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

2011

* For identification purposes only

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CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Zhang Jian *(Chairman)*

NON-EXECUTIVE DIRECTORS

Hu Jun, Zhang Jun, Wang Jincai, Chen Fang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhang Limin, Liu Jingfu, Luo Yongtai

SUPERVISORS

Xing Jihai, Tian Shuyong, Wang Rui, Lu Xia, Yu Ang, He Hongsheng

GENERAL MANAGER AND DEPUTY GENERAL MANAGER OF THE COMPANY

Zhang Jian *(General Manager)*, Wang Weimin

COMPANY SECRETARY

Wang Xiaojun
(Practising solicitor in Hong Kong)

BOARD COMMITTEES

Audit Committee

Zhang Limin *(Chairman)*, Liu Jingfu, Luo Yongtai

Remuneration Committee

Luo Yongtai *(Chairman)*, Liu Jingfu, Zhang Jian

Nomination Committee

Zhang Jian *(Chairman)*, Liu Jingfu, Luo Yongtai

COMPLIANCE OFFICER

Zhang Jian

AUTHORISED REPRESENTATIVES

Zhang Jian, Wang Xiaojun

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

REGISTERED ADDRESS

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Tianjin Economic and Technological Development Area

OFFICE AND CORRESPONDENCE ADDRESS

No. 39, Bohai Road,
Tianjin Economic and Technological Development Area
Postal Code: 300457

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2008, 20th Floor, Jardine House
1 Connaught Place, Central, Hong Kong

STOCK CODE

08348

COMPANY WEBSITE

http://www.tbtl.cn

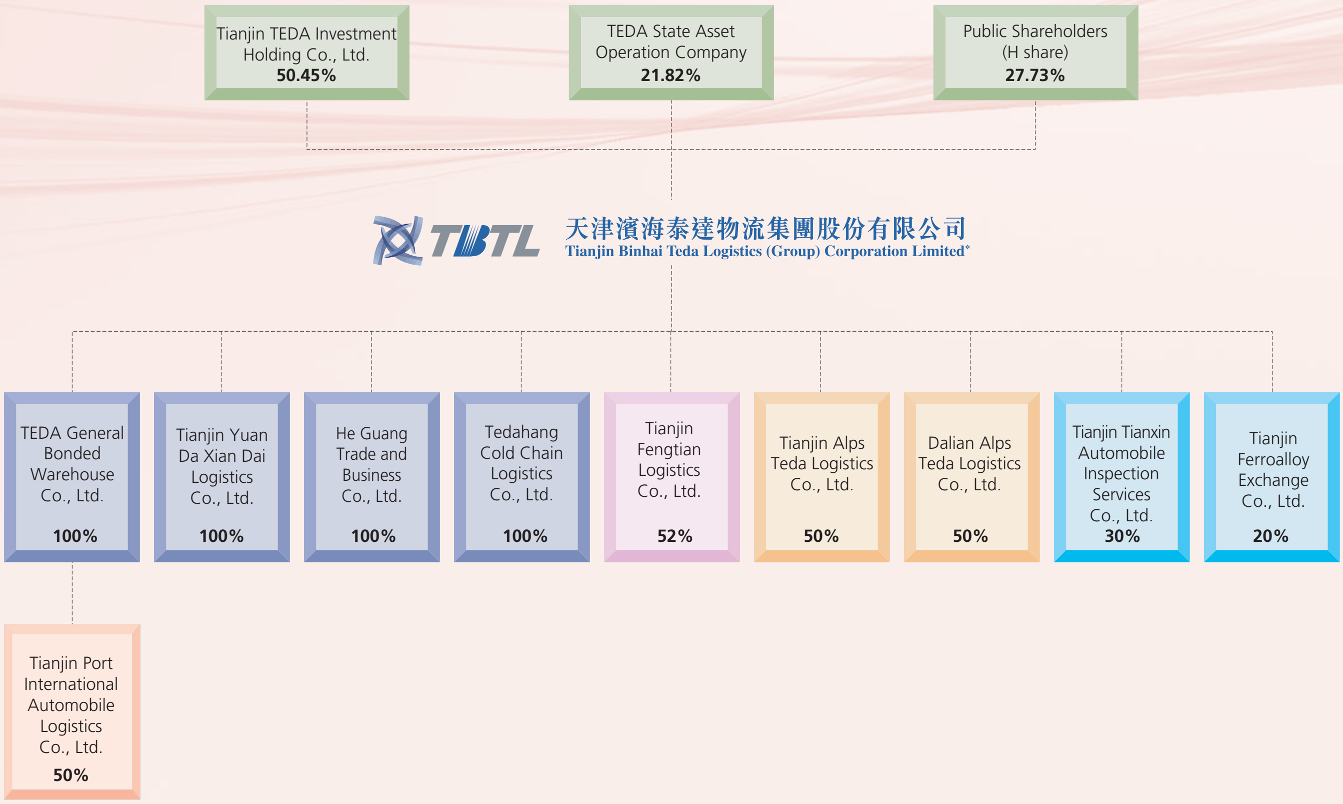
PRINCIPAL BANKERS

Tianjin Cui Heng Plaza Branch of the Industrial and Commercial Bank of China

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 2011 extracted from the audited consolidated income statements of the Group prepared under the International Financial Reporting Standards is as follows:

	2011 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	**2,288,319**	2,863,018	2,671,206
Profit before taxation	**99,139**	124,037	75,658
Income tax	**(7,282)**	(22,107)	(13,135)
Profit for the year	**91,857**	101,930	62,523
Profit attributable to			
Non-controlling interests	**11,336**	21,069	11,474
Owners of the parent	**80,521**	80,861	51,049
Basic earnings per share (RMB)	**0.23**	0.23	0.14

ASSETS AND LIABILITIES

A summary of the assets and liabilities of the Group for the three years ended 31 December 2011 extracted from the audited balance sheet of the Group prepared under the International Financial Reporting Standards is as follows:

	2011 RMB'000	2010 RMB'000	2009 RMB'000
Non-current assets	**644,900**	504,667	473,016
Current assets	**971,843**	1,464,247	1,399,086
Total assets	**1,616,743**	1,968,914	1,872,102
Non-current liabilities	**10,063**	5,289	5,514
Current liabilities	**830,651**	1,255,379	1,232,395
Non-controlling interests	**86,781**	92,433	85,069
Liabilities and non-controlling interests	**927,495**	1,353,101	1,322,978
Total equity	**776,029**	708,246	634,193

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 2011 to all shareholders.

RESULTS OF THE YEAR

For the year ended 31 December 2011 (the "Year"), turnover of the Group amounted to approximately RMB2,288,319,000 (2010: RMB2,863,018,000), representing a decrease of approximately 20% from last year. Profit attributable to the shareholders was approximately RMB80,521,000 (2010: RMB80,861,000) and the basic earnings per share was approximately RMB0.23 (2010: RMB0.23).

As at 31 December 2011, the total assets and current assets of the Group were approximately RMB1,616,743,000 (2010: RMB1,968,914,000) and approximately RMB971,843,000 (2010: RMB1,464,247,000), respectively, representing decreases of RMB352,171,000 and RMB492,404,000 from 31 December 2010, respectively. Our net assets and net assets per share at the end of the period were approximately RMB689,248,000 (2010: RMB615,813,000) and approximately RMB1.95 (2010: RMB1.74), respectively, representing increases of 12% and 12% from 31 December 2010.

REVIEW FOR THE YEAR

With slow global economic recovery and continuously deteriorating debt crisis in the United States of America and Europe, the year 2011 experienced volatility and fluctuation in equity markets, foreign exchange markets and prices of bulk commodities worldwide, as well as widespread political instability and frequent wars and natural disasters. Particularly, the Company's businesses were affected by Japan earthquake and the tightening monetary policy adopted by China, with 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 being affected to different extents. Even so, the Company's overall operating results basically remained stable.

Actively Promoting the Transfer of Listing of the Company and Facilitating the Optimization of Shareholding Structure

During the reporting period, in order to optimize the shareholding structure of the Company and further enhance the influential power of the Company as well as to improve the performance of our Shares, the Company was committed to promoting the transfer of listing and facilitating the optimization of shareholding structure. The Company actively proceeded with the transfer of listing from GEM to the Main Board of the Stock Exchange and the relevant information has been submitted to the China Securities Regulatory Commission and the Stock Exchange of Hong Kong. Meanwhile, the Company actively facilitated the optimization of shareholding structure by promoting equity reorganization to reinforce the international influential power of the Company.

Rapid Development of Logistics Facilities and Continuous Increase of Operating Area

During the reporting period, the main body of Phase I of the Cold Chain Logistics Centre at Tianjin Port has been topped off and the construction of the exterior protective structure has practically completed. The project is expected to become the inspection base of frozen products at Tianjin Port. The Customs Import and Export Container Clearance Centre Project in Tianjin Economic-Technological Development Area has been inspected and accepted by Tianjin Customs. Meanwhile, the overall operating area and the number of operating sites of the Company have been increasing constantly, with the operating area increased from 1,451,000 sq.m. to 1,493,000 sq.m. and the number of operating sites increased from 54 to 56.

On-going Optimization of Investment Structure and Constant Expansion of Business Scope

During the reporting period, the Company sold their equity interests in Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. and the Company's subsidiary withdrew all of its investment in Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd.. The Company incorporated a company in Hong Kong under the name of "He Guang Trade and Business Co., Ltd." to lay a foundation for conduct of import and export trade business by further leveraging on the advantages of Hong Kong. In addition, "Tedahang Cold Chain Logistics Co., Ltd." was incorporated in Tianjin, which was established to carry out the construction, preparation and operation of the Cold Chain Logistics Centre at Tianjin Port. The Company has further optimized its investment structure and expanded its business scope through a variety of ways such as disposal of equity interests and establishment of new companies.

Continuous Strengthening of Internal Management and Constant Improvement of Operation Profitability

During the reporting period, the Company continued to strengthen its internal management framework, improve management systems and optimize management process. The Company improved various work processes such as meeting management and foreign affairs reception, meanwhile the Company also promoted the construction of information systems such as office systems and business information systems, so as to enhance process control, improve operation efficiency, and reduce operating costs. The Company has modified and perfected our regulations on safety management in all aspects and reinforced supervision and monitoring over accident potentials, leading to significant decline in safety accidents during the year. All the entities under the Company also actively promoted enhancement of management and improvement of work process according to their specific condition, so as to enhance their operation profitability.

Awards

During the reporting period, the industry position and influential power of the Company continued to enhance. The Company was rated as one of the "Top 100 Enterprises in Tianjin Economic-Technological Development Area" for the second consecutive year and was accredited "5A Comprehensive Logistics Providers" by the China Federation of Logistics & Purchasing, and also became the vice-chairman unit of the China Federation of Logistics & Purchasing. Tianjin Fengtian Logistics Co., Ltd., a subsidiary of the Company, was awarded "Second Grade Award of Technology Advancement" by the China Federation of Logistics & Purchasing and was recognized as "Municipal Enterprise Technology Centre" of Tianjin City, being one of the first batch of logistics enterprises which owned the qualification of municipal enterprise technology centre in Tianjin City. As of the end of the reporting period, three subsidiaries of the Company, namely TEDA General Bonded Warehouse Co., Ltd., Tianjin Port International Automobile Logistics Co., Ltd. and Tianjin Fengtian Logistics Co., Ltd., have obtained the qualification of High and New Technological Corporation. These reflected that the influential power of the Company in the industry was 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.

Prospects and Outlook

The world economic recovery has slowed down obviously in 2011, and the economic outlook was increasingly uncertain. In 2012, the domestic and overseas economic environment will become more complicated and challenging, and the economic growth will continue to show a modestly-slowdown-to-stabilizing trend. Although China's economic growth rate is expected to remain within a reasonable range, the domestic economy will also face various challenges as a result of the fluctuant goods price and various political and economic uncertainties in China. Under the influence of domestic and overseas political and economic environments, logistics industry will face many challenges such as weak market demand, rising costs, rising fuel price and intensifying competition while enjoying supporting policies. On one hand, the Company will face various challenges arising from the industry itself; on the other hand, each business segment of the Company will be affected by the business climate of respective industries, especially the automobile industry, electronic component industry and steel industry. Under such circumstances, the Company will implement the following effective measures during this year:

– further optimize the shareholding structure and improve corporate governance systems, enhancing the governance standard of the Company;

– actively develop operation concepts and strengthen operation management to enhance operation standard of the Company and effectively control all kinds of risks;

– optimize business structure, innovate business models, explore new business areas and continuously expand business scope;

– speed up the construction of the Cold Chain Logistics Centre at Tianjin Port to prepare for operation and actively exploit new businesses in the cold chain logistics field;

– strengthen communication and cooperation between the Company and its subsidiaries or among its subsidiaries, pool and share respective resources within the Group and continuously enhance the overall utilization effectiveness of resources of the Group;

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

In 2012, the domestic and overseas economic situation remains challenging and extremely uncertain, but the Company is firmly confident in the long-term development in the future. With outstanding innovation spirit and untiring efforts, the Company is determined to overcome any new challenge to strive for growth while maintaining stability and to achieve stable growth in operating results, so as to create values for every sector of the 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, 20 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal businesses of the Group are logistics and supply chain services for transportation of finished automobile 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, agency and transportation 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), Toyota Tsusho (Tianjin) Co., Ltd. (豐田通商（天津）有限公司) and Hebei Taigang Steel Roll Co., Ltd. (河北泰鋼鋼鐵軋製有限公司).

During the reporting period, affected by various factors such as Japan earthquake, the increase of fuel price and other operating costs due to the inflation in China, the rise in labour costs and the increase in operating costs resulting from improvement of service quality, the operating result of logistics and supply chain services for transportation of finished automobile and components decreased significantly compared to the corresponding period last year; logistics and supply chain services for electronic components recorded a stable performance, with its operating income and profits substantially the same as compared to the corresponding period last year; affected by the tightening monetary policy adopted by China and the Company's further enhancement of business risk control, materials procurement declined compared to the corresponding period last year, with its principal operating income and operating profits both decreased by different levels; other services such as bonded warehouse, container yard, supervision, agency and transportation services maintained a good development momentum with further expansion of business scale.

The Group's logistics infrastructure construction and operation made smooth progress, with the Customs container clearance centre of Tianjin TEDA Bonded Warehouse Co., Ltd. (天津泰達保稅倉公司), a wholly-owned subsidiary of the Group, inspected and accepted by Tianjin Customs. The refrigeration storage project (Phase 1) of Tedahang Cold Chain Logistics Co., Ltd (泰達行（天津）冷鏈物流公司), a wholly-owned subsidiary of the Group, proceeded steadily as scheduled and will start operation within 2012.

In consolidating the traditional logistics businesses, the Group has actively expanded new areas of the logistics businesses, made use of synergy of its internal resources 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 was RMB984,864,000, substantially the same as compared to last year. However, affected by various factors such as the increase of fuel price and other operating costs due to the inflation in China, the rise in labour costs and the increase in operating costs resulting from improvement of service quality, as well as change in income structure, the net profit decreased significantly by approximately 40%.

LOGISTICS AND SUPPLY CHAIN SERVICES FOR ELECTRONIC COMPONENTS

During the reporting period, with efforts to explore market and overcome the negative impact of various challenges, the electronic components logistics service recorded a stable performance and realized an operating income of RMB532,574,000, substantially the same as compared to last year.

MATERIALS PROCUREMENT AND RELATED LOGISTICS SERVICES

During the reporting period, affected by the tightening monetary policy adopted by China and the Company's further enhancement of business risk control, the materials procurement business declined compared to last year, with a principal operating income of RMB996,363,000, representing a decrease of RMB613,648,000 or 38% compared to last year.

WARE HOUSE, SUPERVISION, AGENCY AND OTHER INCOMES

During the reporting period, other services such as bonded warehouse, container yard, supervision, agency and transportation services maintained a good development momentum with further expansion of business scale. This segment recorded an operating income of RMB40,804,000, representing an increase of RMB4,015,000 or 11% compared to the corresponding period last year.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2011, turnover of the Group was RMB2.288 billion, representing a decrease of RMB575 million or 20% as compared to RMB2.863 billion last year. The decrease in turnover is mainly attributable to the tightening monetary policy adopted by China and the Company's further enhancement of business risk control, which resulted in a decline in materials procurement compared to last year.

Cost of sales and gross profit

For the year ended 31 December 2011, the cost of sales of the Group was RMB2.173 billion, representing a decrease of RMB536 million or 20% as compared to RMB2.709 billion of the corresponding period last year, which was in line with the decrease trend of turnover for the year.

For the year ended 31 December 2011, gross profit margin of the Group was 5.05%, representing a decrease of 0.32% as compared to 5.37% of last year. One of the main reasons for the overall decrease in the gross profit margin of the Group is the decrease in the gross profit margin of logistics and supply chain services for transportation of finished automobile and components as a result of the increase of fuel price and other operating costs due to the inflation in China, the rise in labour costs and the increase in operating costs resulting from improvement of service quality.

Administrative expenses

The administrative expenses of the Group amounted to RMB62,816,000 in 2011, representing an increase of RMB5,858,000 or 10% as compared to RMB56,958,000 in 2010. The reason for the increase in administrative expenses was that management cost comprising labour cost increased as the Group further expanded its business scope. The Group will further strengthen its control of certain parts of its administrative expenses.

Finance costs

The Group's finance costs in 2011 increased by RMB2,320,000 from RMB4,894,000 last year to RMB7,214,000. 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 2011 were RMB7,282,000, representing a decrease of RMB14,825,000 or 67% as compared to RMB22,107,000 last year. The significant decrease in taxation expenses was mainly attributable to the significant decrease in the operating profit of logistics and supply chain services for transportation of finished automobile and components of Tianjin Fengtian Logistics Co., Ltd., a subsidiary of the Group, as compared to the corresponding period last year, which led to a significant decrease in the enterprise income tax.

Share of results of associates

The share of results of associates of the Group for 2011 was RMB33,112,000, representing an increase of RMB1,589,000 or 5% as compared to last year. The increase in share of results of associates was mainly due to the investment gain of RMB2,573,000 of the Group in proportion to its shareholding in Tianjin Tianxin Automobile Inspection Services Co, Ltd. (天津天鑫機動車檢測服務公司), a subsidiary of the Group, which recorded good performance this year.

Earnings attributable to the equity holders of the Company

For the year ended 31 December 2011, earnings attributable to the equity holders of the Company was RMB80,521,000, compared to RMB80,861,000 last year. The earnings attributable to the equity holders of the Company this year was substantially the same as compared to last year.

Dividend

The Board proposed to pay final dividend of RMB0.02 per share (corresponding period 2010: Nil). This proposed payment is subject to the approval by the Company at the 2011 annual general meeting. Details about the date of annual general meeting and the arrangement of closure of register will be announced in due course.

Liquidity and financial resources

For the year ended 31 December 2011, the Group maintained a sound financial position. As at 31 December 2011, the cash and bank deposit of the Group was RMB296,419,000 (31 December 2010: RMB311,248,000). As at 31 December 2011, the total assets of the Group was RMB1,616,743,000 (31 December 2010: RMB1,968,914,000). Capital was sourced from current liabilities of RMB830,651,000 (31 December 2010: RMB1,255,379,000), non-current liabilities of RMB10,063,000 (31 December 2010: RMB5,289,000), shareholder's equity attributable to the shareholders of the Group was RMB689,248,000 (31 December 2010: RMB615,813,000) and non-controlling interests of RMB86,781,000 (31 December 2010: RMB92,433,000).

Capital structure

During the year ended 31 December 2011, there was no change in the capital structure of the Company. The share capital of the Company comprised only ordinary shares (please refer to "Share Capital" of note 26 to the consolidated financial statements).

Loans and borrowings

As at 31 December 2011, the balance of bank loans of the Group was RMB252,520,000 (31 December 2010: RMB142,649,000).

Gearing ratio

As at 31 December 2011, the ratio of total liabilities to total assets of the Group was 52% (31 December 2010: 64%).

Charge on assets

As at 31 December 2011, 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 outside mainland China. The Group, however, may be exposed to certain extent of foreign currency risks mainly as 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 the United States Dollar, the Japanese Yen and the Euro. For the twelve months ended 31 December 2011, the Group had an exchange loss of RMB1,342,000 due to the appreciation of Renminbi.

Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Capital commitments

As at 31 December 2011, the Group had the following capital commitments:

	2011 RMB'000
Property, plant and equipments	
Contracted for but not provided	147,979

MAJOR ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

In March 2011, Tianjin Yuan Da Xian Dai Logistics Co., Ltd. ("Yuan Da Logistics"), a wholly-owned subsidiary of the Company, withdrew all of its investment in Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd. ("Yuan Sheng") which amounted to RMB6,000,000, representing 45% of the total registered capital of Yuan Sheng. Therefore, Yuan Da Logistics ceased to hold any equity interest in Yuan Sheng.

In September 2011, the Company and other independent third parties entered into an agreement, whereby the Company transferred its equity interests in Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. ("Sidier") which represented 35% of Sidier's total equity to the independent third parties. Therefore, the Company ceased to hold any equity interest in Sidier.

Such transactions 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 subsidiaries and associated companies by the Group.

MAJOR TRANSACTION

On 6 July 2011, the Company entered into a construction contract with a contract price in the amount of RMB177,802,999 with China Railway Construction 18th Bureau Group Co., Ltd. (中鐵十八局集團有限公司) in relation to the construction of the Cold Storage Warehouse No. 1 of the Import and Export Cold Chain Logistics Centre Project (Phase 1), (a cold storage warehouse with an area of 28,974.07 square meters, 3,801.71 square meters of cargo handling space, 1,433.60 square meters of refrigeration room and transformer room, situated at the Tianjin Port Container Logistics Centre, Tianjin, the PRC). The construction contract constituted a major transaction for the Company under Chapter 19 of the GEM Listing Rules, and was approved by the Company's shareholders at the extraordinary general meeting held on 26 September 2011.

EMPLOYEES

As at 31 December 2011, the Company employed 2,172 employees (31 December 2010:1,934).

	As at 31 December 2011	**As at 31 December 2010**
Administration	**179**	146
Finance	**62**	52
Information Technology	**47**	17
Sales and Operation	**1,884**	1,719
Total	**2,172**	1,934

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 as 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.

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 all 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 8 Directors which include 1 executive Director, 4 non-executive Directors and 3 independent non-executive Directors, among which, Zhang Jian is the Chairman and executive Director, Hu Jun, Zhang Jun, Wang Jincai and Chen Fang 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 2012, 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 2011 to discuss and decide on material strategies, material operating issues, financial issues and other matters as required in the Articles of the Company. The Company has kept the detailed minutes of the relevant meetings.

The 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 (Wang Wei resigned from office on 26 September 2011. His resignation took effect on 11 November 2011) (*Wang Wei appointed Zhang Jian to attend the 1st meeting of the second Board, and did not attend the 2nd and 3rd meetings of the second Board)	6/8	75%
Non-executive Directors		
Hu Jun (*Hu Jun appointed Zhang Jian to attend the 33rd, 34th and 36th meetings of the first Board)	8/8	100%
Zhang Jun (*Zhang Jun appointed Zhang Jian to attend the 34th and 36th meetings of the first Board)	8/8	100%
Ding Yi (Retired upon expiry of his term of office on 22 June 2011)	4/4	100%
Zhang Jinming (Retired upon expiry of his term of office on 22 June 2011) (*Zhang Jinming appointed Zhang Jian to attend the 33rd and 36th meetings of the first Board)	4/4	100%
Wang Jincai (appointed on 23 June 2011)	4/4	100%
Chen Fang (appointed on 23 June 2011) (*Chen Fang appointed Zhang Jian to attend the 2nd and 3rd meetings of the second Board)	4/4	100%
Independent non-executive Directors		
Zhang Limin	8/8	100%
Luo Yongtai	8/8	100%
Liu Jingfu	8/8	100%

THE BOARD *(CONTINUED)*

Chairman and Chief Executive Officer

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

As at 31 December 2011, 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 2011 and recommended approval to the Board. In 2011, the audit committee held a total of 5 meetings with an average attendance of 100%. The Company reported its principal activities to the audit committee in the meetings. For the year ended 31 December 2011, 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. Zhang Jian and Mr. Liu Jingfu. A majority of the remuneration committee are independent non-executive directors of the Company. In 2011, the remuneration committee held one meeting in total.

(3) Nomination committee

The Company has also set up a nomination committee which is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment, re-appointment and succession of directors. The nomination committee currently 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. In 2011, the nomination committee held two meetings in total.

TERM OF OFFICE AND RE-ELECTION

The terms of office of the Directors of the Company (including independent non-executive Directors) are three years. All current Directors of the Company will hold office until the expiry of the second Board. The Directors shall retire upon expiry of their terms 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 2011, the supervisory committee had monitored the financial position and the legal compliance of the operations of the Company and has conducted due diligence review of the senior management by convening meetings of supervisory committee and attending Board meetings and general meetings. It has duly performed its duties according to detailed cautions principles.

INTERNAL CONTROL

During the year 2011, 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 of which are as follows:

1. Financial control

The Company continued to strictly comply with the various financial systems formulated by the Company to further strengthen and enhance the financial management of the Company. 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 held 5 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 duties 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 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, 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 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 connected transactions and their procedures and the disclosure of information comply with the requirements of the GEM Listing Rules.

4. Risk management

The Company adopted appropriate measures to manage its investment, guarantee, litigations and material projects. The risk management department is mainly responsible for risk evaluation and management of our businesses, such as finance logistics business and new business.

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 2011. Fees for audit and non-audit services for the year ended 31 December 2011 amounted to RMB1,225,000 and RMB105,000, respectively.

GENERAL MEETINGS

The general meeting of the Company has the highest authority. Totally five general meetings were held in 2011. The Company convened an annual general meeting on 22 June 2011 to consider and approve the resolutions relating to re-appointment of auditors and appointment of members of the second board of Directors and supervisors other than the employee representative supervisors. 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 2011.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of comprehensive logistics services in China, 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 13 of this annual report. The consolidated statement of comprehensive income is disclosed on page 36 of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2011 prepared in accordance with the International Financial Reporting Standards ("IFRS") are set out on page 36 to 90 of this annual report.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

As at 31 December 2011, profit attributable to the equity holders of the Company was approximately RMB80,521,000. Details of the dividends are set out on page 11 of this annual report.

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 2011 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 SHAREHOLDER

There is no material contract between the Group and the controlling shareholder or its subsidiaries during the year.

FINANCIAL SUMMARY

A financial summary including the results and 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

In March 2011, Tianjin Yuan Da Xian Dai Logistics Co., Ltd. ("Yuan Da Logistics"), a wholly-owned subsidiary of the Company, withdrew all of its investment in Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd. ("Yuan Sheng") which amounted to RMB6,000,000, representing 45% of the total registered capital of Yuan Sheng. Therefore, Yuan Da Logistics ceased to hold any equity interest in Yuan Sheng.

In April 2011, the Company invested in the establishment of its wholly-owned subsidiary He Guang Trade and Business Co., Limited, which is mainly engaged in import and export of cargoes and technology and relative logistic services.

In July 2011, the Company invested in the establishment of its wholly-owned subsidiary Tedahang Cold Chain Logistics Co., Ltd., which is mainly engaged in refrigeration storage and related warehousing and logistics services.

In September 2011, the Company and other independent third parties entered into an agreement, whereby the Company transferred its equity interests in Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. ("Sidier") which represented 35% of Sidier's total equity to the independent third parties. Therefore, the Company ceased to hold any equity interest in Sidier.

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 2011, the capitalized interests of the Company amounted to RMB2,167,000 (2010: Nil).

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 Director	Date of appointment
Zhang Jian *(chairman)*	23 June 2011
Non-executive Directors	
Hu Jun	23 June 2011
Zhang Jun	23 June 2011
Wang Jincai	23 June 2011
Chen Fang	23 June 2011
Independent Non-executive Directors	
Zhang Limin	23 June 2011
Liu Jingfu	23 June 2011
Luo Yongtai	23 June 2011
Supervisors	
Xing Jihai	23 June 2011
Tian Shuyong	23 June 2011
Wang Rui	23 June 2011
Lu Xia	23 June 2011
Yu Ang	14 June 2011
He Hongsheng	14 June 2011

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 2011, 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 the directors and supervisors are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

As at 31 December 2011, 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 or proposed to be acquired or disposed of or leased since 1 January 2011.

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 2011, 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 (Note 1)	Approximate percentage of shareholding in the same class of shares	Approximate percentage of shareholding to the Company's total issued share capital
Tianjin Teda Investment Holding Co., Ltd.	Beneficial owner	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%

On 18 November 2011, Tianjin Teda Investment Holding Co., Ltd entered into a share transfer agreement with Chia Tai Land Company Limited, while Tianjin Economic and Technological Development Area State Asset Operation Company entered into a share transfer agreement with Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd.. Accordingly, Tianjin Teda Investment Holding Co., Ltd. and Tianjin Economic and Technological Development Area State Asset Operation Company agreed to transfer 28,344,960 and 77,303,789 domestic shares of the Company held by them to Chia Tai Land Company Limited and Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd., respectively. In accordance with the relevant requirements and regulations for state-owned assets administration of the PRC, the two aforementioned domestic share transfers are pending for approval by the relevant state-owned assets supervision and administration authorities of the PRC. So far as is known to the directors, chief executives and supervisors of the Company, as at 31 December 2011, the deemed interests of Chia Tai Land Company Limited, Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. and their associates under Part XV of the SFO are as follows:

Name	Capacity	Number and class of shares (Note 1)	Approximate percentage of shareholding in the same class of shares	Approximate percentage of shareholding to the Company's total issued share capital
Chia Tai Land Company Limited 正大置地有限公司	Beneficial owner	28,344,960 (L) Domestic shares	11.07%	8%
Fortune (Shanghai) Limited 富泰(上海)有限公司	Interest of corporation controlled by a substantial shareholder	28,344,960 (L) Domestic shares	11.07%	8%
Charoen Pokphand Group Co., Ltd.	Interest of corporation controlled by a substantial shareholder	28,344,960 (L) Domestic shares	11.07%	8%
Chia Tai Pharmaceutical Investment (Beijing) Co. Ltd. 正大製藥投資(北京)有限公司	Beneficial owner	77,303,789 (L) Domestic shares	30.19%	21.82%
Sino Biopharmaceutical Limited 中國生物製藥有限公司	Interest of corporation controlled by a substantial shareholder	77,303,789 (L) Domestic shares	30.19%	21.82%
Tse Ping	Interest of corporation controlled by a substantial shareholder	77,303,789 (L) Domestic shares	30.19%	21.82%
Cheng Cheung Ling	Interest of a substantial shareholder's child under 18 or spouse	77,303,789 (L) Domestic shares	30.19%	21.82%

Note:

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

Save as disclosed in this report, so far as is known to the directors and chief executives of the Company, as at 31 December 2011, 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 the Company and/or any subsidiary of the Company 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)	34%
Tianjin Haoan Mineral Co., Ltd. (天津浩安礦產有限公司)	17%
Tangshan Fengnan Donghua Iron Co., Ltd. (唐山市豐南區東華鋼鐵有限公司)	16%
Toyota Tsusho (Tianjin) Co., Ltd. (豐田通商(天津)有限公司)	3%
Tangshan Dongyu Commercial & Trading Co., Ltd.(唐山市東煜商貿有限公司)	2%
Five largest customers in total	72%

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 Haoan Mineral Co., Ltd. (天津浩安礦產有限公司)	18%
Tangshan Donghua Steel Group Co., Ltd.(唐山東華鋼鐵企業集團有限公司)	15%
Chongqing Jiachuan Sanjie Transport Co., Ltd. (重慶嘉川三捷運輸有限公司)	5%
WuHan ZhongYuanFaZhan Automobile Logistics Co., Ltd(武漢中原發展汽車物流有限公司)	4%
Beijing JingShunDa Co., Ltd.(北京市京順達物資有限公司)	3%
Five largest suppliers in total	45%

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 competes or may compete with the business of the Group or has any other conflicts of interests with the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Group has entered into continuing connected transactions with the following entities which are regarded as connected persons of the Company under the GEM Listing Rules as at 31 December 2011.

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.

Details of the connected transactions and continuing connected transactions for the year ended 31 December 2011 are as follows:

Continuing Connected transactions

1. On 23 November 2010, the Company entered into a logistics service agreement with Toyota Tsusho Corporation, pursuant to which the Company should provide logistics services and supply chain solutions for automobile and car components to Toyota Tsusho Corporation for a period up to 31 December 2013. The Company approved the agreement at the extraordinary general meeting on 18 January 2011.

2. On 6 February 2009, the Company entered into a logistics service agreement ("Logistics Service Agreement") with Toyato Tsusho Corporation, pursuant to which Toyato Tsusho would provide logistics services to the Company until 31 December 2011. Such transactions constitute continuing connected transactions.

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

		Annual Caps for 2011 RMB'000	Actual Figures for 2011 RMB'000
1	Toyota Services Supply Agreement	**99,000**	84,915
2	Toyota Logistics Service Agreement	**30,000**	3,621

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.

In addition, the Group has duly complied with the requirements under paragraph 20.38 of the Rules Governing the Listing of Securities on the Growth Enterprise Market.

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 27 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 2011, 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 2011, neither the Company nor any of its subsidiaries has purchased, redeemed or sold or cancelled any listed securities of the Company.

PUBLIC FLOAT

Based on the information available to the Company and to the knowledge of the Directors, the Company has, up to the date of this report, maintained the public float required by the Listing Rules and approved by the Stock Exchange.

TRUST DEPOSITS

As at 31 December 2011, neither the Company nor any of its subsidiaries placed any trust deposits with any financial institutions within or outside the PRC.

AUDITORS

The financial statements have been audited by 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, 20 March 2012

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 a responsible role to work reasonably and cautiously with integrity and diligence to protect the interests of the Company, its shareholders and staff during the year.

During the year, the Supervisory Committee duly reviewed the operational and development plans of the Company, the supervisors made their best endeavours to attend each Board meetings and General meetings, 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 2011, 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 2011, 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, 20 March 2012

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Zhang Jian (張艦), aged 54, joined the Company as the chairman and general manager 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) 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). He is currently the chairman of Tianjin Alps Teda Logistics, Dalian Alps Teda Logistics, Tianjin Fengtian Logistics, Yuan Da Logistics, TEDA Bonded Warehouse and Tedahang Cold Chain Logistics and, the vice chairman of Tianjin Port International Automobile Logistics, Tianjin Ferroalloy Exchange Co., Ltd., and Tianjin Tianxin Automobile Inspection Services Co., Ltd. (天津天鑫機動車檢測服務有限公司) and the director of He Guang Trade and Business. 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.

NON-EXECUTIVE DIRECTORS

Mr. Hu Jun (胡軍), aged 35, 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 from the finance department of 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 and manager of the investment management department of Tianjin Teda Investment Holding Co., Ltd.. Mr. Hu is also currently a director of Tianjin Teda Construction Group (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).

Mr. Zhang Jun (張軍), aged 44, 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 had been working in Teda Holding. He is currently the general manager of Tianjin TEDA Group Company Ltd., a wholly-owned subsidiary of Teda Holding, a 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 (濱海投資有限公司) (Stock code: 8035, Hong Kong Stock Exchange).

Mr. Wang Jincai (王進才), aged 52, holds a doctor's degree in Economics and is a senior economist. In July 1996, he obtained a doctor's degree in Economics from China Academy of Social Sciences. He has published more than 30 articles in a number of economic and financial publications and has conducted in-depth theoretical research on and has rich experience in the fields of finance and investment. From 1985 to 1992, he worked at the Department of Politics and Law, Shanxi Normal University, focusing on research and teaching in economics. From 1996 to 1998, he worked at the fund management department of the Social Insurance Center (社會保險中心基金管理部), the Ministry of Civil Affairs of the PRC, as a deputy director. From 1998 to 2001, he was a department manager of the Beijing International Trust and Investment Corporation. From 2002 to 2005, he was the vice general manager of Tianjin TEDA Venture Capital Co., Ltd. From 2005 to 2009, he was the chairman of Jingang Trust Investment Company Limited (金港信託投資有限責任公司) . He has been working as the vice general manager of TEDA State Asset Operation Company since 2009.

Mr. Chen Fang, aged 49, joined the Company as a shareholder representative supervisor in June 2009 and became a non-executive director in June 2011. He had been an associate professor in Fujian Normal University (福建師範大學). 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) , 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) and a director and vice general manager of Fujian Province Zhongfu Company Limited (福建省中福實業股份有限公司). Mr. Chen had also been the general manager of Xiamen Xiangyu Construction Group Company Ltd. (廈門象嶼建設集團有限責任公司) and the special assistant to the president of Xiamen Xiangyu Group Corporation (廈門象嶼集團有限公司). He is currently a director and vice president of Xiamen Xiangyu Group Corporation and the vice chairman of Fujian Xiamen Xiangyu Co., Ltd. (福建省廈門象嶼股份有限公司).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Limin (張立民), aged 56, 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 and 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 65, joined the Company as an independent non-executive director in September 2006. He obtained a doctor's degree in economic science (specialized in management engineering) 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 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), Tianjin TEDA Co., Ltd. (天津泰達股份有限公司) (Stock code: 000652, Shenzhen Stock Exchange) and 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 48, joined the Company as an independent non-executive Director in September 2006. He obtained a master's degree in business administration from International Business School of 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), the 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 had been the chairman of China Railway Modern Logistics Technology Co., Ltd. (中鐵現代物流科技股份有限公司) from 2002 to February 2011. And he has been working as the general manager of Zhongwu Huashang International Logistics Co., Ltd. (中物華商國際物流股份有限公司) from March 2011 to date. 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

Shareholder representative supervisors

Mr. Xing Jihai (邢吉海), aged 60, joined the Company as a shareholder representative supervisor 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 40 years. From 1997 to 2000, he was the section chief of the Financial Bureau of Teda. From 2000 to 2011, he had been working as the director of the finance center and in 2012, the assistant General Manager 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 Sihuan Pharmaceutical (四環藥業) (Stock code: 000605, Shenzhen Stock Exchange) and China Bohai Bank (渤海銀行), 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 41, joined the Company as a shareholder representative supervisor 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 State Asset Operation Company and from December 2007 to date, he has been working as the manager of the investment management department of TEDA State Asset Operation Company.

Mr. Wang Rui (王蕤), aged 49, is a senior engineer. He graduated from Tianjin Shipping Technical Institute (天津水運技校) and the Department of Mechanical Engineering of Tianjin Technology and Education College (天津職業技術師範學院) in 1981 and 1987, respectively. He completed a bachelor course majoring in administrative management at Tianjin University in 2000 and obtained a master's degree in transportation planning and management from Dalian Maritime University (大連海事大學) in 2009. Mr. Wang had been a trainee teacher at Tianjin Shipping Technical Institute from 1983 to 1985; successively a teacher, the deputy department head and department head of Tianjin Port Staff Training Centre (天津港職工培訓中心) from 1987 to 1996. He held the positions of the deputy general manager and general manager of Tianjin Port Storage & Transportation Co., Ltd. (天津港儲運股份有限公司) from 1996 to 2006; and the general manager of Tianjin Port International Logistics Development Co., Ltd. (天津港國際物流發展有限公司) from 2006 to 2010. Mr. Wang has been an executive director and deputy general manager of Tianjin Port Development Holdings Limited (天津港發展控股有限公司)(Stock code: 3382, Hong Kong Stock Exchange) since 2010.

Independent Supervisor

Ms. Lu Xia (呂霞), aged 43, joined the Company as an independent supervisor 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 39, joined the Company as a staff representative supervisor 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 50, 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 54, executive Director and general manager of the Company. He is responsible for the overall management of operation, liaison with major customers and planning for business development of the Group. Please see his biography set out in the sub-section headed "Executive Director" above.

Mr. Wang Weimin (王維民), aged 48, the Executive Master of Business Administration (EMBA) of Peking University. He had been general manager and deputy Chairman in certain companies from 1993 to May 2011. He joined the Group in July 2011 and he is currently the vice president of the Company and general manager of TEDA Hang Cold Logistics.

Mr. Liu Liming (劉利明), aged 55, joined the Group in 1996. From 1986 to 1989, Mr. Liu was the general 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 Corporation 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 the general manager and director of TEDA Bonded Warehouse.

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 36 to 90, which comprise the consolidated and company balance sheets as at 31 December 2011, 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 2011, 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, 20 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Revenue	5	**2,288,319**	2,863,018
Cost of sales	10	**(2,172,715)**	(2,709,269)
Gross profit		**115,604**	153,749
Other income	6	**13,026**	7,353
Other gains and losses	7	**7,427**	(6,736)
Administrative expenses	10	**(62,816)**	(56,958)
		73,241	97,408
Finance costs	8	**(7,214)**	(4,894)
Share of results of associates	21	**33,112**	31,523
Profit before income tax		**99,139**	124,037
Income tax expense	9	**(7,282)**	(22,107)
Profit/total comprehensive income for the year		**91,857**	101,930
Profit attributable to:			
Owners of the parent		**80,521**	80,861
Non-controlling interests		**11,336**	21,069
		91,857	101,930
Earnings per share (RMB cents)	14		
– Basic		**23**	23
– Diluted		**23**	23
Dividends	12	**7,086**	–

The notes on pages 43 to 90 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Land use rights	15	**149,759**	121,021
Property, plant and equipment	16	**346,206**	226,569
Investment properties	17	**92,784**	97,228
Interests in associates	21	**56,046**	59,744
Goodwill	18	**105**	105
		644,900	504,667
Current assets			
Inventories	23	**41,752**	113,337
Trade and other receivables	24	**566,120**	947,160
Amounts due from an associate	29	**–**	3,658
Pledged bank deposits	25	**67,552**	88,844
Cash and cash equivalents	25	**296,419**	311,248
		971,843	1,464,247
Total assets		**1,616,743**	1,968,914
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	26	**354,312**	354,312
Other reserves	27	**55,712**	48,848
Retained earnings		**279,224**	212,653
		689,248	615,813
Non-controlling interests		**86,781**	92,433
Total equity		**776,029**	708,246

Consolidated Balance Sheet

As at 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	31	**10,063**	5,289
		10,063	5,289
Current liabilities			
Trade and other payables	28	**572,386**	1,102,637
Amounts due to an associate	29	**15**	330
Taxation payable		**5,730**	9,763
Borrowings	30	**252,520**	142,649
		830,651	1,255,379
Total liabilities		**840,714**	1,260,668
Total equity and liabilities		**1,616,743**	1,968,914
Net current assets		**141,192**	208,868
Total assets less current liabilities		**786,092**	713,535

The consolidated financial statements on pages 36 to 90 were approved by the Board of Directors on 20 March 2012 and are signed on its behalf.

Zhang Jian
Director

Hu Jun
Director

The notes on pages 43 to 90 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Land use rights	15	**50,460**	59,660
Property, plant and equipment	16	**3,389**	14,829
Investment properties	17	**78,920**	82,811
Interests in subsidiaries	19	**279,046**	177,691
Interests in jointly controlled entities	20	**69,585**	69,585
Interests in associates	21	**21,500**	25,083
		502,900	429,659
Current assets			
Inventories	23	**27,534**	103,785
Trade and other receivables	24	**374,978**	780,249
Amounts due from subsidiaries	19	**61,078**	40,257
Pledged bank deposits	25	**67,552**	88,844
Cash and cash equivalents	25	**194,577**	136,692
		725,719	1,149,827
Total assets		**1,228,619**	1,579,486
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	26	**354,312**	354,312
Other reserves	27	**72,556**	67,991
Retained earnings	13	**106,554**	80,721
Total equity		**533,422**	503,024

Balance Sheet

As at 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	28	**444,261**	936,044
Amounts due to subsidiaries		**936**	–
Taxation payable		**–**	418
Borrowings	30	**250,000**	140,000
		695,197	1,076,462
Total liabilities		**695,197**	1,076,462
Total equity and liabilities		**1,228,619**	1,579,486
Net current assets		**30,522**	73,365
Total assets less current liabilities		**533,422**	503,024

The consolidated financial statements on pages 36 to 90 were approved by the Board of Directors on 20 March 2012 and are signed on its behalf.

Zhang Jian
Director

Hu Jun
Director

The notes on pages 43 to 90 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the parent					
	Share capital RMB'000	**Reserves** (note 27) RMB'000	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
Balance at 1 January 2010	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**
Comprehensive income						
Profit/total comprehensive income for the year	**–**	**–**	**80,521**	**80,521**	**11,336**	**91,857**
Transactions with owners						
Transfer from retained earnings	**–**	**6,864**	**(6,864)**	**–**	**–**	**–**
Dividend paid	**–**	**–**	**(7,086)**	**(7,086)**	**(16,988)**	**(24,074)**
Total transactions with owners	**–**	**6,864**	**(13,950)**	**(7,086)**	**(16,988)**	**(24,074)**
Balance at 31 December 2011	**354,312**	**55,712**	**279,224**	**689,248**	**86,781**	**776,029**

The notes on pages 43 to 90 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	32(a)	**(15,146)**	104,392
Interest received		**4,689**	3,299
Interest paid		**(9,381)**	(4,894)
Income tax paid		**(11,315)**	(25,604)
Net cash (used in)/generated from operating activities		**(31,153)**	77,193
Cash flows from investing activities			
Purchase of property, plant and equipment		**(135,197)**	(50,258)
Purchase of land use rights		**(316)**	(321)
Proceeds from disposal of property, plant and equipment		**112**	–
Decrease/(increase) in pledged bank deposits		**21,292**	(10,829)
Increase of investment in an associate		**–**	(1,500)
Proceeds from disposal of investment in associates		**11,126**	–
Deemed disposal of interest in a jointly controlled entity	32(b)	**–**	1,726
Dividends received from associates		**33,510**	18,319
Net cash used in investing activities		**(69,473)**	(42,863)
Cash flows from financing activities			
Proceeds from borrowings		**250,000**	150,000
Repayments of borrowings		**(140,129)**	(91,765)
Dividends paid to owners of the parent		**(7,086)**	(14,172)
Dividends paid to minority interests		**(16,988)**	(13,705)
Net cash from financing activities		**85,797**	30,358
Net (decrease)/increase in cash and cash equivalents		**(14,829)**	64,688
Cash and cash equivalents at 1 January		**311,248**	246,560
Cash and cash equivalents at 31 December representing bank balances and cash		**296,419**	311,248

The notes on pages 43 to 90 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 for 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 & coal 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 principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures

(a) The following new standards and amendments to standards which are relevant to the Group and are mandatory for the first time for the financial year beginning 1 January 2011 but have no material impact on the Group:

- IFRIC – Int 19, "Extinguishing Financial Liabilities with Equity Instruments"
- Amendment to IFRS 1, "Limited Exemption From Comparative"
- IAS24 (Revised), "Related Party Disclosures"
- Amendment to IFRIC Int – 14, "Prepayments of a Minimum Funding Requirement"
- IFRS3, "Business combinations"
- IFRS7, "Financial instruments: Disclosures"
- IAS1, "Presentation of financial statements"
- IAS27, "Consolidated and separate financial statements"
- IAS34, "Interim financial reporting"

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- IFRS 7 (Amendment), "Disclosures – Transfers of financial assets"
- IAS 12 (Amendment), "Deferred tax: Recovery of underlying assets"
- IAS 1 (Amendment), "Presentation of financial statements"
- IFRS 10, "Consolidated financial statements"
- IAS 27 (Revised 2011), "Separate financial statements"
- IFRS 11, "Joint arrangements"
- IAS 28 (Revised 2011), "Associates and joint ventures"
- IFRS 12, "Disclosure of interests in other entities"
- IFRS 13, "Fair value measurements"
- IAS 19 (Amendment), "Employee benefits"
- IFRS 7 (Amendment), "Financial instruments: Disclosures – Offsetting financial assets and financial liabilities"
- IAS 32 (Amendment), "Financial instruments: Presentation – Offsetting financial assets and financial liabilities"
- IFRS9, "Financial Instruments"
- IFRS7 and IFRS 9 (Amendments), "Mandatory effective date and transition disclosures"

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

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, 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.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

(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.

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

2.2 Consolidation *(Continued)*

(c) *Interests in associates*

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

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 is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

(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.

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

2.2 Consolidation *(Continued)*

(d) *Interests in jointly controlled entities* *(Continued)*

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case the full amount of losses is recognised.

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

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

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

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.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

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.

2.6 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 and 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.

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

2.6 Property, plant and equipment *(Continued)*

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.

2.8 Investment Properties

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 amortization and impairment. Amortization 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 their 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.

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

2.10 Financial assets and liabilities

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

The Group's financial assets are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

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.

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

2.10 Financial assets and liabilities *(Continued)*

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

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For financial assets carried at amortised cost, an impairment loss is recognised in the consolidated income statement where there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of trade and other receivables and amounts due from related parties is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables and amounts due from related parties are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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 minority shareholder of a subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

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

2.10 Financial assets and liabilities *(Continued)*

(c) *Financial liabilities and equity* *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

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

(d) *Financial guarantee contract*

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Trade and other payables

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

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

2.16 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.

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

2.16 Current and deferred income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2.17 Employee benefits

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

2.18 Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as "other income".

2.19 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 returns and value added taxes.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.21 Borrowing costs

General borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily takes a substantial period of time to get ready for their intended use or sale, are added to the cost of those asset until such time as the assets are substantially ready for their intended use or sales. 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 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.

3. FINANCIAL RISK FACTORS *(Continued)*

3.1 Market risks *(Continued)*

(a) Interest rate risk management *(Continued)*

If interest rates on bank balances and variable-rate bank borrowings had been 100 basis points (2010: 100 basis points) higher/lower and all other variables were held constant, post-tax profit for the year will increase/decrease by about RMB1 million (2010: RMB3 million).

(b) Foreign currency risk management

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date were set out in note 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. The following table details the Group's sensitivity to a 10% (2010: 10%) strengthening in RMB against USD.

	2011 **RMB'000**	2010 RMB'000
Decrease in post-tax profit for the year – USD	**1,619**	2,070

For a 10% (2010: 10%) weakening of RMB against USD, 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 2011, 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 sheet.

3. FINANCIAL RISK FACTORS *(Continued)*

3.2 Credit risk *(Continued)*

At 31 December 2011 and 2010, the ten largest debtors accounted for approximately 75% and 72% of the Group's total trade receivables respectively. In order to minimise the credit risk, 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 2011, the Group has available unutilised bills and short-term banking facilities of approximately RMB833 million (2010: RMB245 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 2011						
Trade and other payables	–	430,010	88,000	–	518,010	518,010
Amounts due to related parties	–	15	–	–	15	15
Bank borrowings	6.98	86,566	3,003	176,540	266,109	252,520
		516,591	91,003	176,540	784,134	770,545

	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

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 2011						
Trade and other payables	–	304,541	88,000	–	392,541	392,541
Amounts due to related parties	–	936	–	–	936	936
Bank borrowings	6.99	84,041	3,003	174,020	261,064	250,000
		389,518	91,003	174,020	654,541	643,477

	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

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 2011, the carrying amount of trade and other receivables, net of allowance for doubtful debts, is about RMB566 million (2010: RMB947 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 2011					
	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	984,870	532,574	996,363	2,513,807	41,989	2,555,796
Inter-segment revenue	(6)	–	–	(6)	(1,185)	(1,191)
Revenue from external customers	984,864	532,574	996,363	2,513,801	40,804	2,554,605
Segment results	22,856	50,222	11,762	84,840	13,535	98,375
Depreciation and amortisation	13,085	7,162	994	21,241	11,510	32,751
Share of results of associates	–	–	–	–	33,112	33,112
Income tax expense	33	(12,792)	(576)	(13,335)	(343)	(13,678)

5. SEGMENT INFORMATION *(Continued)*

	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)

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 results to profit for the year is provided as follows:

	2011 RMB'000	2010 RMB'000
Revenue for reportable segments	**2,513,801**	3,077,884
Revenue attributable to joint venture partners	**(266,287)**	(251,655)
Other segments	**40,805**	36,789
Revenue of the Group	**2,288,319**	2,863,018
Segment results for reportable segments	**84,840**	119,905
Segment results attributable to joint venture partners	**(25,111)**	(23,202)
	59,729	96,703
Other segments	**13,537**	634
Total segments	**73,266**	97,337
Share of results of associates	**33,112**	31,523
Unallocated other income	**4,689**	3,299
Unallocated corporate expenses	**(4,714)**	(3,228)
Finance costs	**(7,214)**	(4,894)
Profit before income tax	**99,139**	124,037
Income tax expense	**(7,282)**	(22,107)
Profit for the year	**91,857**	101,930

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

	2011 RMB'000	2010 RMB'000
Interest income from bank deposits	**4,689**	3,299
Subsidy income (note)	**8,245**	2,548
Others	**92**	1,506
	13,026	7,353

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 are government grants of RMB8.2 million (2010: RMB2.2 million) Pursuant to "Provisional Regulations on Modern Services and Development of Tianjin Economic and Technological Development Area" (Guan Wei Hui Ling No. 114) ("天津經濟技術開發區促進現代服務業發展的暫行規定") (管委會令No. 114).

7. OTHER GAINS AND LOSSES

	2011 RMB'000	2010 RMB'000
Gain on disposal of interest in associates (note 21)	**7,826**	–
Loss on deemed disposal of interest in a jointly controlled entity	**–**	(71)
Loss on disposal of property, plant and equipment	**(67)**	(3,775)
Net foreign exchange losses	**(1,342)**	(1,261)
Others	**1,010**	(1,629)
	7,427	(6,736)

8. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest on bank borrowings	**9,381**	4,894
Less: Amount capitalised in construction in progress	**(2,167)**	–
	7,214	4,894

9. INCOME TAX EXPENSE

	2011 **RMB'000**	2010 RMB'000
Current income tax		
– the Company and subsidiaries	**886**	16,830
– jointly controlled entities	**6,396**	5,277
	7,282	22,107

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 and TEDA General Bonded Warehouse Co., Ltd, subsidiaries of the Group, is recognised as a new high-tech enterprise from year 2010, entitled a preferential tax rate of 15% for 2011 (2010: 15%). The preferential tax treatment is subject to review by the relevant tax authority on an annual basis.

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

	2011 **RMB'000**	2010 RMB'000
Profit before income tax	**99,139**	124,037
Tax at the domestic income tax rate of 25% (2010: 25%)	**24,785**	31,009
Tax effect of:		
– Income attributable to associates	**(8,278)**	(7,881)
– Expenses not deductible for taxation purpose	**367**	2,226
– Tax losses for which deferred tax assets are not recognised	**31**	–
– Income not subject to income tax	**(2,425)**	–
– Preferential tax rates of subsidiaries/jointly controlled entities	**(2,742)**	(2,564)
– Utilisation of tax losses previously not recognised	**(30)**	(337)
– Over-provision in prior year	**(3,496)**	(346)
– Others	**(930)**	–
Income tax expense	**7,282**	22,107

10. EXPENSES BY NATURE

Profit before income tax is arrived at after charging:

	2011 RMB'000	2010 RMB'000
Auditor's remuneration	**1,330**	1,150
Depreciation	**26,322**	26,182
Amortisation	**2,848**	2,782
Operating lease charges	**12,013**	8,724
Employee benefits expenses (note 11)	**138,614**	123,712
Cost of materials purchased	**1,032,083**	1,629,571
Subcontracting charges	**860,827**	828,083
Business tax	**18,840**	17,664
Transportation	**10,798**	13,555
Fuel	**21,759**	19,173
Others	**110,097**	95,631
	2,235,531	2,766,227

11. EMPLOYEE BENEFIT EXPENSE

	2011 RMB'000	2010 RMB'000
Wages and salaries	**90,904**	85,820
Employer's contribution to pension scheme	**41,851**	31,967
Others	**5,859**	5,925
	138,614	123,712

(a) Director emoluments

	2011 RMB'000	2010 RMB'000
Director's fees	**405**	360
Other emoluments:		
– Salaries and allowances	**1,769**	1,993
– Performance related bonuses	**244**	1,311
– Retirement benefit scheme contributions	**37**	20
	2,455	3,684

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 (2010: 9) 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 2011					
Executive directors:					
Zhang Jian	–	1,393	244	37	1,674
Wang Wei (note d)	–	376	–	–	376
Non-executive directors:					
Zhang Jun	40	–	–	–	40
Hu Jun	40	–	–	–	40
Wang Jincai	25	–	–	–	25
Zhang Jinming (note e)	15	–	–	–	15
Ding Yi (note e)	15	–	–	–	15
Independent non-executive directors:					
Liu Jingfu	90	–	–	–	90
Luo Yongtai	90	–	–	–	90
Zhang Limin	90	–	–	–	90
	405	1,769	244	37	2,455

	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	1,311	20	3,684

11. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Of the five individuals with the highest emoluments in the Group, one (2010: two) is the directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four (2010: three) individuals were as follows:

	2011	2010
	RMB'000	RMB'000
Employees		
– salaries and allowances	**2,862**	839
– performance related bonus	**–**	475
– retirement benefit scheme contribution	**–**	40
	2,862	1,354

The emoluments of each of these individuals were below RMB813,000 (2010: RMB896,000) (equivalent to HK$1,003,000) for the year.

(c) No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments in the year ended 31 December 2011.

(d) Wang Wei resigned on 26 September 2011.

(e) Zhang Jinming and Ding Yi's appointments were terminated on 22 June 2011.

12. DIVIDENDS

A dividend in respect of the year ended 31 December 2011 of RMB0.02 per share, amounting to a total dividend of RMB7,086,000 (2010: Nil), is proposed at the Board of Directors meeting on 20 March 2012. These financial statements do not reflect this dividend payable.

On 12 August 2011, the Company announced that an interim dividend of RMB0.02 per share, totalling RMB7,086,000 was proposed to be paid to shareholders whose names appear on the register of members of the Company on 11 October 2011. The proposed dividend was approved at an extraordinary general meeting held on 26 September 2011 and paid in October 2011 (2010: Nil).

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 RMB37,484,000 (2010: RMB24,884,000).

14. EARNINGS PER SHARE

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

	2011 RMB'000	2010 RMB'000
Earnings		
Profit attributable to equity holders of the Company	**80,521**	80,861
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 2010 and 2011.

15. LAND USE RIGHTS

The Group	2011 RMB'000	2010 RMB'000
At beginning of the year	**121,021**	115,765
Additions	**31,586**	8,141
Amortisation charge	**(2,848)**	(2,782)
Deemed disposal of interest in a jointly controlled entity	**–**	(103)
At end of the year	**149,759**	121,021

The Company	2011 RMB'000	2010 RMB'000
At beginning of the year	**59,660**	52,742
Additions	**31,586**	8,141
Transfer to interest in a subsidiary	**(39,563)**	–
Amortisation charge	**(1,223)**	(1,223)
At end of the year	**50,460**	59,660

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 2011, the land use rights have remaining lease periods ranging from 35 to 46 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 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	(8,187)	–	–	–	–	(8,187)
Disposals	(6,950)	(111)	(666)	(695)	–	(8,422)
At 1 January 2011	174,811	37,478	20,350	60,897	31,320	324,856
Additions	623	809	2,800	10,406	127,726	142,364
Transfer	701	436	1,743	6,663	(9,543)	–
Disposals	–	(124)	(825)	(2,964)	–	(3,913)
At 31 December 2011	176,135	38,599	24,068	75,002	149,503	463,307
Accumulated depreciation						
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	(701)	–	–	–	–	(701)
Disposals	(3,356)	(73)	(593)	(625)	–	(4,647)
At 1 January 2011	30,812	18,973	11,680	36,822	–	98,287
Charge for the year	8,252	3,614	2,748	7,264	–	21,878
Disposals	–	(126)	(719)	(2,219)	–	(3,064)
At 31 December 2011	39,064	22,461	13,709	41,867	–	117,101
Net book values						
At 31 December 2011	137,071	16,138	10,359	33,135	149,503	346,206
At 31 December 2010	143,999	18,505	8,670	24,075	31,320	226,569

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 2010	1,106	2,112	–	3,218
Additions	317	1,825	10,889	13,031
At 1 January 2011	1,423	3,937	10,889	16,249
Additions	170	273	13,981	14,424
Transfer to investment in subsidiary	–	–	(24,870)	(24,870)
At 31 December 2011	1,593	4,210	–	5,803
Accumulated depreciation				
At 1 January 2010	302	493	–	795
Charge for the year	197	428	–	625
At 1 January 2011	499	921	–	1,420
Charge for the year	248	746	–	994
At 31 December 2011	747	1,667	–	2,414
Net book values				
At 31 December 2011	846	2,543	–	3,389
At 31 December 2010	924	3,016	10,889	14,829

Notes:

The Group is in the process of applying for the title to certain buildings with cost of approximately RMB8 million as at 31 December 2011 (2010: RMB8 million). The directors of the Company believe that the title documents will be obtained in due course without significant additional cost.

Construction work in progress as at 31 December 2011 mainly comprises the cold warehouse being constructed in Tianjin.

During the year, the group has capitalised borrowing costs amounting to RMB2.2 million (2010: nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 6.99%.

17. INVESTMENT PROPERTIES

	2011 RMB'000	2010 RMB'000
The Group		
At the beginning of the year	**97,228**	90,550
Addition	**–**	3,535
Transfer from property, plant and equipment	**–**	7,486
Depreciation charge for the year	**(4,444)**	(4,343)
At the end of the year	**92,784**	97,228

	2011 RMB'000	2010 RMB'000
The Company		
At the beginning of the year	**82,811**	83,072
Addition	**–**	3,535
Depreciation charge for the year	**(3,891)**	(3,796)
At the end of the year	**78,920**	82,811

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 2011 is approximately RMB132 million (2010: RMB130 million).

18. GOODWILL

	2011 RMB'000	2010 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

	2011 RMB'000	2010 RMB'000
Non-current assets		
Unlisted shares, at cost	**279,046**	177,691
Current assets		
Amount due from subsidiaries (note)	**61,078**	40,257

As at 31 December 2011 and 2010, the Group's subsidiaries are set out in Note 36(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	2011 RMB'000	2010 RMB'000
Unlisted shares at cost	**69,585**	69,585

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

The Group	2011 RMB'000	2010 RMB'000
Current assets	**123,058**	110,042
Non-current assets	**28,436**	29,262
Current liabilities	**40,149**	33,417
Income	**272,442**	267,279
Expenses	**253,616**	247,499
Net profit	**18,826**	19,780

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

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

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 2011 and 2010, the Group's jointly controlled entities are set out in Note 36(b).

21. INTERESTS IN ASSOCIATES

The Group	2011 RMB'000	2010 RMB'000
Investment, at cost	**24,000**	37,000
Share of post acquisition profits, net of dividends received	**32,046**	22,744
	56,046	59,744

The Company	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost less provision	**21,500**	25,083

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

	2011 RMB'000	2010 RMB'000
As at 1 January	**59,744**	45,040
Increase in investment	**–**	1,500
Decrease in investment (note)	**(3,300)**	–
Share of results of associates	**33,112**	31,523
Dividends received	**(33,510)**	(18,319)
	56,046	59,744

Note: During the year, the Company disposed of the investment in an associate, namely Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. for consideration RMB5 million. In addition, the group withdrew the investment in an associate, namely Tianjin Binhai Yuan Sheng Steel Market Operation and Management Co., Ltd. and collected RMB6 million.

21. INTERESTS IN ASSOCIATES *(Continued)*

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

	2011 RMB'000	2010 RMB'000
Total assets	**240,872**	348,989
Total liabilities	**(71,656)**	(173,944)
Net assets	**169,216**	175,045
Group's share of net assets	**56,046**	59,744
Revenue	**191,050**	165,328
Profit for the year	**70,652**	58,314
Group's share of results of the year	**33,112**	31,523

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

22. FINANCIAL INSTRUMENTS

(a) By Category – Group

	2011 RMB'000	2010 RMB'000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	**239,954**	386,972
Cash and cash equivalents	**296,419**	311,248
Total	**536,373**	698,220
Liabilities per balance sheet		
Borrowings	**252,520**	142,649
Trade and other payables excluding statutory liabilities	**562,783**	1,098,580
Total	**815,303**	1,241,229

22. FINANCIAL INSTRUMENTS *(Continued)*

(b) By Category – Company

	2011 RMB'000	2010 RMB'000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	**52,415**	222,587
Cash and cash equivalents	**194,577**	136,692
Total	**246,992**	359,279
Liabilities per balance sheet		
Borrowings	**250,000**	140,000
Trade and other payables excluding statutory liabilities	**436,759**	934,173
Total	**686,759**	1,074,173

23. INVENTORIES

The Group	2011 RMB'000	2010 RMB'000
Steel	**194**	25,479
Charred coal and coke	**17,055**	13,041
Iron powder	**8,125**	65,265
Other materials	**16,378**	9,552
	41,752	113,337

The Company	2011 RMB'000	2010 RMB'000
Steel	**194**	25,479
Charred coal and coke	**17,055**	13,041
Iron powder	**8,125**	65,265
Other materials	**2,160**	–
	27,534	103,785

No inventory is stated at net realisable value at year end (2010: Nil).

24. TRADE AND OTHER RECEIVABLES

The Group	2011 RMB'000	2010 RMB'000
Trade receivables	**170,481**	155,937
Less: impairment recognised	**(8)**	(7)
	170,473	155,930
Bills receivables (note (b))	**41,000**	212,980
	211,473	368,910
Prepayment to suppliers	**326,166**	560,188
Other receivables	**28,734**	18,305
Less: impairment recognised	**(253)**	(243)
	566,120	947,160

The Company	2011 RMB'000	2010 RMB'000
Trade receivables	**7,175**	8,015
Bills receivables	**41,000**	212,980
	48,175	220,995
Prepayment to suppliers	**322,563**	557,662
Other receivables	**4,240**	1,592
	374,978	780,249

(a) Except for approximately RMB25 million of trade and other receivables are denominated in US dollar, the balance of the Company and the Group's trade and other receivables are denominated in Renminbi.

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

24. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) 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	2011 RMB'000	2010 RMB'000
0 – 90 days	**204,784**	298,071
91 – 180 days	**4,834**	69,923
181 – 365 days	**150**	137
Over 1 year	**1,705**	779
	211,473	368,910

The Company	2011 RMB'000	2010 RMB'000
0 – 90 days	**47,769**	153,664
91 – 180 days	**395**	66,610
181 – 365 days	**11**	–
Over 1 year	**–**	721
	48,175	220,995

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 96%(2010: 97%) 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.

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

The Group	2011 RMB'000	2010 RMB'000
91 – 180 days	**4,834**	3,313
181 – 365 days	**150**	137
Over 1 year	**1,713**	779
	6,697	4,229

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

The Company	2011 RMB'000	2010 RMB'000
91 – 180 days	**395**	–
181 – 365 days	**11**	–
Over 1 year	**–**	721
	406	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.

(e) 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	2011 RMB'000	2010 RMB'000
At the beginning of the year	**250**	562
Impairment loss addition/(reversed)	**11**	(312)
At the end of the year	**261**	250

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

The Group	2011 RMB'000	2010 RMB'000
Cash at bank and on hand	**241,419**	256,240
Short term deposits	**55,000**	55,008
	296,419	311,248
Pledged bank deposits (note (c))	**67,552**	88,844

The Company	2011 RMB'000	2010 RMB'000
Cash at bank and on hand	**139,577**	81,684
Short term deposits	**55,000**	55,008
	194,577	136,692
Pledged bank deposits (note (c))	**67,552**	88,844

(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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Currency:				
– US Dollars	**13,504**	14,291	**193**	6
– Japanese Yen	**1,524**	648	**–**	–
– Euro	**79**	63	**–**	–

(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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Effective interest rate (per annum)	**0.5%-1.49%**	0.36%-1.17%	**0.5%-1.49%**	0.36%-1.17%

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

(c) Bank deposits are pledged to banks to secure bills payable of RMB338 million (2010: RMB444 million) issued by the Company and the Group.

The pledged deposits carry fixed interest rate ranging from 1.49% to 3.3% (2010: 1.71%-2.5%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills payable.

26. SHARE CAPITAL

	2011			2010		
	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 2010	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
Transfer from retained earnings	–	–	6,864	6,864
Balance at 31 December 2011	55,244	(73,258)	73,726	55,712

The Company	**Share premium** RMB'000	**Statutory reserves** (note a) RMB'000	**Total** RMB'000
Balance at 1 January 2010	55,244	12,747	67,991
Transfer from retained earnings	–	–	–
Balance at 31 December 2010	55,244	12,747	67,991
Transfer from retained earnings	–	4,565	4,565
Balance at 31 December 2011	55,244	17,312	72,556

27. OTHER RESERVES *(Continued)*

(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.

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 2011 and 31 December 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	2011 RMB'000	2010 RMB'000
Trade payables	**112,496**	361,849
Bills payables (note (a))	**337,480**	443,943
	449,976	805,792
Deposits from customers	**44,773**	256,996
Other payables	**77,637**	39,849
	572,386	1,102,637

The Company	2011 RMB'000	2010 RMB'000
Trade payables	**7,646**	216,387
Bills payables (note (a))	**337,480**	443,943
	345,126	660,330
Deposits from customers	**44,218**	256,925
Other payables	**54,917**	18,789
	444,261	936,044

Notes:

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

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
0 – 90 days	**226,699**	500,683	**122,778**	366,065
91 – 180 days	**219,082**	293,737	**218,473**	293,522
181 – 365 days	**2,245**	4,210	**2,077**	383
Over 1 year	**1,950**	7,162	**1,798**	360
	449,976	805,792	**345,126**	660,330

(c) Except for approximately RMB15 million of trade and other payables are denominated in US dollar, the balance of the Company and the Group's trade and other payables are denominated in Renminbi.

29. AMOUNT DUE FROM/TO AN ASSOCIATE

The Group	2011 RMB'000	2010 RMB'000
Amount due from an associate	–	3,658
Amount due to an associate	15	330

30. BORROWINGS

The Group	2011 RMB'000	2010 RMB'000
Short term bank borrowings	252,520	142,649
Analysed into:		
– Secured (note (a))	2,520	2,649
– Unsecured	250,000	140,000
	252,520	142,649

The Company	2011 RMB'000	2010 RMB'000
Short term bank borrowings, unsecured	250,000	140,000

Note:

(a) Included in the balance is the Group's share of a short term bank borrowing of a jointly controlled entity amounting to RMB2,520,000 (2010: RMB2,649,000). The borrowing is denominated in the US Dollars, carrying interest at floating rates ranging from 2.05% to 2.17% per annum (2010:0.96% to 2.06%) and is guaranteed by Alps Logistics Co., Ltd., the joint venture partner of Dalian Alps Teda Logistics Co., Ltd. as at 31 December 2011 and 2010.

(b) Except for the loan balance of RMB2,520,000 (2010: RMB:2,694,000) which is denominated in the US Dollar, all other loans are denominated in RMB.

31. DEFERRED INCOME

	2011 RMB'000	2010 RMB'000
Government grants received	**10,063**	5,289

The government grants from TEDA Administrative Commission were received in respect of its acquisition of land use rights and the construction in progress. 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:

	2011 RMB'000	2010 RMB'000
Profit before tax	**99,139**	124,037
Adjustment for:		
Interest income	**(4,689)**	(3,299)
Finance costs	**7,214**	4,894
Depreciation for property, plant and equipment and investment properties	**26,322**	26,182
Amortisation of land use rights	**2,848**	2,782
Loss on disposal of property, plant and equipment	**737**	3,775
Impairment losses increase/(reversed)	**11**	(312)
Share of results of associates	**(33,112)**	(31,523)
Gain/(loss) on disposal of interest in associates and a jointly controlled entity	**(7,826)**	71
Operating cash flow before changes in working capital:	**90,644**	126,607
Decrease/(increase) in inventories	**71,585**	(12,302)
Decrease in trade and other receivables	**381,029**	19,794
Decrease in amounts due from related parties	**3,658**	1,430
Decrease in trade and other payables	**(561,747)**	(31,030)
Decrease in amounts due to related parties	**(315)**	(107)
Net cash (used in)/generated from operations	**(15,146)**	104,392

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

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

	2011 **RMB'000**	2010 RMB'000
Net assets/(liabilities) disposed		
Land use rights	–	103
Property, plant and equipment	–	790
Trade and other receivables	–	1,745
Inventories	–	1
Cash and cash equivalents	–	1,684
Trade and other payables	–	(842)
Identifiable net assets	–	3,481
Less: minority interests	–	–
Net assets disposed of	–	3,481
Loss on deemed disposal	–	(71)
Satisfied by:		
Cash and cash equivalents	–	3,410
	–	3,410
Net cash inflow in respect of deemed disposal of interest in a jointly controlled entity	–	1,726

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:

	2011 **RMB'000**	2010 RMB'000
Buildings		
Within one year	**5,730**	4,222
In the second to fifth year inclusive	**11,056**	11,141
Over five years	**5,972**	10,080
	22,758	25,443

	2011 **RMB'000**	2010 RMB'000
Motor vehicles		
Within one year	**1,034**	801
In the second to fifth year inclusive	**573**	268
	1,607	1,069

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:

	2011 **RMB'000**	2010 RMB'000
The Group		
Within one year	**2,790**	6,307
In the second to fifth year inclusive	**69**	596
	2,859	6,903

33. COMMITMENTS *(Continued)*

(a) Operating lease commitments *(Continued)*

(ii) *(Continued)*

	2011	2010
	RMB'000	RMB'000
The Company		
Within one year	**2,560**	2,283
In the second to fifth year inclusive	**–**	420
	2,560	2,703

(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:

	2011	2010
	RMB'000	RMB'000
Company and subsidiaries	**147,979**	10,689

34. FINANCIAL GUARANTEE LIABILITIES

At 31 December 2011, the Company has outstanding guarantee of RMB12.6 million (2010: RMB10.8 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 2011.

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:

	2011	2010
	RMB'000	RMB'000
Rental income	–	4,504

(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 are set out in note 11.

36. SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(a) The following are subsidiaries in which the Company has direct interest at 31 December 2011, 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
Tedahang Cold Chain Logistics Co., Ltd.	15 July 2011	RMB120,000,000	100%	Cold warehouse operating and logistic services
He Guang Trade and Business Co., Ltd.	6 April 2011	–	100%	International trading

(b) The following are jointly controlled entities at 31 December 2011, 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 (note (i))	21 March 2003	USD2,400,000	50%	Material procurement logistics and provision of supply chain management services

36. SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(Continued)

(b) *(Continued)*

(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.

(c) The following are associates at 31 December 2011, 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 Ferroalloy Exchange Co., Ltd	9 July 2009	RMB100,000,000	20%	Ferroalloy trading, storage and other services
Tianjin Tianxin 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