAREHOUSE, SUPERVISION, AGENCY AND OTHER INCOMES

During the reporting period, this segment generated an operating income of RMB36,789,000, representing an increase of RMB11,277,000 or 44% as compared to the corresponding period last year.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2010, turnover of the Group was RMB2.863 billion, representing a leap of RMB192 million or 7% as compared to RMB2.671 billion last year. The increase in turnover is mainly attributable to the recovery of growth in logistics and supply chain services for automobiles and their components and logistics and supply chain services for electronic components of the Group during the reporting period.

Cost of sales and gross profit

For the year ended 31 December 2010, the cost of sales of the Group was RMB2.709 billion, up RMB139 million or 5% as compared with RMB2.570 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 2010, gross profit margin of the Group was 5.37%, up 1.58% as compared to 3.79% of last year. One of the main reasons for the overall increase in the gross profit margin of the Group is the recovery of growth in logistics and supply chain services for electronic components, which resulted in the different extents of increase in turnover and gross profit margin. In addition, the notable increase in operating results of the materials procurement and related logistics businesses has led to a relatively great improvement in gross profit margin.

Administrative expenses

The administrative expenses of the Group amounted to RMB56,958,000 in 2010, representing an increase of RMB7,177,000, or 14% as compared to RMB49,781,000 in 2009. The reason for the increase in administrative expenses was that management cost comprising labour cost increased as the Group further expanded its operating scale. The Group will further strengthen its control of certain parts of its administrative expenses.

Finance costs

The Group's finance costs in 2010 increased by RMB2,481,000, from RMB2,413,000 last year to RMB4,894,000. The main reason for the increase was that the Group increased certain short-term bank borrowings to finance its liquidity during the reporting period.

Taxation expenses

The taxation expenses of the Group for 2010 were RMB22,107,000, representing an increase of RMB8,972,000, or 68% as compared to RMB13,135,000 for the last year. The increase in taxation expenses was mainly due to the increase in overall operating results of the Group as compared to last year.

Share of results of associates

The share of results of associates of the Group for 2010 was RMB31,523,000, representing an increase of RMB19,364,000, or 159%, as compared to last year. The increase in share of results of associates was mainly due to the significant increase in the operating results of Tianjin Port International Automobile Logistics Co., Ltd., a subsidiary of the Group, which handled 303,202 imported automobiles during the year (with an increase of 136% year-on-year), as compared to last year.

Earnings attributable to the equity holders of the Company

For the year ended 31 December 2010, earnings attributable to the equity holders of the Company was RMB80,861,000, representing an increase of RMB29,812,000, or 58%, as compared to RMB51,049,000 of last year.

Dividend

Please refer to "profit attributable to shareholders and dividends" in Directors' Report on page 22.

Liquidity and financial resources

For the year ended 31 December 2010, the Group maintained a sound financial position. As at 31 December 2010, the cash and bank deposit of the Group was RMB311,248,000 (31 December 2009: RMB246,560,000). As at 31 December 2010, the total assets of the Group was RMB1,968,914,000 (31 December 2009: RMB1,872,102,000). Capital was sourced from current liabilities of RMB1,255,379,000 (31 December 2009: RMB1,232,395,000), non-current liabilities of RMB5,289,000 (31 December 2009: RMB5,514,000), shareholder's equity attributable to the shareholders of the Group was RMB615,813,000 (31 December 2009: RMB549,124,000) and non-controlling interests of RMB92,433,000 (31 December 2009: RMB85,069,000).

Capital structure

During the year ended 31 December 2010, there was no change in the capital structure of the Company. The capital of the Company comprises only ordinary shares (please refer to "Share Capital" of note 26 to the consolidated financial statements).

Loans and borrowings

As at 31 December 2010, the balance of bank loans of the Group was RMB142,649,000 (31 December 2009: RMB84,414,000).

Gearing ratio

As at 31 December 2010, the ratio of total liabilities to total assets of the Group was 64% (31 December 2009: 66%) and the Group's gearing ratio (a ratio of short-term bank loans to shareholder's equity) was 20% (31 December 2009: 13%).

Charge on assets

As at 31 December 2010, there was no charge on assets of the Group.

Foreign currency risks

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

The Group has no significant investments except those in the PRC. The Group, however, may be exposed to certain extent of foreign currency risks mainly as (i) The holding subsidiaries of the Group, Tianjin Alps Teda Logistics Co., Ltd., Dalian Alps Teda Logistics Co., Ltd. and Tianjin Fengtian Logistics Co., Ltd., have foreign currency business for both the United States Dollar or the Japanese Yen; (ii) the proceeds from the issue of H shares by the Group was denominated in the Hong Kong Dollar and was placed in a Hong Kong Dollar account with commercial banks in the PRC pursuant to the regulations of the relevant foreign exchange administrative authority of the PRC and will be used in batches based on its stated use, thus it may be exposed to certain extent of exchange rate risks. With the raised funds denominated in the Hong Kong Dollar being fully utilized, the exchange rate risk against the Hong Kong Dollar no longer exists. For the twelve months ended 31 December 2010, the Group had an exchange loss of RMB1,261,000 due to the appreciation of Renminbi.

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2010, the Group had the following capital commitments:

	2010 RMB'000
Property, plant and equipments	
Contracted for but not provided	10,689
Approved but not contracted	–
Total	10,689

MAJOR ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 2 July 2010, the Company published an announcement in relation to the entering into a capital injection agreement for capital injection by Alps Logistics Co., Ltd. (the shareholder of Tianjin Alps Teda Logistics Co., Ltd. ("Tianjin Alps Teda Logistics")) to Tianjin Alps Teda Logistics, whereby Tianjin Alps Teda Logistics would cease to be a non-wholly owned subsidiary of the Company under the GEM Listing Rules of the Stock Exchange. Such transaction, which constituted a connected transaction, obtained the independent shareholders' approval on 18 January 2011.

On 1 September 2010, the Company and other independent third parties jointly invested in the establishment of Tianjin Tianwu Automobile Inspection Services Co., Ltd. (天津天物機動車檢測服務有限公司) in Tianjin, the PRC, which principally engages in the provision of automobile inspection services. Such transaction with a low trading amount, which did not constitute a discloseable transaction under Chapter 19 of the GEM Listing Rules of the Stock Exchange, was exempted from the requirements thereunder.

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 2010, the Company employed 1,934 employees (31 December 2009: 1,688).

	As at 31 December 2010	As At 31 December 2009
Administration	**146**	126
Finance	**52**	45
Information Technology	**17**	10
Sales and Operation	**1,719**	1,507
Total	**1,934**	1,688

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 a reward for the contributions made by the employees to the Company. Other staff benefits include pension insurance, unemployment insurance, labour injury insurance, medical insurance, maternity insurance and housing fund, etc.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL OPERATION PROGRESS

Business objectives for the twelve months ended 31 December 2010 set out in the Prospectus of the Company	Actual business progress for the twelve months ended 31 December 2010
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 steady progress with the accumulation of a certain amount of customer base.
To reinforce the procurement services for resins, electronic production materials and steel and to explore the possibility to diversify the services mix.	During the reporting period, great efforts were made to develop this type of business and substantial progress has been 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 Company has maintained robust growth with increasing product variety and recorded gross profits of approximately RMB33,117,000 (RMB20,915,000 for the corresponding period last year), representing an increase of RMB12,202,000, or 58%, as compared to last year.
Logistics infrastructure	
To strengthen the logistics infrastructure (including road and sea freight forwarding facilities and operational equipment) of Binhai Logistics Group outside Binhai New Area.	Achieved steady progress as scheduled.

The comparison between business objectives and actual operation progress for the six months ended 30 June 2010 was set out in the interim report of 2010.

CORPORATE GOVERNANCE REPORT

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

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, Hu Jun, Zhang Jun, Zhang Jinming and Ding Yi are non-executive Directors and Zhang Limin, Luo Yongtai and Liu Jingfu 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 interests of the shareholders and the Company are the primary concern of all Board members. Directors should always comply with the relevant laws and regulations in a dedicated manner.

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

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

THE BOARD *(CONTINUED)*

After reassessment of the independence of the independent non-executive Directors by the Company in February 2011, 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 7 regular meetings and one extraordinary meeting in 2010 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 businesses of the relevant meetings.

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

	Number of meeting attended/held	Attendance
Executive Directors		
Zhang Jian	8/8	100%
Wang Wei	8/8	100%
Non-executive Directors		
Zhang Jun (*Zhang Jun appointed Zhang Jian to attend the 26th and 31st Board meetings)	8/8	100%
Ding Yi	8/8	100%
Hu Jun (*Hu Jun appointed Zhang Jian to attend the 26th, 29th and 31st Board meetings)	8/8	100%
Zhang Jinming (*Zhang Jinming appointed Zhang Jian to attend the 29th Board meeting and appointed Wang Wei to attend the 31st Board Meeting)	8/8	100%
Independent non-executive Directors		
Zhang Limin (*Zhang Limin appointed Liu Jingfu to attend the 24th Board meeting)	8/8	100%
Luo Yongtai	8/8	100%
Liu Jingfu (*Liu Jingfu appointed Zhang Limin to attend the 26th and 29th Board meetings)	8/8	100%

THE BOARD *(CONTINUED)*

Chairman and Chief Executive Officer

The code provision A.2.1 stipulates that the roles of the chairman of the Board (the "Chairman") and the chief executive officer (the "CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

As at 31 December 2010, the roles of the Chairman and the CEO of the Company have been performed by Mr. Zhang Jian and he has been responsible for the management of the Board and the operation of the Group. The Board considered that Mr. Zhang Jian has thorough understanding and expertise regarding the business operations of the Group and thus enabling him to make appropriate decisions which are in the interests of the shareholders as a whole on a timely and effectively basis. The Company believes that the combination of the roles of the Chairman and the CEO helps effectively formulating and implementing the Group's strategies as well as quickly responding to the ever-changing markets. The Board also considers that, at this moment, it is not necessary to separate the roles of the Chairman and the CEO. However, the Board will continue to review the effectiveness of the corporate governance structure of the Group in order to decide whether the roles of the Chairman and the CEO should be separated.

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" prepared 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 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 reviewed the audited financial statements for the year ended 31 December 2010 and recommended approval to the Board. In 2010, the audit committee held a total of 6 meetings with an average attendance of 100%. The Company reported its principal activities to the audit committee in the meeting. For the year ended 31 December 2010, the Company complied with the requirements of Rules 5.28 of the GEM Listing Rules in respect of the audit committee.

THE BOARD *(CONTINUED)*

(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 annual and long-term performance conditions 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 Mr. Luo Yongtai (chairman), Mr. Liu Jingfu and Mr. Ding Yi. A majority of the remuneration committee are independent non-executive directors of the Company.

(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. 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, 3 are shareholder representative supervisors, 1 is an independent supervisor and 2 are employee representative supervisors. The responsibility of the supervisory committee is to monitor the Board and its members and senior management so as to protect the interests of the shareholders. In 2010, 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 2010, the Company highly emphasized internal control and continued to adopt various initiatives to control and monitor the business of the Company and prevent potential risks, the particulars 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 timely grasp of the situation 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 Association 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 follow-ups in respect of connected transactions between different departments pursuant to the GEM Listing Rules so as to ensure that the disclosure of all information regarding any continuing connected transaction or proposed connected transaction (if any) complies 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. In 2010, for effective risk control, our risk management department conducted strict risk evaluation and supervision on each aspect of the finance logistics business of the Company.

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 discloseable and significant matters, the Company makes timely, accurate and complete disclosure in newspapers and websites specified by the relevant regulatory authorities pursuant to the disclosure requirements under the GEM Listing Rules in order to safeguard the right to information and participation of the shareholders.

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

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts for each financial period by the management, and 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 international auditors of the Company for the year 2010. Fees for audit and non-audit services for the year ended 31 December 2010 amounted to RMB1,100,000 and RMB100,000, respectively.

GENERAL MEETINGS

The general meeting of the Company has the highest authority. The Company convened an annual general meeting on 9 June 2010 to consider and approve the resolutions relating to re-appointment of auditors and adjustments to the cap of connected transactions of Toyota Logistic. 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.

DIRECTORS' REPORT

The Board is pleased to announce the annual report and audited consolidated financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of comprehensive logistics services, 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 9 to 14 of this annual report. The consolidated statement of comprehensive income is disclosed in page 41 to this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2010 prepared in accordance with the International Financial Reporting Standards ("IFRS") are set out on page 41 to 98 of this annual report.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

As at 31 December 2010, profit attributable to the equity holders of the Company was approximately RMB80,861,000. The Board did not recommend payment of final dividend for the financial year ended 31 December 2010 at the annual general meeting (for the financial year ended 31 December 2009: RMB14,172,480).

RESERVES

Details of movements in the reserves of the Group and the Company during the reporting period and details of the distributable reserves of the Company as at 31 December 2010 are set out in Note 27 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 27 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 16 and Note 17 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 year.

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 2 July 2010, the Company and Alps Logistics Co., Ltd. entered into a capital injection agreement regarding Tianjin Alps Teda Logistics ("Capital Injection Agreement"). After the completion of Capital Injection Agreement, the registered capital of Tianjin Alps Teda Logistics increased from US$6,000,000 to US$6,240,000, and Tianjin Alps Teda Logistics is therefore no longer deemed as a subsidiary of the Company under the GEM Listing Rules of the Stock Exchange.

On 1 September 2010, the Company and the other entities entered into the promoters' agreement, pursuant to which Tianjin Tianwu Automobile Inspection Services Co., Ltd. has been established for the provision of automobile inspection and related services.

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

CAPITALIZED INTERESTS

For the year ended 31 December 2010, 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 26 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

Non-executive Directors

Zhang Jun	30 April 2008
Ding Yi	30 April 2008
Hu Jun	29 June 2009
Zhang Jinming	29 June 2009

Independent Non-executive Directors

Zhang Limin	30 April 2008
Liu Jingfu	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
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 has 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 2010, 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 2010, 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 2009.

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 2010, 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
Tianjin Teda Investment Holding Co., Ltd.	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%
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.

Save as disclosed in this announcement, so far as is known to the directors and chief executives of the Company, as at 31 December 2010, 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:

Tong Fang Global (Tianjin) Logistics Co., Ltd. (同方環球（天津）物流有限公司)	26%
Tianjin Haoan Mineral Co., Ltd. (天津浩安礦產有限公司)	13%
Tangshan Fengnan Donghua Iron Co., Ltd. (唐山市豐南區東華鋼鐵有限公司)	13%
TEWOO Metals International Trade Co., Ltd. (天津物產金屬國際貿易有限公司)	6%
Tianjin Jiapulong Commercial & Trading Co., Ltd. (天津市嘉普龍商貿有限公司)	6%
Five largest customers in total	64%

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:

Tianjin Imported Merchandise Providing Corp. (天津市進口物資供應公司)	13%
Tianjin Metallurgical No.1 Iron & Steel Group (天津軋一鋼鐵集團有限公司)	8%
Tianjin Metallic Materials Co., Ltd. (天津市金屬材料有限公司)	6%
Tianjin Xiantong Productive Materials Co., Ltd. (天津市鹹通生產資料有限公司)	6%
Chongqing Jiachuan Sanjie Transport Co., Ltd. (重慶嘉川三捷運輸有限公司)	4%
Five largest suppliers in total	37%

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

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 2010. 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, which holds approximately 36.2% interest in Tianjin Fengtian Logistics 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 Corporation and its associates (as defined in the GEM Listing Rules) are connected persons of the Company.

Alps Logistics which holds 48% interest in Tianjin Alps Teda Logistics, a non-wholly owned subsidiary of the Company, is a substantial shareholder of a subsidiary of the Company. Therefore, 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.

Details of the connected transactions and continuing connected transactions for the year ended 31 December 2010 are as follows:

A. Connected transaction

On 2 July 2010, the Company and Alps Logistics Co., Ltd. entered into a capital injection agreement regarding Tianjin Alps Teda Logistics ("Capital Injection Agreement"). After the completion of Capital Injection Agreement, the registered capital of Tianjin Alps Teda Logistics increased from US$6,000,000 to US$6,240,000, and Tianjin Alps Teda Logistics is therefore no longer deemed as a subsidiary of the Company under The GEM Listing Rules of the Stock Exchange.

B. Continuing Connected transaction

1. On 18 April 2008, the Company entered into a master service agreement with Toyota Tsusho ("Toyota Services Supply Agreement"), pursuant to which the Company should provide logistics services and supply chain solutions for automobile and car components to Toyota Tsusho for a period up to 31 December 2010.

   The Company approved the aggregate transaction value for the period from 1 January 2009 to 21 December 2009 and increased the annual monetary cap for the period from 1 January 2010 to 31 December 2010 in the annual general meeting on 9 June 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 should provide technological consultation and assistance services to the Company for a period up to 31 December 2010.

3. On 18 April 2008, the Company entered into a master service agreement with Alps Logistics ("Alps Services Supply Agreement"), pursuant to which the Company should provide logistics services and supply chain solutions to Alps Logistics 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 should provide overseas freight forwarding and warehousing services, the license over the use of the warehouse management system and information technology system to the Company for a period up to 31 December 2010.

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

   The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 Company 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 would provide logistics services to the Company until 31 December 2011.

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

		Annual Caps for 2010 RMB'000	Actual Figures for 2010 RMB'000
1	Toyota Services Supply Agreement	**109,000**	83,403
2	Toyota Services Purchase Agreement	**1,300**	119
3	Alps Services Supply Agreement	**122,000**	103,850
4	Alps Services Purchase Agreement and Dalian Alps Services Purchase Agreement	**70,000**	59,233
5	Toyota Logistic Services Agreement	**30,000**	290

The independent non-executive Directors, Zhang Limin, Luo Yongtai and Liu Jingfu, 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.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 29 of the Annual Report in accordance with paragraph 20.38 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

LITIGATION

As at 31 December 2010, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, no litigation, arbitration or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, redeemed or sold 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 under the GEM Listing Rules.

TRUST DEPOSITS

As at 31 December 2010, neither the Company nor any of its subsidiaries 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 of the financial year ending 31 December 2010), subject to early termination.

As at 31 December 2010, 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 order of the Board
Zhang Jian
Tianjin, the PRC, 11 March 2011

REPORT OF THE SUPERVISORY COMMITTEE

Dear shareholders,

Pursuant to the "Company Law of the People's Republic of China", the relevant laws and regulations for Hong Kong listed companies 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, its shareholders and staff during the year.

During the year, the Supervisory Committee 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 other senior management. The Supervisory Committee has made stringent supervision on whether any material and concrete decision made by the management of the Company is in compliance with the laws and regulations of the PRC and the articles of association of the Company, and whether it is in the interests of its shareholders.

Through its efforts made on supervision and inspections during 2010, the Supervisory Committee considered that the members of the Board, the general manager and other senior management of the Company all strictly observed their fiduciary duties, to act diligently and to exercise their authority faithfully under the premise of safeguarding the best interests of the Company. They carried out duties in accordance with the requirements set out in the articles of association of the Company in a standardized manner. During the reporting period, the Company carried out operations according to the law with a standardized management style, and its operating results were objective and true. The Company had an integral, reasonable and effective internal control system, and its operation decision-making process were legal. The connected transactions of the Company have been carried out on fair and reasonable terms that are in the interests of the shareholders of the Company as a whole, and no violation to the interests of the shareholders and the Company has been found. To date, none of the directors, supervisors, general manager and other senior management had been found abusing their authority, damaging the interests of the Company or infringing upon the interests of its shareholders and employees, nor found to be in breach of any laws and regulations or the articles of association of the Company.

The Supervisory 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 2010, 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, 11 March 2011

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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's degree in engineering in 1982. He obtained a master's 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 and 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, 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 International Automobile Logistics, Tianjin Ferroalloy Exchange Co., Ltd. and Tianjin Tianwu Automobile Inspection Services Co., Ltd. (天津天物機動車檢測服務有限公司). 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's degree in laws at the Law School of Fudan University (復旦大學) in July 1996, a master's degree in management at the Government Management Faculty (政府管理學院) of Peking University (北京大學) in July 1999 and a master's degree in accounting at Indiana University in 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 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's 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: 000605, Shenzhen Stock Exchange), Tianjin TEDA Co., Ltd. (Stock code: 000652, Shenzhen Stock Exchange) and Binhai Investment Company Limited (濱海投資股份有限公司) (Stock code: 8035, Hong Kong Stock Exchange).

Mr. Hu Jun (胡軍), aged 34, joined the Company as a non-executive director in June 2009. He graduated from mathematics department of Nankai University (南開大學) in June 1999; obtained a master's 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 date, he has been the deputy 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's 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 date, 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 60, qualified senior accountant, joined the Company as a non-executive director in June 2009. He completed his courses 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 of the accounting department and deputy head and head of the budgeting department of Tianjin Port Authority (天津港務局) from 1992 to 2004; had been the head of the budgeting department of Tianjin Port (Group) Co., Ltd. (天津港(集團)有限公司) from July 2004 to May 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 April 2010, Mr. Zhang had been the executive director and managing director 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). From April 2010 to date, he has been the executive director and deputy general manager of Tianjin Port Development Holdings Company Ltd. (天津港發展控股有限公司).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Limin (張立民), aged 55, joined the Company as an independent non-executive Director in September 2006, compliant with 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 Accounting 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. Mr. Zhang 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), 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) and Shenzhen Airport Co., Ltd (深圳市機場股份有限公司) (Stock code: 000089, Shenzhen Stock Exchange). He is currently an independent director of Shenzhen Expressway Company Limited (深圳市高速公路股份有限公司) (Stock code: 600548, Shanghai Stock Exchange) and Tianjin Benefo Tejing Electric Co., Ltd.(天津百利特精電氣股份有限公司) (stock code: 600468, Shanghai Stock Exchange). He is also a director of SORL Auto Parts Inc. (Stock code: SORL NASDAQ Global Market).

Mr. Luo Yongtai (羅永泰), aged 64, joined the Company as an independent non-executive director in September 2006. He obtained a doctor's degree in economic science (specialized in industry) from the National Academy of Sciences of Ukraine in 2003. He is a professor in management engineering accredited by Teaching Title Evaluation Committee of Tianjin Education Committee (天津教委教師職稱評委會) and a qualified higher education teacher recognized by the PRC Education Committee. He is the chair professor and tutor of postgraduates of the profession of management of Tianjin University of Finance and Economics (天津財經大學). He is currently 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). 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).

Mr. Liu Jingfu (劉景福), aged 47, joined the Company as an independent non-executive Director in September 2006. He obtained a master's 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), vice president of Beijing Logistics Association (北京市物流協會), an expert member 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 member 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 has accumulated years of experience in the management of the operation of logistics business. He 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).

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 date, 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's degree in engineering in 1992. He then obtained a master's 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 date, he has been working as the manager of the investment management department of TEDA Asset Company.

Mr. Chen Fang (陳方), aged 47, joined the Company as the shareholder representative supervisor in June 2009. He graduated from Fujian Normal University (福建師範大學) in July 1983; had been a tutor, lecturer and associate professor in Fujian Normal University (福建師範大學) for a period from 1983 to 1997, during which he obtained a doctoral degree in science at Nanjing University (南京大學); he 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; he had been the special assistant to the president of Xiamen Xiangyu Group Corporation (廈門象嶼集團有限公司) and general manager of Xiamen Xiangyu Construction Group Company Ltd. (廈門象嶼建設集團有限責任公司)from August 2000 to December 2006, he had been the vice president and director of Xiamen Xiangyu Group Corporation from December 2006 to date.

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 College 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, joined the Company in 2008 and was appointed as a staff representative supervisor of the Company in February 2010. 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 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 2007, and obtained a bachelor's degree in international business administration after his study at the Correspondence 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. Wang Wei (王維), aged 37. He obtained a bachelor's degree in laws from Fudan University (復旦大學) in 1996, a master's degree in management from Peking University (北京大學) in 1999 and a master's degree in accounting from Indiana University in 2003. He was involved in audit and risk advisory services from 2003 to 2008. 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 joined the Group in 2008 and has been acting as the secretary of the Board, deputy general manager and manager of investment and strategic planning department.

Mr. Liu Liming (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 head of business department of Tianjin Development Area Storage Centre (天津開發區總公司儲運中心). He is the chief operation officer of the Group. He is also a general manager and director of TBW.

INDEPENDENT AUDITOR'S REPORT

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 41 to 98, which comprise the consolidated and company balance sheets as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit 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, 11 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Revenue	5	**2,863,018**	2,671,206
Cost of sales	10	**(2,709,269)**	(2,570,037)
Gross profit		**153,749**	101,169
Other income	6	**7,353**	15,457
Other gains and losses	7	**(6,736)**	(933)
Administrative expenses	10	**(56,958)**	(49,781)
		97,408	65,912
Finance costs	8	**(4,894)**	(2,413)
Share of results of associates	21	**31,523**	12,159
Profit before income tax		**124,037**	75,658
Income tax expense	9	**(22,107)**	(13,135)
Profit/total comprehensive income for the year		**101,930**	62,523
Profit/total comprehensive income attributable to:			
Owners of the parent		**80,861**	51,049
Non-controlling interests		**21,069**	11,474
		101,930	62,523
Earnings per share (RMB cents)	14		
– Basic		**23**	14
– Diluted		**23**	14
Dividends	12	**–**	14,172

The notes on pages 48 to 98 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Land use rights	15	**121,021**	115,765
Property, plant and equipment	16	**226,569**	213,736
Investment properties	17	**97,228**	90,550
Deposit paid for acquisition of land use rights		**–**	7,820
Interests in associates	21	**59,744**	45,040
Goodwill	18	**105**	105
		504,667	473,016
Current assets			
Inventories	23	**113,337**	101,036
Trade and other receivables	24	**947,160**	968,387
Amounts due from an associate	29	**3,658**	5,088
Pledged bank deposits	25	**88,844**	78,015
Cash and cash equivalents	25	**311,248**	246,560
		1,464,247	1,399,086
Total assets		**1,968,914**	1,872,102
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	26	**354,312**	354,312
Other reserves	27	**48,848**	34,893
Retained earnings			
– Proposed dividend		**–**	14,172
– Others		**212,653**	145,747
		212,653	159,919
		615,813	549,124
Non-controlling interests		**92,433**	85,069
Total equity		**708,246**	634,193

	Note	2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	31	**5,289**	5,514
Current liabilities			
Trade and other payables	28	**1,102,637**	1,134,164
Amounts due to an associate	29	**330**	437
Taxation payable		**9,763**	13,380
Borrowings	30	**142,649**	84,414
		1,255,379	1,232,395
Total liabilities		**1,260,668**	1,237,909
Total equity and liabilities		**1,968,914**	1,872,102
Net current assets		**208,868**	166,691
Total assets less current liabilities		**713,535**	639,707

The consolidated financial statements on pages 41 to 98 were approved by the Board of Directors on 11 March 2011 and are signed on its behalf.

Zhang Jian
Director

Wang Wei
Director

The notes on pages 48 to 98 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Land use rights	15	**59,660**	52,742
Property, plant and equipment	16	**14,829**	2,423
Investment properties	17	**82,811**	83,072
Deposit paid for acquisition of land use rights		**–**	7,820
Interests in subsidiaries	19	**177,691**	177,691
Interests in jointly controlled entities	20	**69,585**	69,585
Interests in associates	21	**25,083**	27,000
		429,659	420,333
Current assets			
Inventories	23	**103,785**	92,881
Trade and other receivables	24	**780,249**	805,541
Amounts due from subsidiaries	19	**40,257**	37,257
Pledged bank deposits	25	**88,844**	78,015
Cash and cash equivalents	25	**136,692**	169,255
		1,149,827	1,182,949
Total assets		**1,579,486**	1,603,282
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	26	**354,312**	354,312
Other reserves	27	**67,991**	67,991
Retained earnings	13		
– Proposed dividend		**–**	14,172
– Others		**80,721**	55,837
		80,721	70,009
Total equity		**503,024**	492,312

	Note	2010 RMB'000	2009 RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	28	**936,044**	1,025,983
Taxation payable		**418**	3,987
Borrowings	30	**140,000**	81,000
		1,076,462	1,110,970
Total liabilities		**1,076,462**	1,110,970
Total equity and liabilities		**1,579,486**	1,603,282
Net current assets		**73,365**	71,979
Total assets less current liabilities		**503,024**	492,312

The consolidated financial statements on pages 41 to 98 were approved by the Board of Directors on 11 March 2011 and are signed on its behalf.

Zhang Jian
Director

Wang Wei
Director

The notes on pages 48 to 98 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the parent					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	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**
Comprehensive income						
Profit/total comprehensive income for the year	**–**	**–**	**80,861**	**80,861**	**21,069**	**101,930**
Transactions with owners						
Transfer from retained earnings	**–**	**13,955**	**(13,955)**	**–**	**–**	**–**
Dividend paid	**–**	**–**	**(14,172)**	**(14,172)**	**(13,705)**	**(27,877)**
Total transactions with owners	**–**	**13,955**	**(28,127)**	**(14,172)**	**(13,705)**	**(27,877)**
Balance at 31 December 2010	**354,312**	**48,848**	**212,653**	**615,813**	**92,433**	**708,246**

The notes on pages 48 to 98 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**104,392**	108,094
Interest received		**3,299**	3,593
Interest paid		**(4,894)**	(2,413)
Income tax paid		**(25,604)**	(14,120)
Net cash generated from operating activities		**77,193**	95,154
Cash flows from investing activities			
Purchase of property, plant and equipment		**(50,258)**	(96,616)
Purchase of land use rights		**(321)**	–
Proceeds from disposal of property, plant and equipment		**–**	1,607
Increase in pledged bank deposits		**(10,829)**	(20,159)
Deposit paid for acquisition of land use right		**–**	(7,820)
Increase of investment in an associate		**(1,500)**	(20,500)
Proceeds from disposal of investment in an associate		**–**	115
Deemed disposal of interest in a jointly controlled entity	32(b)	**1,726**	–
Deemed disposal of interest in a subsidiary	32(b)	**–**	(541)
Dividends received from associates		**18,319**	7,500
Net cash used in investing activities		**(42,863)**	(136,414)
Cash flows from financing activities			
Proceeds from borrowings		**150,000**	81,000
Repayments of borrowings		**(91,765)**	(24,003)
Dividends paid to owners of the parent		**(14,172)**	–
Dividends paid to non-controlling interests		**(13,705)**	(17,036)
Net cash from financing activities		**30,358**	39,961
Net increase/(decrease) in cash and cash equivalents		**64,688**	(1,299)
Cash and cash equivalents at 1 January		**246,560**	247,859
Cash and cash equivalents at 31 December representing bank balances and cash		**311,248**	246,560

The notes on pages 48 to 98 are an integral part of these financial statements.

1. GENERAL INFORMATION

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 steel trading 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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. 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.

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

2.1 Basis of preparation *(Continued)*

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 effective in the current year but not currently relevant to the Group (although they may affect the accounting for future transactions and events):

- IFRS 3 (revised), "Business combinations", and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures"
- IAS 17 (amendment), "Leases"
- IFRIC17, "Distribution of non-cash assets to owners"
- IFRIC18, "Transfers of assets from customers"
- IFRIC 9, "Reassessment of embedded derivatives" and IAS 39, "Financial instruments: Recognition and measurement"
- IFRIC16, "Hedges of a net investment in a foreign operation"
- IAS1 (amendment), "Presentation of financial statements"
- IAS 36 (amendment), "Impairment of assets"
- IFRS 2 (amendments), "Group cash-settled share-based payment"
- IFRS 5 (amendment), "Non-current assets held for sale and discontinued operations"

Amendments to accounting standards published but are not effective for the financial year ended 31 December 2010 and have not been early adopted by the Group:

- IFRS 9, "Financial instruments"
- "Classification of rights issues" (amendment to IAS 32)
- IFRIC – Int 19, "Extinguishing financial liabilities with equity instruments"
- "Prepayments of a minimum funding requirement" (amendments to IFRIC – Int 14)

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. Acquisition related costs are expensed as incurred. 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 non-controlling 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.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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.

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

2.2 Consolidation *(Continued)*

(b) Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(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.

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

2.2 Consolidation *(Continued)*

(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.

Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised IAS 27, 'Consolidated and separate financial statements', became effective. The revision to IAS 27 contained consequential amendments to IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. The Group has no transactions with non-controlling interest during the year.

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 Group's senior management 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.

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

2.10 Financial assets and liabilities *(Continued)*

(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).

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.

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

2.10 Financial assets and liabilities *(Continued)*

(b) *Impairment of financial assets* (Continued)

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.

For financial assets measured 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 non-controlling 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.

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

2.10 Financial assets and liabilities *(Continued)*

(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.

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

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.

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

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".

2.19 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 due to the short duration of the service period.

Sales of raw 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

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. 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, 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 (2009: 100 basis points) higher/lower and all other variables were held constant, post-tax profit for the year will increase/decrease by about RMB3 million (2009: RMB2 million).

3. FINANCIAL RISK FACTORS *(Continued)*

3.1 Market risks *(Continued)*

(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 24 and note 25, and monetary liabilities at the reporting date were set out in note 28 and note 30.

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% (2009: 10%) strengthening in RMB against USD and the Hong Kong Dollar.

	2010 **RMB'000**	2009 RMB'000
Decrease in post-tax profit for the year		
– USD	**2,070**	3,030
– Hong Kong Dollar	**–**	204

For a 10% (2009: 10%) weakening of RMB against USD and the Hong Kong Dollar, there would be an equal and opposite impact on the post-tax profit.

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 2010, 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.

3. FINANCIAL RISK FACTORS *(Continued)*

3.2 Credit risks *(Continued)*

At 31 December 2010 and 2009, the ten largest debtors accounted for approximately 72% and 75% 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 2010, the Group has available unutilised bills and short-term banking facilities of approximately RMB245 million (2009: RMB484 million).

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

3. FINANCIAL RISK FACTORS *(Continued)*

3.3 Liquidity risk *(Continued)*

The Group

	Weighted average interest rate %	Less than 3 months RMB'000	Over 3 months but not more than 6 months RMB'000	Over 6 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 2010						
Trade and other payables (note)	–	628,171	217,470	–	845,641	845,641
Amounts due to related parties	–	330	–	–	330	330
Bank borrowings	4.88	87,038	737	60,737	148,512	142,649
		715,539	218,207	60,737	994,483	988,620

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

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 2010						
Trade and other payables (note)	–	461,649	217,470	–	679,119	679,119
Bank borrowings	4.90	81,713	737	60,737	143,187	140,000
		543,362	218,207	60,737	822,306	819,119

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

Note: The amount includes bank acceptance bills endorsed to certain creditors (note 28).

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 assessments on the recoverability of trade and other receivable based on objective evidence, taking into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flow is less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of trade and other receivable, net of allowance for doubtful debts, is about RMB947 million (2009: RMB968 million).

5. SEGMENT INFORMATION

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;

Materials procurement services – Sales of 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 2010					
	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	948,914	533,259	1,610,011	3,092,184	39,033	3,131,217
Inter-segment revenue	–	(14,300)	–	(14,300)	(2,244)	(16,544)
Revenue from external customers	948,914	518,959	1,610,011	3,077,884	36,789	3,114,673
Segment results	56,296	48,142	15,467	119,905	634	120,539
Depreciation and amortisation	(12,592)	(6,911)	(626)	(20,129)	(12,176)	(32,305)
Share of results of associates	–	–	–	–	31,523	31,523
Income tax expense	(12,879)	(10,202)	(3,747)	(26,828)	(206)	(27,034)

5. SEGMENT INFORMATION *(Continued)*

	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)

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

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

	2010 RMB'000	2009 RMB'000
Revenue for reportable segments	**3,077,884**	2,828,873
Revenue attributable to joint venture partners	**(251,655)**	(183,179)
Other segments	**36,789**	25,512
Revenue of the Group	**2,863,018**	2,671,206
Segment results for reportable segments	**119,905**	79,938
Segment results attributable to joint venture partners	**(23,202)**	(14,324)
	96,703	65,614
Other segments	**634**	250
Total segments	**97,337**	65,864
Share of results of associates	**31,523**	12,159
Unallocated other income	**3,299**	3,593
Unallocated corporate expenses	**(3,228)**	(3,545)
Finance costs	**(4,894)**	(2,413)
Profit before income tax	**124,037**	75,658
Income tax expense	**(22,107)**	(13,135)
Profit for the year	**101,930**	62,523

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

	2010	2009
	RMB'000	RMB'000
Interest income from bank deposits	**3,299**	3,593
Subsidy income (note)	**2,548**	11,864
Others	**1,506**	–
	7,353	15,457

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 RMB2.2 million (2009: RMB9.2 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).

7. OTHER GAINS AND LOSSES

	2010	2009
	RMB'000	RMB'000
Gain on deemed disposal of a subsidiary	**–**	1,473
Loss on deemed disposal of interest in a jointly controlled entity	**(71)**	–
Loss on disposal of property, plant and equipment	**(3,775)**	(739)
Net foreign exchange losses	**(1,261)**	(375)
Others	**(1,629)**	(1,292)
	(6,736)	(933)

8. FINANCE COSTS

	2010	2009
	RMB'000	RMB'000
Interest on bank borrowings	**4,894**	2,413

9. INCOME TAX EXPENSE

	2010 **RMB'000**	2009 RMB'000
Current income tax		
– the Company and subsidiaries	**16,830**	12,670
– jointly controlled entities	**5,277**	3,878
	22,107	16,548
Deferred tax		
– the Company	**–**	(3,413)
	22,107	13,135

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%.

Pursuant to the relevant approval by the tax authorities, both Tianjin Fengtian Logistics Co., Ltd., a subsidiary of the Group, and Tianjin Alps Teda Logistics Co., Ltd. ("Tianjin Alps"), 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 2009, 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 22% for 2010 (2009: 20%).

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 2010 (2009: 15%). The preferential tax treatment is subject to review by the relevant tax authority on an annual basis.

9. INCOME TAX EXPENSE *(Continued)*

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

	2010 RMB'000	2009 RMB'000
Profit before income tax	**124,037**	75,658
Tax at the domestic income tax rate of 25% (2009: 25%)	**31,009**	18,915
Tax effect of:		
– Income attributable to associates	**(7,881)**	(3,040)
– Expenses not deductible for taxation purpose	**2,226**	2,112
– Tax losses for which deferred tax assets are not recognised	**–**	1,106
– Preferential tax rates of subsidiaries/jointly controlled entities	**(2,564)**	(2,545)
– Utilisation of tax losses previously not recognised	**(337)**	–
– Over-provision in prior year	**(346)**	–
– Decrease/(increase) in deferred tax liability resulting from undistributed profit of a subsidiary	**–**	(3,413)
Income tax expense	**22,107**	13,135

10. EXPENSES BY NATURE

Profit before income tax is arrived at after charging:

	2010 RMB'000	2009 RMB'000
Auditor's remuneration	**1,150**	1,100
Depreciation	**26,182**	23,062
Amortisation	**2,782**	2,780
Operating lease charges	**8,724**	6,057
Employee benefits expenses (note 11)	**123,712**	95,427
Cost of materials purchased	**1,629,571**	1,711,398
Subcontracting charges	**828,083**	649,862
Business tax	**17,664**	12,950
Transportation	**13,555**	20,518
Fuel	**19,173**	15,415
Others	**95,631**	81,249
	2,766,227	2,619,818

11. EMPLOYEE BENEFIT EXPENSE

	2010 RMB'000	2009 RMB'000
Wages and salaries	85,820	60,741
Employer's contribution to pension scheme	31,967	28,756
Others	5,925	5,930
	123,712	95,427

(a) Director emoluments

	2010 RMB'000	2009 RMB'000
Director's fees	360	285
Other emoluments:		
– Salaries and allowances	1,993	910
– Performance related bonuses	1,331	1,252
– Retirement benefit scheme contributions	20	19
	3,684	2,466

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 9 (2009: 10) directors were as follows:

	Directors' 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 2010					
Executive directors:					
Zhang Jian	–	1,393	1,020	20	2,433
Wang Wei	–	600	291	–	891
Non-executive directors:					
Zhang Jun	30	–	–	–	30
Hu Jun	30	–	–	–	30
Zhang Jinming	30	–	–	–	30
Ding Yi	30	–	–	–	30
Independent non-executive directors:					
Liu Jingfu	80	–	–	–	80
Luo Yongtai	80	–	–	–	80
Zhang Limin	80	–	–	–	80
	360	1,993	1,331	20	3,684

	Directors' 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	–	327	278	–	605
Sun Quan	15	–	–	–	15
Non-executive directors:					
Zhang Jun	30	–	–	–	30
Hu Jun	15	–	–	–	15
Zhang Jinming	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

11. EMPLOYEE BENEFIT EXPENSE *(Continued)*

Of the five individuals with the highest emoluments in the Group, two (2009: two) are directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2009: three) individuals were as follows:

	2010 RMB'000	2009 RMB'000
Employees		
– salaries and allowances	839	1,237
– performance related bonus	475	–
– retirement benefit scheme contribution	40	–
	1,354	1,237

The emoluments of each of these individuals were below RMB896,000 (2009: RMB881,000) (equivalent to HK$1,054,000) 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 2010.

12. DIVIDENDS

No dividend was proposed in respect of the year ended 31 December 2010.

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.

13. PROFIT ATTRIBUTABLE TO THE 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 RMB24,884,000 (2009: RMB28,216,000).

14. EARNINGS PER SHARE

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

	2010 **RMB'000**	2009 RMB'000
Earnings		
Profit attributable to equity holders of the Company	**80,861**	51,049
Number of shares (thousands)		
Weighted average number of ordinary shares for calculating basic and diluted earnings per share	**354,312**	354,312

There are no diluted earnings per share presented as there are no potential dilutive ordinary shares outstanding for both 2009 and 2010.

15. LAND USE RIGHTS

The Group	**2010** **RMB'000**	2009 RMB'000
At beginning of the year	**115,765**	114,457
Additions	**8,141**	4,088
Amortisation charge	**(2,782)**	(2,780)
Deemed disposal of interest in a jointly controlled entity	**(103)**	–
At end of the year	**121,021**	115,765

The Company	**2010** **RMB'000**	2009 RMB'000
At beginning of the year	**52,742**	49,880
Additions	**8,141**	4,088
Amortisation charge	**(1,223)**	(1,226)
At end of the year	**59,660**	52,742

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 2010, the land use rights have remaining lease periods ranging from 36 to 47 years.

16. 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 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 1 January 2010	187,697	35,036	18,682	53,509	1,122	296,046
Additions	2,119	2,490	2,217	3,800	36,097	46,723
Transfer	721	148	270	4,756	(5,895)	–
Deemed disposal of interest in a jointly controlled entity	(589)	(85)	(153)	(473)	(4)	(1,304)
Transfer to investment properties	(8,187)	–	–	–	–	(8,187)
Disposals	(6,950)	(111)	(666)	(695)	–	(8,422)
At 31 December 2010	174,811	37,478	20,350	60,897	31,320	324,856
Accumulated depreciation						
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 1 January 2010	26,050	15,202	9,610	31,448	–	82,310
Charge for the year	8,929	3,902	2,745	6,263	–	21,839
Deemed disposal of interest in a jointly controlled entity	(110)	(58)	(82)	(264)	–	(514)
Transfer to investment properties	(701)	–	–	–	–	(701)
Disposals	(3,356)	(73)	(593)	(625)	–	(4,647)
At 31 December 2010	30,812	18,973	11,680	36,822	–	98,287
Net book values						
At 31 December 2010	143,999	18,505	8,670	24,075	31,320	226,569
At 31 December 2009	161,647	19,834	9,072	22,061	1,122	213,736

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

	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
The Company				
Cost				
At 1 January 2009	888	2,112	22,131	25,131
Additions	218	–	65,248	65,466
Transfer to land use rights	–	–	(4,088)	(4,088)
Transfer to investment properties	–	–	(83,291)	(83,291)
At 1 January 2010	1,106	2,112	–	3,218
Additions	317	1,825	10,889	13,031
At 31 December 2010	1,423	3,937	10,889	16,249
Accumulated depreciation				
At 1 January 2009	143	113	–	256
Charge for the year	159	380	–	539
At 1 January 2010	302	493	–	795
Charge for the year	197	428	–	625
At 31 December 2010	499	921	–	1,420
Net book values				
At 31 December 2010	924	3,016	10,889	14,829
At 31 December 2009	804	1,619	–	2,423

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 2010 (2009: RMB8 million). The directors of the Company believe that the title documents will be obtained in due course without significant additional cost.

17. INVESTMENT PROPERTIES

	2010 **RMB'000**	2009 RMB'000
The Group		
At the beginning of the year	**90,550**	–
Addition	**3,535**	–
Transfer from property, plant and equipment	**7,486**	90,975
Depreciation charge for the year	**(4,343)**	(425)
At the end of the year	**97,228**	90,550

	2010 **RMB'000**	2009 RMB'000
The Company		
At the beginning of the year	**83,072**	–
Addition	**3,535**	–
Transfer from property, plant and equipment	**–**	83,291
Depreciation charge for the year	**(3,796)**	(219)
At the end of the year	**82,811**	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 2010 is approximately RMB130 million.

18. GOODWILL

	2010 **RMB'000**	2009 RMB'000
The Group		
Amount recognised from acquisition of additional 2% interest in Tianjin Alps	**105**	105

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

19. INTERESTS IN SUBSIDIARIES

	2010 RMB'000	2009 RMB'000
Non-current assets		
Unlisted shares, at cost	**177,691**	177,691
Current assets		
Amount due from subsidiaries (note)	**40,257**	37,257

As at 31 December 2010 and 2009, the Group's subsidiaries are set out in Note 37(a).

The amounts due from subsidiaries are unsecured, interest free, repayable on demand and are denominated in Renminbi.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The Company	2010 RMB'000	2009 RMB'000
Unlisted shares at cost	**69,585**	69,585

On 2 July 2010, the Company and Alps Logistics Co., Ltd ("Alps Logistics") entered into a Capital Increase Agreement, pursuant to which Alps Logistics agreed to contribute RMB6.6 million to Tianjin Alps, a then 52% owned jointly controlled entity of the Group. The transaction which is considered as a deemed disposal by the Company is completed on 31 December 2010 upon which the Company's interest in Tianjin Alps is diluted from 52% to 50%. The deemed disposal has no significant financial impact on the Company and the Group. Tianjin Alps remains as a jointly controlled entity whereby the Group shared 50% of the assets and liabilities of Tianjin Alps proportionately at 31 December 2010 and 52% of its sales and results during the year ended 31 December 2010.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

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	2010 RMB'000	2009 RMB'000
Current assets	110,042	98,374
Non-current assets	29,262	31,216
Current liabilities	33,417	38,211
Income	267,279	194,613
Expenses	247,499	183,342
Net profit	19,780	11,271

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

The Company provided guarantee to Tianjin Alps for its liability arising from air freight logistics operation for the period from 24 February 2009 to 23 February 2012 (note 34).

As at 31 December 2010 and 2009, the Group's jointly controlled entities are set out in Note 37(b).

21. INTERESTS IN ASSOCIATES

The Group	2010 RMB'000	2009 RMB'000
Investment, at cost	37,000	35,500
Share of post acquisition profits, net of dividends received	22,744	9,540
	59,744	45,040

21. INTERESTS IN ASSOCIATES *(Continued)*

The Company	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost less provision	**25,083**	27,000

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

	2010 RMB'000	2009 RMB'000
As at 1 January	**45,040**	19,314
Increase in investment (note)	**1,500**	20,500
Decrease in investment	**–**	(115)
Reclassification	**–**	682
Share of results of associates	**31,523**	12,159
Dividends received	**(18,319)**	(7,500)
	59,744	45,040

Note: Pursuant to a promoter agreement dated 1 September 2010, the Company together with two other entities established an entity which is principally engaged in the provision of vehicle inspection services. The Company holds a 30% equity interest with a capital injection of RMB1,500,000.

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

	2010 RMB'000	2009 RMB'000
Total assets	**348,989**	162,440
Total liabilities	**(173,944)**	(14,049)
Net assets	**175,045**	148,391
Group's share of net assets	**59,744**	45,040
Revenue	**165,328**	84,545
Profit for the year	**58,314**	16,604
Group's share of results of the year	**31,523**	12,159

Particulars of principal associates are set out in Note 37(c).

22. FINANCIAL INSTRUMENTS

(a) By Category – Group

	2010 RMB'000	2009 RMB'000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	**386,972**	641,081
Cash and cash equivalents	**311,248**	246,560
Total	**698,220**	887,641
Liabilities per balance sheet		
Borrowings	**142,649**	84,414
Trade and other payables excluding statutory liabilities	**1,098,580**	1,120,108
Total	**1,241,229**	1,204,522

(b) By Category – Company

	2010 RMB'000	2009 RMB'000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	**222,587**	482,259
Cash and cash equivalents	**136,692**	169,255
Total	**359,279**	651,514
Liabilities per balance sheet		
Borrowings	**140,000**	81,000
Trade and other payables excluding statutory liabilities	**934,173**	1,014,023
Total	**1,074,173**	1,095,023

23. INVENTORIES

The Group	2010 RMB'000	2009 RMB'000
Steel	**25,479**	92,726
Charred coal and coke	**13,041**	–
Iron powder	**65,265**	–
Other materials	**9,552**	8,310
	113,337	101,036

The Company	2010 RMB'000	2009 RMB'000
Steel	**25,479**	92,726
Charred coal and coke	**13,041**	–
Iron powder	**65,265**	–
Other materials	**–**	155
	103,785	92,881

No inventory is stated at net realisable value at year end (2009: Nil).

24. TRADE AND OTHER RECEIVABLES

The Group	2010 RMB'000	2009 RMB'000
Trade receivables	**155,937**	176,741
Less: impairment recognised	**(7)**	(46)
	155,930	176,695
Bills receivables (note (c))	**212,980**	447,778
	368,910	624,473
Prepayment to suppliers	**560,188**	327,306
Other receivables	**18,305**	17,124
Less: impairment recognised	**(243)**	(516)
	947,160	968,387

24. TRADE AND OTHER RECEIVABLES *(Continued)*

The Company	2010 RMB'000	2009 RMB'000
Trade receivables	**8,015**	32,661
Bills receivables (note(c))	**212,980**	447,778
	220,995	480,439
Prepayment to suppliers	**557,662**	323,282
Other receivables	**1,592**	1,820
	780,249	805,541

(a) The Company's 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 RMB213 million (2009: RMB438 million) have been endorsed to the Company's trade creditors.

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.

(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 aging analysis of trade and bills receivables at the balance sheet date:

The Group	2010 RMB'000	2009 RMB'000
0 – 90 days	**298,071**	339,925
91 – 180 days	**69,923**	282,984
181 – 365 days	**137**	722
1 – 2 years	**779**	842
	368,910	624,473

The Company	2010 RMB'000	2009 RMB'000
0 – 90 days	**153,664**	199,034
91 – 180 days	**66,610**	281,405
1 – 2 years	**721**	–
	220,995	480,439

24. TRADE AND OTHER RECEIVABLES *(Continued)*

(d) *(Continued)*

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. 97%(2009: 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.

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

The Group	**2010 RMB'000**	2009 RMB'000
91 – 180 days	**3,313**	2,300
181 – 365 days	**137**	722
1 – 2 years	**779**	842
	4,229	3,864

The Company	**2010 RMB'000**	2009 RMB'000
91 – 180 days	**–**	721
1 – 2 years	**721**	–
	721	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.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

(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	2010 RMB'000	2009 RMB'000
At the beginning of the year	**562**	1,052
Impairment loss reversed	**(312)**	(490)
At the end of the year	**250**	562

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

The Group	2010 RMB'000	2009 RMB'000
Cash at bank and on hand	**256,240**	175,022
Short term deposits	**55,008**	71,538
	311,248	246,560
Pledged bank deposits (note (c))	**88,844**	78,015

The Company	2010 RMB'000	2009 RMB'000
Cash at bank and on hand	**81,684**	98,917
Short term deposits	**55,008**	70,338
	136,692	169,255
Pledged bank deposits (note (c))	**88,844**	78,015

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS *(Continued)*

(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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Currency:				
– US Dollars	**14,291**	17,059	**6**	2,166
– HK Dollars	**–**	2,044	**–**	2,044
– Japanese Yen	**648**	296	**–**	–
– Euro	**63**	572	**–**	–

(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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Effective interest rate (per annum)	**0.36%-1.17%**	0.01%-1.71%	**0.36%-1.17%**	0.01%-1.71%

(c) Bank deposits are pledged to banks to secure bills payable of RMB444 million (2009: RMB390 million) issued by the Company and the Group.

The pledged deposits carry fixed interest rate ranging from 1.71% to 2.5% (2009: 1.71%-1.98%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills payable.

26. SHARE CAPITAL

	2010			2009		
	Domestic shares	**H – shares**	**Total**	Domestic shares	H – shares	Total
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
At beginning and end of the year	**256,069**	**98,243**	**354,312**	256,069	98,243	354,312

27. 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 2009	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**
Transfer from retained earnings	**–**	**–**	**13,955**	**13,955**
Balance at 31 December 2010	**55,244**	**(73,258)**	**66,862**	**48,848**

The Company	Share premium RMB'000	Statutory reserves (note a) RMB'000	Total RMB'000
Balance at 1 January 2009	55,244	12,747	67,991
Transfer from retained earnings	–	–	–
Balance at 31 December 2009	**55,244**	**12,747**	**67,991**
Transfer from retained earnings	**–**	**–**	**–**
Balance at 31 December 2010	**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.

27. 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 China Accounting Standard before distribution. The amount of appropriation should be 10% of profit after taxation, calculated in accordance with the PRC accounting rules and regulations, applicable to enterprises in the PRC, of the Company and its subsidiaries. The appropriation may cease to apply if the balance of the statutory surplus reserve has reached 50% of the entity's registered capital. Statutory surplus reserve can be used to make up prior year losses, to expand operation or to increase share capital. The Company or its subsidiaries may capitalise the statutory surplus reserve by way of bonus issues provided that the amount of the statutory surplus reserve remaining after such appropriation shall not be less than 25% of the registered capital of the Company or its subsidiaries.

(b) Other reserves

Other reserves as at 31 December 2009 and 2010 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.

28. TRADE AND OTHER PAYABLES

The Group	2010 RMB'000	2009 RMB'000
Trade payables (note (i))	**361,849**	546,935
Bills payables (note (ii))	**443,943**	390,075
	805,792	937,010
Deposits from customers	**256,996**	160,398
Other payables	**39,849**	36,756
	1,102,637	1,134,164

28. TRADE AND OTHER PAYABLES *(Continued)*

The Company	2010 RMB'000	2009 RMB'000
Trade payables (note (i))	**216,387**	455,975
Bills payables (note (ii))	**443,943**	390,075
	660,330	846,050
Deposits from customers	**256,925**	160,024
Other payables	**18,789**	19,909
	936,044	1,025,983

Notes:

(i) At the balance sheet date, the Group has endorsed bank acceptance bills to certain creditors amounted to RMB213 million. The Group has not applied these endorsed bank acceptance bills to reduce the amounts of related trade creditors (note 24(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. 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	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
0 – 90 days	**500,683**	817,357	**366,065**	728,670
91 – 180 days	**293,737**	118,803	**293,522**	117,380
181 – 365 days	**4,210**	158	**383**	–
1 – 2 years	**7,162**	364	**360**	–
Over 2 years	**–**	328	**–**	–
	805,792	937,010	**660,330**	846,050

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

29. AMOUNT DUE FROM/(TO) AN ASSOCIATE

The Group	2010 RMB'000	2009 RMB'000
Amount due from an associate (note (a))	**3,658**	5,088
Amount due to an associate (note (b))	**330**	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.

30. BORROWINGS

The Group	2010 RMB'000	2009 RMB'000
Short term bank borrowings	**142,649**	84,414
Analysed into:		
– Secured (note (a))	**2,649**	3,414
– Unsecured	**140,000**	81,000
	142,649	84,414

The Company	2010 RMB'000	2009 RMB'000
Short term bank borrowings, unsecured	**140,000**	81,000

Note:

(a) Included in the balance is the Group's share of a short term bank borrowing of a jointly controlled entity amounting to RMB2,694,000 (2009: RMB3,414,000). The borrowing is denominated in the US Dollars, carrying interest at floating rates ranging from 0.96% to 2.06% per annum (2009: 0.96%-4.90%) and is guaranteed by Alps Logistics Co., Ltd., the joint venture partner of Dalian Alps Teda Logistics Co., Ltd. as at 31 December 2009 and 2010.

(b) Except for the loan balance of RMB2,694,000 (2009: RMB3,414,000) which is denominated in the US Dollars, all other loans are denominated in RMB.

31. DEFERRED INCOME

	2010 RMB'000	2009 RMB'000
Government grants received	**5,289**	5,514

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:

	2010 RMB'000	2009 RMB'000
Profit before tax	**124,037**	75,658
Adjustment for:		
Interest income	**(3,299)**	(3,593)
Finance costs	**4,894**	2,413
Depreciation for property, plant and equipment and investment properties	**26,182**	23,062
Amortisation of land use rights	**2,782**	2,780
Loss on disposal of property, plant and equipment	**3,775**	739
Impairment losses reserved	**(312)**	(490)
Share of results of associates	**(31,523)**	(12,159)
Loss on deemed disposal of interest in a jointly controlled entity	**71**	–
Operating cash flow before changes in working capital:	**126,607**	88,410
Increase in inventories	**(12,302)**	(87,747)
Decrease/(increase) in trade and other receivables	**19,794**	(205,414)
Decrease/(increase) in amounts due from related parties	**1,430**	(5,088)
(Decrease)/increase in trade and other payables	**(31,030)**	317,501
(Decrease)/increase in amounts due to related parties	**(107)**	432
Net cash from operations	**104,392**	108,094

32. NOTES TO CASH FLOW STATEMENT *(Continued)*

(b) Deemed disposal of interest in a jointly controlled entity/a subsidiary

	2010 RMB'000	2009 RMB'000
Net assets/(liabilities) disposed		
Land use rights	**103**	–
Property, plant and equipment	**790**	1,583
Trade and other receivables	**1,745**	3,613
Inventories	**1**	61
Cash and cash equivalents	**1,684**	541
Trade and other payables	**(842)**	(7,237)
Identifiable net assets/(liabilities)	**3,481**	(1,439)
Less: non-controlling interests	**–**	648
Net assets/(liabilities) disposed of	**3,481**	(791)
(Loss)/gain on deemed disposal	**(71)**	1,473
Satisfied by:		
Investment in an associate	**–**	682
Cash and cash equivalents	**3,410**	–
	3,410	682
Net cash inflow/(outflow) in respect of deemed disposal of interest in a jointly controlled entity/a subsidiary	**1,726**	(541)

33. COMMITMENTS

(a) Operating lease commitments

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

	2010 RMB'000	2009 RMB'000
Buildings		
Within one year	**4,222**	3,850
In the second to fifth year inclusive	**11,141**	1,220
Over five years	**10,080**	–
	25,443	5,070

	2010 RMB'000	2009 RMB'000
Motor vehicles		
Within one year	**801**	1,186
In the second to fifth year inclusive	**268**	83
	1,069	1,269

The Company has no significant operating lease expenses commitments.

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

	2010 RMB'000	2009 RMB'000
The Group		
Within one year	**6,307**	12,209
In the second to fifth year inclusive	**596**	6,772
	6,903	18,981

33. COMMITMENTS *(Continued)*

(a) Operating lease commitments *(Continued)*

(ii) *(Continued)*

	2010 RMB'000	2009 RMB'000
The Company		
Within one year	**2,283**	7,354
In the second to fifth year inclusive	**420**	2,678
	2,703	10,032

(b) Capital commitments

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:

	2010 RMB'000	2009 RMB'000
Company and subsidiaries	**10,689**	–
Jointly controlled entities	**–**	19,656
	10,689	19,656

34. FINANCIAL GUARANTEE LIABILITIES

At 31 December 2010, the Company has outstanding guarantee of RMB10.8 million (2009: RMB9.9 million) provided to Tianjin Alps for its liability arising on the air freight logistics operation (note 20).

The directors of the Company consider that the fair value of this outstanding financial guarantee is insignificant at initial recognition and the possibility of default is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and on the balance sheets as at 31 December 2010 and 2009.

35. RELATED PARTY TRANSACTIONS

Save for the balances with related parties at the balance sheet date as set out in note 29, the Group had the following transactions with related parties:

(a) Transactions with an associate

Income received by a subsidiary of the Company from an associate:

	2010 **RMB'000**	2009 RMB'000
Rental income	**4,504**	2,463

(b) 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.

(c) 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. EVENTS AFTER BALANCE SHEET DATE

Pursuant to a board meeting held on 18 January 2011, the board of directors approved the proposed transfer of listing of the Company's H shares from GEM to the Main Board of the Stock Exchange. The Transfer of Listing is subject to approvals from the China Securities Regulatory Commission, the Stock Exchange and the shareholders at extraordinary meeting and class meetings of domestic and H shareholders to be held on 11 March 2011.

37. SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(a) The following are subsidiaries in which the Company has direct interest at 31 December 2010, 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 vehicles and supply chain management services
TEDA General Bonded Warehouse Co., Ltd	1 December 2001	RMB80,000,000	100%	Warehouse operations 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 2010, 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 (note (i))	27 October 1992	USD6,000,000	50%	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 venturers.

(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.

37. SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(Continued)

(c) The following are associates at 31 December 2010, 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
Tianjin Tianwu Automobile Inspection Services Co., Ltd*	16 September 2010	RMB5,000,000	30%	Vehicle inspection
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))

* For identification purpose only