

FIRST QUARTERLY REPORT

2011



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

## **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.**

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

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## **HIGHLIGHTS**

For the three months ended 31 March 2011, the financial highlights were as follows:

- Turnover increased by approximately 1.5% to RMB590,374,000
- Gross profit decreased by approximately 34% to RMB33,822,000
- Profit attributable to shareholders decreased by approximately 5% to RMB20,774,000
- Earnings per share amounted to RMB6 cents

## UNAUDITED CONSOLIDATED FIRST QUARTERLY RESULTS OF 2011

The board of directors (the "Board") of the Company hereby announces the unaudited results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2011 together with the comparative unaudited figures for the corresponding period in 2010.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2011

		Three months ended 31 March	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
	Note		
Turnover	4	590,374	581,736
Cost of sales		(556,552)	(530,418)
Gross profit		33,822	51,318
Other income		9,846	1,485
Administrative expenses		(18,013)	(18,881)
		25,655	33,922
Finance costs		(1,882)	(1,010)
Share of results of associates		5,957	6,167
Profit before taxation	5	29,730	39,079
Taxation	6	(4,885)	(8,029)
Profit/total comprehensive income for the period		24,845	31,050
Attributable to:			
Owners of the parent		20,774	21,877
Non-controlling interests		4,071	9,173
Earnings per share	8		
Basic (RMB cents)		6	6
Diluted (RMB cents)		6	6



## **NOTES TO THE FINANCIAL INFORMATION (UNAUDITED)**

*For the three months ended 31 March 2011*

### **1. General**

The Company was established as an investment holding company in the People's Republic of China (the "PRC") by its promoters, Tianjin Teda Investment Holding Co., Ltd. ("Teda Holding") and Tianjin Economic and Technological Development Area State Asset Operation Company ("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 of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("GEM"), 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 hereinafter collectively referred to as the Group ("Group"). The Group is engaged in provision of logistics and supply chain solutions services and materials procurement and related logistics services.

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

### **2. Basis of preparation**

The financial information has been prepared to comply with the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

### **3. Principal accounting policies**

The accounting policies used in the financial information are consistent with those used in the preparation of the company's consolidated annual financial statements for the year ended 31 December 2010.

The Group has adopted the new or amended IFRS, amendments of standards and interpretations effective for the accounting periods beginning on or after 1 January 2011. Adoption of such new and amended standards, amendments of standards and interpretations has no material effects on the condensed consolidated financial information, and has caused no material change to the accounting policies of the Group.

#### **4. 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 services 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 services for electronic components – Provision of logistics services, supply chain management and agency service for electronic components;

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

#### 4. Segment information (Continued)

For the three months ended 31 March 2011

	Logistics and supply chain services for finished automobiles and components RMB'000 (Unaudited)	Logistics and supply chain services for electronic components RMB'000 (Unaudited)	Materials procurement and related logistics services RMB'000 (Unaudited)	Reportable segments subtotal RMB'000 (Unaudited)	All other segments RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	247,377	119,602	274,882	641,861	10,032	651,893
Inter-segment revenue	(6)	(2,700)	–	(2,706)	(362)	(3,068)
Revenue from external customers	247,371	116,902	274,882	639,155	9,670	648,825
Segment results	9,864	9,083	9,649	28,596	1,116	29,712
Depreciation and amortisation	(3,075)	(1,921)	(1,205)	(6,201)	(1,561)	(7,762)
Share of results of associates	–	–	(95)	(95)	6,052	5,957
Income tax expense	(1,516)	(2,237)	(2,031)	(5,784)	(218)	(6,002)

For the three months ended 31 March 2010

	Logistics and supply chain services for finished automobiles and components RMB'000 (Unaudited)	Logistics and supply chain services for electronic components RMB'000 (Unaudited)	Materials procurement and related logistics services RMB'000 (Unaudited)	Reportable segments subtotal RMB'000 (Unaudited)	All other segments RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	254,309	116,598	262,312	633,219	7,475	640,694
Inter-segment revenue	(76)	(3,208)	–	(3,284)	(638)	(3,922)
Revenue from external customers	254,233	113,390	262,312	629,935	6,837	636,772
Segment results	24,560	9,759	3,924	38,243	(26)	38,217
Depreciation and amortisation	(2,998)	(3,115)	(251)	(6,364)	(1,237)	(7,601)
Share of results of associates	–	–	(700)	(700)	6,867	6,167
Income tax expense	(5,570)	(2,372)	(1,233)	(9,175)	–	(9,175)



#### 4. Segment information (Continued)

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

A reconciliation of segment revenue and profit for the period is provided as follows:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Revenue for reportable segments	<b>639,155</b>	629,935
Revenue attributable of joint venture partners	<b>(58,451)</b>	(55,036)
Other segments	<b>9,670</b>	6,837
Revenue of the Group	<b>590,374</b>	581,736
Reportable segment results	<b>28,596</b>	38,243
Segment results attributable to joint venture partners	<b>(4,542)</b>	(4,713)
Other segments	<b>24,054</b>	33,530
Total segments	<b>1,116</b>	(26)
Share of results of associates	<b>25,170</b>	33,504
Unallocated other income	<b>5,957</b>	6,167
Unallocated corporate expenses	<b>1,100</b>	988
Finance costs	<b>(615)</b>	(570)
Profit before income tax	<b>(1,882)</b>	(1,010)
Income tax expense	<b>29,730</b>	39,079
Profit for the period	<b>(4,885)</b>	(8,029)
	<b>24,845</b>	31,050

## 5. Profit before taxation

	Three months ended	
	31 March	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	6,147	5,317
Amortisation of prepaid lease payments included in administrative expenses	305	294
Exchange loss	203	195

## 6. Taxation

	Three months ended	
	31 March	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The Company and its subsidiaries	3,766	6,803
Jointly controlled entities	1,119	1,226
Total	4,885	8,029

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, Tianjin Alps Teda Logistics Co., Ltd. ("Tianjin Alps"), a jointly controlled entity of the Group, which is recognised as a manufactory foreign investment enterprise, has 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 the entity is 24% for 2011 (2010: 22%).

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, has been entitled to a preferential tax rate of 15% for 2011 (2010: 15%). Tianjin Fengtian Logistics Co., Ltd., a subsidiary of the Group and a manufactory foreign investment enterprise, is recognised as a new high-tech enterprise, has been entitled to a preferential tax rate of 15% for 2011 (2010: 22%). The preferential tax treatment is subject to review by the relevant tax authority on an annual basis.

## 7. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2011 (three months ended 31 March 2010: Nil).

## 8. Earnings per share – basic and diluted

	Three months ended 31 March	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Profit for the period attributable to equity holders of the Company and earnings for the purpose of calculating basic and diluted earnings per share	20,774	21,877

	Number of shares Three months ended 31 March	
	2011 '000 (unaudited)	2010 '000 (unaudited)
Weighted average number of shares for the purpose of calculating basic and diluted earnings per share	354,312	354,312

## 9. Share capital and reserves

	Attributable to owners of the parent							
	Share capital	Share premium	Other reserves	Statutory reserves	Retained profits	Attributable	Non-	Total
						to equity holders of parent entity	controlling interests	
RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2010	354,312	55,244	(73,258)	52,907	159,919	549,124	85,069	634,193
Profit and total comprehensive income for the period	-	-	-	-	21,877	21,877	9,173	31,050
Dividends	-	-	-	-	(14,172)	(14,172)	(13,705)	(27,877)
Transfers	-	-	-	3,712	(3,712)	-	-	-
At 31 March 2010	354,312	55,244	(73,258)	56,619	163,912	556,829	80,537	637,366
At 1 January 2011	<b>354,312</b>	<b>55,244</b>	<b>(73,258)</b>	<b>66,862</b>	<b>212,653</b>	<b>615,813</b>	<b>92,433</b>	<b>708,246</b>
Profit and total comprehensive income for the period	-	-	-	-	20,774	20,774	4,071	24,845
Dividends	-	-	-	-	-	-	(16,985)	(16,985)
Transfers	-	-	-	2,300	(2,300)	-	-	-
At 31 March 2011	<b>354,312</b>	<b>55,244</b>	<b>(73,258)</b>	<b>69,162</b>	<b>231,127</b>	<b>636,587</b>	<b>79,519</b>	<b>716,106</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the three months ended 31 March 2011, the Group recorded a turnover of RMB590,374,000, representing an increase of RMB8,638,000 or approximately 1.5% compared with the turnover of RMB581,736,000 for the corresponding period last year. The increase in turnover was mainly due to the growth achieved in our materials procurement businesses, logistics and supply chain services for electronic components, and other services such as bonded warehouse, supervision and agency services.

For the three months ended 31 March 2011, overall gross profit margin for the Group was 5.73%, representing a decrease of 3.09 percentage points as compared with 8.82% of the corresponding period last year. The decrease in overall gross profit margin of the Group was mainly due to the negative effect brought by Japan earthquake, resulting in relatively significant decreases in the turnover and gross profit of our logistics services for finished automobiles and their components as compared with those of the corresponding period last year.

For the three months ended 31 March 2011, net profit attributable to the equity holders of the Group amounted to RMB20,774,000, representing a decrease of RMB1,103,000 or 5.04% as compared with RMB21,877,000 of corresponding period last year. The decrease in the net profit attributable to the equity holders was mainly due to the decline of our logistics services for finished automobiles and their components.

During the period under review, the Company did not purchase any derivative instrument for investment or other purpose.

### Business review

The principal businesses of the Group are logistics and supply chain services for finished automobiles and components, logistics and supply chain services for electronic components, materials procurement and related logistics services, and other services such as bonded warehouse, supervision and agency services. During the reporting period, the materials procurement and related logistics services maintained satisfactory growth momentum, logistics and supply chain services for electronic components were recovering, and the other logistics services such as warehouse, agency services increased significantly as compared with that of the corresponding period last year. However, the Japan earthquake had forced the Toyota Motor Corporation to make production cutbacks, which directly influenced our logistics and supply chain services for finished automobiles and components, resulting in lower overall gross profit margin and net profit as at 31 March 2011 as compared with those of the corresponding period last year.

#### *Logistics and supply chain services for finished automobiles and components*

During the reporting period, the throughput of the logistics services for domestic finished automobiles reached 129,400 sets, decreased by 5,726 sets or 4% compared with the corresponding period last year. During the reporting period, the throughput of logistics services of the imported finished automobiles was 5,802 sets, decreased by 2,072 sets or 26% compared with the corresponding period last year. Turnover recorded for the reporting period amounted to RMB247,371,000, representing a decrease of RMB6,862,000 or 3% compared with the corresponding period last year.



*Logistics and supply chain services for electronic components*

Turnover recorded for the reporting period amounted to RMB116,902,000, representing an increase of RMB3,512,000 or approximately 3% compared with the corresponding period last year.

*Materials procurement and related logistics services*

Turnover recorded for the reporting period amounted to RMB274,882,000, representing an increase of RMB12,570,000 or approximately 5% compared with the corresponding period last year.

*Other services such as bonded warehouse, supervision, agency services*

Turnover recorded for the reporting period amounted to RMB9,670,000, representing an increase of RMB2,833,000 or approximately 41% compared with the corresponding period last year.

**Prospects**

China's overall economy grew at a slower rate in the first quarter. As the macro economy is impacted by a number of factors such as natural disasters, inflation, exchange rate fluctuation and adjustments to interest rate policies, the pressure and difficulties confronted with the logistics enterprises therefore show some degree of complexity. During the reporting period, materials procurement and related logistics services, logistics and supply chain services for electronic components, and services such as bonded warehouse and agency services of the Company recorded results substantially on par with the same period of last year. The logistics and supply chain services for finished automobile and components produced a relatively notable decline due to the impact of output reduction and rising operating costs for automobile companies resulting from the earthquake in Japan, which is expected to continue into the second quarter of this year. However, with the commencement of the post-disaster reconstruction and the stabilization of Japan's economy, we expect that this segment will recover gradually to a normal level in the foreseeable future.

The Company will keep on optimizing its business structure to strengthen its risk-resistance capability, taking proactive measures to cope with the fierce market competition and impacts of various negative factors both at home and abroad, as well as vigorously developing new business resources and exploring new fields of business, with an aim to consolidate and foster our competitive position and advantage in the industry.

**DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATES**

During the period under review, none of the Directors, supervisors and chief executive of the Company or their respective associates (within the meaning of the GEM Listing Rules) held interests 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), which were required to be notified to the Company and the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY

So far as is known to the Directors, as at the date of this report (i.e. 31 March 2011), none of the Directors, supervisors and chief executives of the Company or any of their spouses and children under 18 years of age had any interest in the shares of the Company, or has been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or to purchase shares of the Company.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, supervisors and chief executives of the Company, as at 31 March 2011, the following persons (other than the Directors or supervisors or chief executives of the Company) held or deemed to hold 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 which were recorded in the register required to be kept by the Company under Section 336 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 any member of the Group:

Name	Capacity	Number and class of shares (Note 1)	Approximate percentage of shareholding in the same class of shares	Approximate percentage of shareholding in 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:

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

Save as disclosed above, the Directors are not aware of any persons (other than the Directors or supervisors or chief executives of the Company) who held, or deemed to hold interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 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 as at the date of this report.

### **COMPETITION AND CONFLICT OF INTERESTS**

None of the Directors, management shareholders, substantial shareholders of the Company nor their respective associates have interests in business that compete or may compete with the business of the Group and any other conflicts of interests with the Group.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the Code on Corporate Governance Practices (“the CG Code”) as set out in appendix 15 of the GEM Listing Rules during the period under review, except for the following deviations: According to code provision A.2.1, the roles of the chairman of the Board (“Chairman”) and the chief executive officer (“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 March 2011, Mr. Zhang Jian was both the Chairman and CEO of the Company who is responsible for managing the Board and the Group’s business. The Board of Directors considered that Mr. Zhang Jian understands the business operation of the Group well and could make decisions which are in the best interest of the shareholders as a whole in a timely manner. The combination of the roles of Chairman and CEO could effectively formulate and implement the strategies of the Group and respond quickly to the ever-changing markets. The Board also considered that there is no imminent need to separate the roles into two individuals. However, the Board will continue to review the effectiveness of the Group’s corporate governance structure to assess whether the separation of the position of Chairman and CEO is necessary.

### **AUDIT COMMITTEE**

The Company has established an audit committee with terms of reference, which clearly defined the powers and duties of the committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Company, as well as providing opinion and recommendation to the Directors of the Company. The audit committee comprises three Independent Non-Executive Directors, namely Mr. Zhang Limin, Mr. Liu Jingfu and Mr. Luo Yongtai. Mr. Zhang Limin is the chairman of the audit committee. The audit committee has reviewed the Company’s unaudited results for the reporting period and respective recommendation and opinion have been made.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has not adopted the model code for securities transactions by directors. However, having made specific enquiry to all Directors, the Company was not aware of any Directors not in compliance with the rules and standards for transactions and the code of conduct regarding securities transactions by the directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the reporting period.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the period under review, neither the Company nor any of its subsidiaries had purchased, redeemed or sold or cancelled any listed securities of the Company.

## **INTEREST OF COMPLIANCE ADVISER**

The term of the Company's compliance advisor, Guotai Junan Capital Limited, appointed pursuant to the GEM Listing Rules, expired in March 2011.

As at 31 March 2011, 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 the other rights to subscribe the Company's securities).

**As at the date of this report, the executive Directors are Mr. Zhang Jian and Mr. Wang Wei; the non-executive Directors are Mr. Zhang Jun, Mr. Hu Jun, Mr. Ding Yi and Mr. Zhang Jinming; and the independent non-executive Directors are Mr. Zhang Limin, Mr. Luo Yongtai and Mr. Liu Jingfu.**

By Order of the Board  
**Tianjin Binhai Teda Logistics (Group) Corporation Limited\***  
**Zhang Jian**  
*Chairman*

Tianjin, the PRC  
13 May 2011