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

2012

* For identification purposes only

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CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Zhang Jian *(Chairman)*

NON-EXECUTIVE DIRECTORS

Hu Jun, Zhang Jun, Tse Ping, Yang Xiaoping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhang Limin, Liu Jingfu, Luo Yongtai, Japhet Sebastian Law

SUPERVISORS

Xu Jianxin, Chen Chung-Yi, 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

Lo Tai On

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

Luo Yongtai *(Chairman)*, Liu Jingfu, Japhet Sebastian Law

Nomination Committee

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

COMPLIANCE OFFICER

Zhang Jian

AUTHORISED REPRESENTATIVES

Zhang Jian, Lo Tai On

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17/F, Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

REGISTERED ADDRESS

No. 39, Bohai Road,
Tianjin Economic and Technological Development Area

OFFICE AND CORRESPONDENCE ADDRESS

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

PRINCIPAL OFFICE IN HONG KONG

Unit B, 1st Floor, Neich Tower,
128 Gloucester Road,
Wanchai,
Hong Kong

STOCK CODE

08348

COMPANY WEBSITE

http://www.tbtl.cn

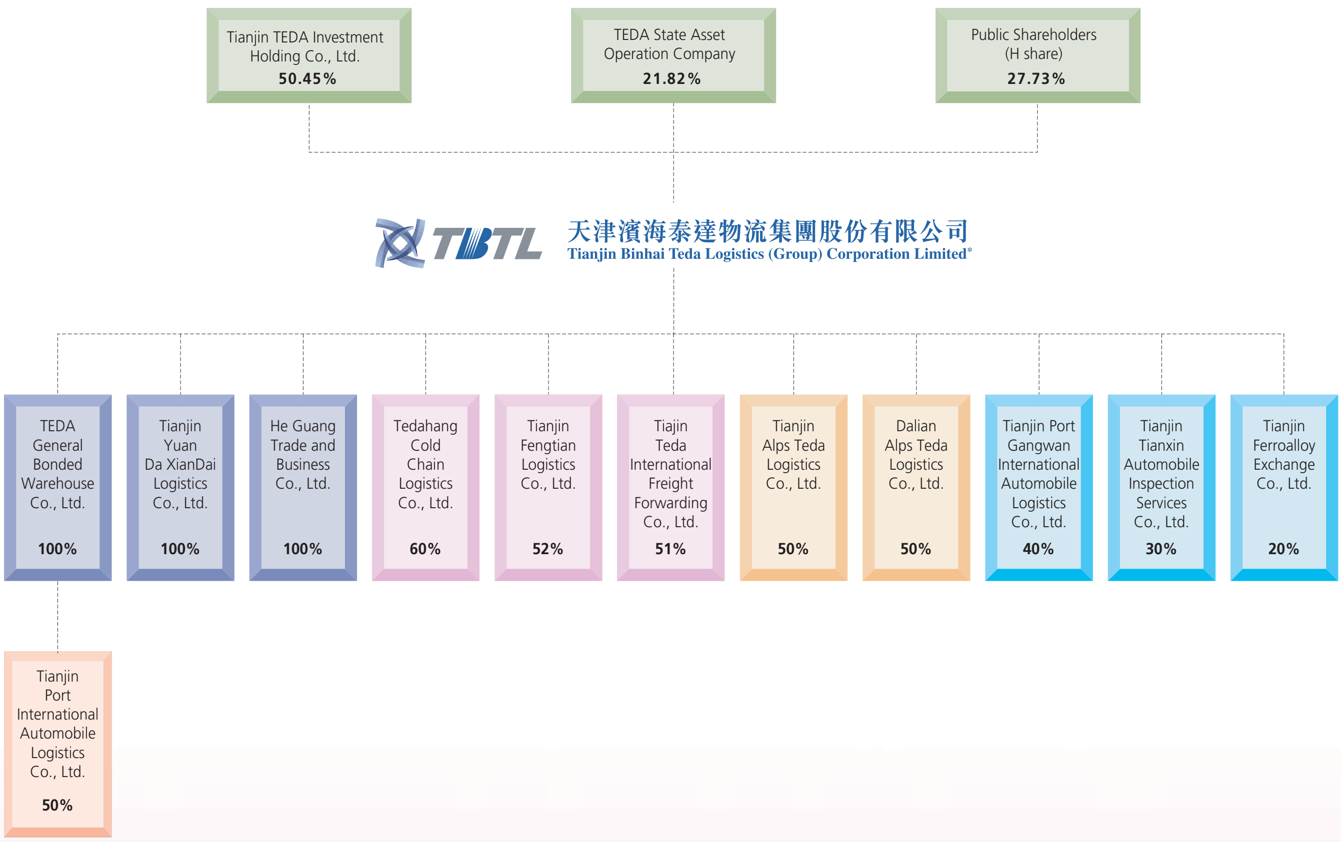
PRINCIPAL BANKERS

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



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FINANCIAL SUMMARY

RESULTS

A summary of the consolidated results of the Company and its subsidiaries (the "Group") for the three years ended 31 December 2012 extracted from the audited consolidated income statements of the Group prepared under the International Financial Reporting Standards is as follows:

	2012 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	**2,016,408**	2,288,319	2,863,018
Profit before taxation	**76,762**	99,139	124,037
Income tax	**(11,445)**	(7,282)	(22,107)
Profit for the year	**65,317**	91,857	101,930
Profit attributable to			
Non-controlling interests	**6,239**	11,336	21,069
Owners of the Company	**59,078**	80,521	80,861
Basic earnings per share (RMB)	**0.17**	0.23	0.23

ASSETS AND LIABILITIES

A summary of the assets and liabilities of the Group for the three years ended 31 December 2012 extracted from the audited balance sheet of the Group prepared under the International Financial Reporting Standards is as follows:

	2012 RMB'000	2011 RMB'000	2010 RMB'000
Non-current assets	**841,342**	644,900	504,667
Current assets	**1,389,890**	971,843	1,464,247
Total assets	**2,231,232**	1,616,743	1,968,914
Non-current liabilities	**168,906**	10,063	5,289
Current liabilities	**1,175,689**	830,651	1,255,379
Non-controlling interests	**163,112**	86,781	92,433
Liabilities and non-controlling interests	**1,507,707**	927,495	1,353,101
Total equity	**886,637**	776,029	708,246

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 2012 to all shareholders.

RESULTS OF THE YEAR

For the year ended 31 December 2012 (the "Year"), turnover of the Group amounted to approximately RMB2,016,408,000 (2011: RMB2,288,319,000), representing a decrease of approximately 12% from last year. Profit attributable to the shareholders was approximately RMB59,078,000 (2011: RMB80,521,000) and the basic earnings per share was approximately RMB0.17 (2011: RMB0.23).

As at 31 December 2012, the total assets and current assets of the Group were approximately RMB2,231,232,000 (2011: RMB1,616,743,000) and approximately RMB1,389,890,000 (2011: RMB971,843,000), respectively, representing increases of RMB614,489,000 and RMB418,047,000 from 31 December 2011, respectively. Our net assets and net assets per share at the end of the period were approximately RMB723,525,000 (2011: RMB689,248,000) and approximately RMB2.04 (2011: RMB1.95), respectively, representing increases of 5% and 5% from 31 December 2011.

REVIEW FOR THE YEAR

With the turbulent political situation and the significant slowdown of the global economic growth, the growth of international trade experienced a huge decline in 2012.During the first three quarters, China's economic growth showed a downward trend, and the domestic economic operation gradually stabilized with a slight economy rebound in the fourth quarter. The company experienced a sharp fall in the achievements of materials procurement and the related logistic service during the first three quarters, even though it rebounded quickly in the fourth quarter, the results can't meet the level of the same period. Though it showed a good growth momentum in the logistics and supply chain services for transportation of finished automobile and components and the automobile import and the related services in the first three quarters, with the impact of the tight China-Japan relationship in the fourth quarter, compared with the same period of the last year, the company experienced a significant business performance decline in 2012.

Bringing in the international famous company and promoting the optimization of shareholding structure

During the reporting period, the company was committed to promote the optimization of shareholding structure and the domestic share transfer has got substantial achievement, with the transfer having been permitted by the government and the share transfer procedures being in progress. By bringing in enterprises related with Chia Tai, the company's governance structure has been optimized, which is a milestone in the internationalization process of the company, and at the same time, it lays a good foundation for the new business exploring of the company in the future.

Actively exploring new business areas and continuous increase of operating area

During the year, the Cold Chain Logistics Center at Tianjin Port constructed by the company's subsidiary Tedahang Cold Chain Logistics Co.,Ltd. has been completed. This project is permitted to be the unique inspection base for the import meat and frozen products in Tianjin Port by Tianjin Entry-Exit Inspection and Quarantine Bureau, and it got the first non sovereign loan of ADB – Asian Development Bank in Tianjin and also in China's logistics field. The construction of this project laid a solid foundation for the development of the company's cold chain logistics business.

Meanwhile, the overall operating area and the number of the operating sites of the company have increased constantly, with the operating area increasing from 1,493,000 sq.m. to 1,633,000 sq.m. and the number of operating sites increasing from 56 to 85.

On-going optimization of investment structure and constant expansion of business scope

During the reporting period, Tianjin Port Gangwan International Automobile Logistics Co.,Ltd. and Tianjin Teda International Freight Forwarding Co., Ltd. have been incorporated by the company, which further optimized the investment structure, expended the business scope and stabilized the status in the industry.

The Company's wholly owned subsidiary Tedahang Cold Chain Logistics Co.,Ltd. brought in Toyota Tsusho of Japan and Kamigumi as two shareholders by capital increase. The capital investment of these two companies proved the wide market prospect of the project again, and also brought in the advanced Japanese cold chain management technology and site management experience for the project.

Continuous strengthening of internal management and constant adjusting of organizational structure

During the reporting period, the company continuously strengthened the internal management system and improved management regulations. The company was also committed to promote the improvement of the business information system, which enhanced the timeliness and accuracy of the business management and financial accounting. At the same time, the company started the salary reform and formulated the salary management measures for the business department, which greatly stimulated the business exploring.

By measures of establishing procurement logistics department and so on, the company optimized the organizational structure and strengthened the business function of procurement logistics. The company adjusted business institutions and personnel arrangements for the mid-level management staff in relatively large area, so as to meet the need of the business integration and development of the company, which has already achieved a satisfactory affect during the reporting period.

Awards and Qualifications

The company has already been "5A Comprehensive Logistics Providers" of China Federation of Logistics & Purchasing, and also become the vice-chairmen unit of China Federation of Logistics & Purchasing, China Society of Logistics and Tianjin Modern Logistics Association. During the reporting period, the company was accredited Chinese Outstanding Logistics Enterprise and 3A Credit Enterprise by China Federation of Logistics & Purchasing for the second consecutive year.

Tianjin Fengtian Logistics Co.,Ltd., a subsidiary of the company, was awarded "Second grade award of 2012 enterprises management modernization innovation of logistics industry" and "2012 Third grade award of technology advancement of logistics enterprises". The frozen warehouse project of Tedahang Cold Chain Logistics Co.,Ltd., another subsidiary of the company, was recognized as comprehensive pilot project of modern service in Tianjin Binhai New Area, was elected as energy conservation project by Tianjin Economic and information technology commission, and also passed AECOM's Initial Environmental Evaluation in Economic, environment and social influence. As of the end of the reporting period, two subsidiaries of the company, namely TEDA General Bonded Warehouse Co.,Ltd., and Tianjin Fengtian Logistics Co.,Ltd., have obtained the qualification of High and New Technological corporation. These reflected that the influence 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, expending its business and enhancing its financing capability.

Prospects and Outlook

In 2012, with the influence of macroeconomic situation and China-Japan relationship, there was a significant fall in the logistics and supply chain services for transportation of finished automobile and components and automobile import business compared with the same period of the last year. The China-Japan relationship will be still unstable in 2013, which was expected to influence the operation of the company continuously. The logistics and supply chain services of electronic components is not impacted by China-Japan relationship temporarily, but the cost increase rather quickly, the more and more fierce market competition bringing the company some pressure.

From the aspect of the overall situation of Tianjin Port, the number of the import automobile shows a download trend, which also influences the related automobile import logistics business of Tianjin Fengtian Logistics Co., Ltd, a subsidiary of the company, Tianjin Port International automobile Logistics Co, Ltd., a indirectly held company of the company, and Tianjin Tianxin Automobile Inspection Services Co., Ltd. In addition, though the Tianjin Port Cold Chain Logistics Center project of Tedahang Cold Chain Logistics Co., Ltd., a subsidiary of the company, has been completed during the year, because of being in the initial operation stage and thus unable to bring any benefit in the short time, the operation pressure is still rather heavy.

In 2013, the domestic economic development will still face a lot challenges, but it's expected to be fundamentally stable, and Tianjin and Binhai New Areas will still have a good development opportunity. The company came up with a work thinking of "Defining strategic positioning, integrating critical resources, expending systematic operation, enhancing comprehensive capability", made full use of the advantages of itself and the development opportunity of Tianjin, strove for superior resources, innovated operation and business mode, paid more attention to integration, strengthened the internal management, enhanced the cooperation and operation capability, so as to improve the overall operation capability and resist the influence of the unfavorable factors.

At the same time, the procurement and logistics business will come across a good development opportunity, and it's estimated that the business volume will increase significantly. The logistics of domestic consumption goods and cold chain is expected to keep the trend of enhancement, and the cold chain business exploring of the company will come across a good development prospect with the gradual playing of function of Tianjin Port Cold Chain Center project. Meanwhile, the company has done a lot of preparatory work for the logistics of consumption goods, with a hope that the new business area can be explored.

In 2013, the opportunities and challenges will coexist, though the company faces the influences of several unfavorable factors, by keeping on adjusting the business structure and exploring new business areas, it still has enough confidence for the future development.

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, 19 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal businesses of the Group are logistics and supply chain services for transportation of finished automobiles and their components, logistics and supply chain services for electronic components, materials procurement and related logistics services and other services such as bonded warehouse, container yard, supervision, 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), Tangshan Donghua Steel Group Co., Ltd. (唐山市東華鋼鐵企業集團有限公司), Tianjin Tongguang Group Digitial Communication Co., Ltd. (天津通廣集團數字通訊有限公司), Zhonghai Jiaye International Trading Company Limited （中海嘉燁國際貿易有限公司）, Tangshan Fengtian District Donggang Commercial and Trading Company Limited (唐山市豐南區東鋼商貿有限公司) and Toyota Tsusho (Tianjin) Co., Ltd. (豐田通商（天津）有限公司) 。

During the reporting period, affected by the unstable political relationships between China and Japan, 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 increasing, with its operating scale and profits recorded different range of increasing as compared to the corresponding period last year; affected by the slowdown in China's economy and the Company's business transformation, materials procurement declined compared to the corresponding period of 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. The refrigeration storage project of Tedahang Cold Chain Logistics Co., Ltd (泰達行（天津）冷鏈物流公司), a controlling subsidiary of the Group, has been completed in the year.

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 import volume of Toyota Motor and domestic automobile production were significantly affected by the unstable political relationships between China and Japan. As a result, the import volume of Japanese car decreased by 80% in fourth quarter and the domestic automobile production decreased by over 50% as compared to the corresponding period last year, which affected the operating result of logistics and supply chain services for transportation of finished automobile and components of the Group. The net profit decreased by 45% as compared to the corresponding period last year.

LOGISTICS AND SUPPLY CHAIN SERVICES FOR ELECTRONIC COMPONENTS

During the reporting period, the electronic components logistics service recorded a stable increasing and realized an operating income of RMB560,260,000, representing an increase of RMB27,686,000 or 5% as compared to last year.

MATERIALS PROCUREMENT AND RELATED SERVICES

During the reporting period, affected by the slowdown in China's economy and the Company's business transformation, the materials procurement business declined compared to last year, with a principal operating income of RMB701,026,000, representing a decrease of RMB295,337,000 or 30% as compared to last year.

WAREHOUSE, 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 RMB49,968,000, representing an increase of RMB9,164,000 or 22% as compared to the corresponding period of last year.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2012, turnover of the Group was RMB2.016 billion, representing a decrease of RMB272 million or 12% as compared to RMB2.288 billion last year. The decrease in turnover is mainly attributable to the slowdown in China's economy and Company's business transformation which resulted in a decline in materials procurement compared to last year.

Cost of sales and gross profit

For the year ended 31 December 2012, the cost of sales of the Group was RMB1.913 billion, representing a decrease of RMB260 million or 12% as compared to RMB2.173 billion of the corresponding period of last year, which was in line with the decrease trend of turnover for the year.

For the year ended 31 December 2012, gross profit margin of the Group was 5.14%, substantially the same as compared to last year.

Administrative expenses

The administrative expenses of the Group amounted to RMB56,526,000 in 2012, representing an decrease of RMB6,290,000 or 10% as compared to RMB62,816,000 in last year. The Group had continually strengthened its control of certain parts of its administrative expenses.

Finance costs

The Group's finance costs in 2012 increased by RMB5,021,000 from RMB7,214,000 last year to RMB12,235,000. The main reason for the increase was that the Group increased certain short-term bank borrowings to develop procurement logistic services and finance its liquidity during the reporting period.

Taxation expenses

The taxation expenses of the Group for 2012 were RMB11,445,000, representing an increase of RMB4,163,000 as compared to RMB7,282,000 last year. The significant increase in taxation expenses was mainly attributable to the increase in the operating profit of Tianjin Alps Teda Logistics Co., Ltd. and Dalian Alps Teda Logistics Co., Ltd., both are the joint venture partners of the Group, as compared to last year, which led to an increase in the enterprise income tax. In addition, the expense in the enterprise income tax of Tianjin Fengtian Logistics Co., Ltd., a subsidiary of the Group, increased as compared to last year.

Share of results of associates

The share of results of associates of the Group for 2012 was RMB24,949,000, representing an decrease of RMB8,163,000 or 25% as compared to last year. The decrease in share of results of associates was mainly due to the decrease in investment gain of the Group in Tianjin Port International Automobile Logistics Co., Ltd. (天津港國際汽車物流公司), a subsidiary of the Group, which recorded a significant decrease of performance this year.

Earnings attributable to the equity holders of the Company

For the year ended 31 December 2012, earnings attributable to the equity holders of the Company was RMB59,078,000, decreased by RMB21,443,000 or 27% compared to RMB80,521,000 last year. The decrease of earnings attributable to the equity holders of the Company were mainly due to the significantly decrease in profit of logistics and supply chain services for transportation of finished automobile and components and procurement logistic services of the Company. In addition, the decrease in operating results of Tianjin Port International Automobile Logistics Co., Ltd., a joint stock company, led to a decrease in share of results of associates of the Group.

Dividend

The directors do not recommend payment of final dividend for the year ended 31 December 2012 (corresponding period 2011: RMB0.02 per share).

Liquidity and financial resources

For the year ended 31 December 2012, the Group maintained a sound financial position. As at 31 December 2012, the cash and bank deposit of the Group was RMB385,941,000 (31 December 2011: RMB296,419,000). As at 31 December 2012, the total assets of the Group was RMB2,231,232,000 (31 December 2011: RMB1,616,743,000). Capital was sourced from current liabilities of RMB1,175,689,000 (31 December 2011: RMB830,651,000), non-current liabilities of RMB168,906,000 (31 December 2011: RMB10,063,000), shareholder's equity attributable to the shareholders of the Group was RMB723,525,000 (31 December 2011: RMB689,248,000) and minority shareholder interests of RMB163,112,000 (31 December 2011: RMB86,781,000).

Capital structure

During the year ended 31 December 2012, details of the capital structure of the Company are set out in Note 26 of the consolidated financial statement.

Loans and borrowings

As at 31 December 2012, the balance of bank loans of the Group was RMB355,024,000 (31 December 2011: RMB252,520,000).

Gearing ratio

As at 31 December 2012, the ratio of total liabilities to total assets of the Group was 60% (31 December 2011: 52%).

Charge on assets

As at 31 December 2012, 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 Group and the 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 12 months ended 31 December 2012, the Group had an exchange loss of RMB409,000 due to the appreciation of Renminbi.

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

Capital commitments

As at 31 December 2012, the Group had the following capital commitments:

	2012 RMB'000
Property, plant and equipments	
Contracted for but not provided	461

MAJOR ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 21 March 2012 and 22 March 2012, the Company published a discloseable and connected transaction announcement and its supplemental announcement respectively in respect of Toyota Tsusho (China) Co., Ltd., and Kamigumi (Hong Kong) Company Limited increasing capital to Tedahang Cold Chain Logistic Co., Ltd., whereby Tedahang Cold Chain Logistic Co., Ltd. would cease to be a wholly owned subsidiary of the Company under the GEM Listing Rules of the Stock Exchange. Such transaction, which constituted a connected transaction, obtained the independent shareholders' approval on 26 June 2012.

On 16 May 2012, the Company published an announcement in regard to the Company, Tianjin Port Logistics Development Co., Ltd. and Tianjin Port Electricity Project Co., Ltd. entered into a joint venture agreement for the establishment of a joint venture, Tianjin Port Gangwan International Automobile Logistic Co., Ltd., carrying out the primary business of warehousing, logistics, distribution, vehicle processing and maintenance, international freight forwarding and other operations related to automobile import and export. The transaction constituted a connected transaction, and the Company has completed notification and announcement according to relevant requirements.

On 18 October 2012, the Company, together with other independent third party jointly established Tianjin Teda International Freight Forwarding Co., Ltd. in Tianjin, principally engaging in providing international freight forwarding agency services of sea, air and land transportation for imported and exported goods. The transaction with a low trading amount related 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.

EMPLOYEES

As at 31 December 2012, the Company employed 2,323 employees (31 December 2011: 2,172).

	As at 31 December 2012	As at 31 December 2011
Administration	**383**	179
Finance	**64**	62
Consulting Technology	**21**	47
Sale and Operation	**1,855**	1,884
Total	**2,323**	2,172

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 (effective until and before 31 March 2012) set out in Appendix 15 of the GEM Listing Rules and Corporate Governance Code (effective from 1 April 2012) ("the Code") throughout the reporting year, save for the deviation of Code A.2.1 and Code A.6.7.

DEALING IN SECURITIES BY THE DIRECTORS

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 BOARD

The Board of the Company currently comprises 9 Directors which include 1 executive Director, 4 non-executive Directors and 4 independent non-executive Directors, among which, Zhang Jian is the Chairman and executive Director, Hu Jun, Zhang Jun, Tse Ping and Yang Xiaoping are non-executive Directors and Zhang Limin, Luo Yongtai, Liu Jingfu and Japhet Sebastian Law 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 Board is responsible to the shareholders of the Company in general meeting, and to exercise the functions grant by the general meetings and the the Articles of the Company. The major responsibilities of the Board include formulating the business plans and investment advices, convening general meetings and signing resolutions proposed in the general meetings, formulating and reviewing the corporate covernance policies and practices, reviewing and monitoring the training and continuous professional development of the Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and Handbook of Corporate Governance Practices applicable to employees and directors, and reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report of the Company. Directors should always comply with the relevant laws and regulations in a dedicated manner. The management of the Company is responsible to the Board, to exercise the board resolutions and report to the chairman and the Board in respect of the operating of the Company in a timely manner. The management timely provides the updated information to the member of the Board by delivery of monthly business report and statements, which set out the performance, financial condition and prospects of the Company, the evaluations that are fair and easy to understand, etc.

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.

During the reporting year, the Company complied with the requirements of Rules 5.05(1) and (2) and 5.05A of the GEM Listing Rules. As of the end of the reporting year, the Board of the Company comprises 4 independent non-executive directors, in which Zhang Limin has the competent professional qualification in accordance with the requirements of Rule5.05(2). The independent non-executive directors appointed by the Company representing at least one-third of its board

After reassessment of the independence of the independent non-executive Directors by the Company in February 2013, 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.

A comprehensive training was provided for each new Directors of the Company after his/her appointment, to ensure he/she would understand the operation and business of the Group and to fully aware of his/her responsibility and obligation as a Director. The Group provides the activities of presentations, site visit seminars and other professional development activities to all directors, so as to enhance his/her awareness of the relevant GEM Listing Rules and other applicable regulatory requirement as well as the latest developments in the business of the Group. During the reporting year, the Directors of the Company complied with Rules A6.5 by the following ways:

Director	Reading Materials	Site visit	Attendances of Discussion/ Course/Speech
Executive Director			
Zhang Jian	√	√	√
Non-executive Directors			
Hu Jun	√	√	√
Zhang Jun	√	√	√
Wang Jincai (resigned the position of director upon the general meeting held on 20 December 2012)	√	√	√
Chen Fang (resigned the position of director upon the general meeting held on 20 December 2012)	√		√
Tse Ping	√	√	√
Yang Xiaoping	√	√	√
Independent Non-executive Directors			
Zhang Limin	√		√
Luo Yongtai	√		√
Liu Jingfu	√	√	√
Japhet Sebastian Law	√	√	√

For the year ended 31 December 2012, there is no other Executive Directors, except for Mr. Zhang Jian, the chairman of the Board and the Executive Director of the Company. The Board has held 5 regular meetings and 2 extraordinary meetings in 2012 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:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
	Number of meeting attended/held (Attendance)				
Executive Director					
Zhang Jian[Note1]	7/7(100%)	N/A	1/1(100%)	2/2 (100%)	3/3(100%)
Non-executive Directors					
Hu Jun[Note2]	6/7(86%)	N/A	N/A	N/A	3/3(100%)
Zhang Jun[Note3]	6/7(86%)	N/A	N/A	N/A	2/3(67%)
Wang Jincai[Note4]	7/7(100%)	N/A	N/A	N/A	2/3(67%)
Chen Fang[Note5]	4/7(57%)	N/A	N/A	N/A	0/3(0%)
Tse Ping[Note6]	0/0(N/A)	N/A	N/A	N/A	0/0(N/A)
Yang Xiaoping[Note7]	0/0(N/A)	N/A	N/A	N/A	0/0(N/A)
Independent Non-executive Directors					
Zhang Limin[Note8]	5/7(71%)	2/5(40%)	1/1(100%)	N/A	2/3(67%)
Luo Yongtai[Note9]	7/7(100%)	4/5(80%)	1/1(100%)	2/2(100%)	3/3(100%)
Liu Jingfu[Note10]	6/7(86%)	4/5(80%)	N/A	2/2(100%)	2/3(67%)
Japhet Sebastian Law[Note11]	4/4(100%)	N/A	0/0(N/A)	N/A	1/1(100%)

Note:

1. Mr. Zhang Jian resigned as member of remuneration committee as at 13 August 2012. During the reporting year, Mr. Zhang Jian had attended 1 Remuneration committee meeting before his resign.

2. Mr. Hu Jun appointed Mr. Zhang Jian to attend 1 board meeting; the attendance was not included in Mr. Hu Jun's attendance.

3. Mr. Zhang Jun appointed Mr. Zhang Jian to attend 1 board meeting and 1 annual general meeting on behalf of him, those two attendances were not included in Mr. Zhang Jun's attendance. Mr. Zhang Jun didn't attend the annual general meeting of the Company held on 26 June 2012 in person due to his personal reasons, which is not in compliance with Code A.6.7.

4. Mr. Wang Jincai resigned as a Director upon the extraordinary general meeting held on 20 December 2012. Mr. Wang Jincai appointed Mr. Zhang Jian to attend 1 extraordinary general meeting, the attendance was not included in Mr. Wang Jincai's attendance. Mr. Wang Jincai didn't attend the extraordinary general meeting of the Company held on 20 December 2012 in person due to his personal reasons, which is not in compliance with Code A.6.7.

5. Mr. Chen Fang resigned as a Director upon the extraordinary general meeting held on 20 December 2012. Chen Fang appointed Mr. Zhang Jian to attend 3 board meetings, the attendances were not included in Mr. Chen Fang' attendance. Mr. Chen Fang didn't attend the annual general meeting and the extraordinary general meeting of the Company held in 2012 in person due to his personal reasons, which is not in compliance with Code A.6.7.

6. Mr. Tse Ping was appointed as a Director upon the extraordinary general meeting held on 20 December 2012.

7. Mr. Yang Xiaoping was appointed as a Director upon the extraordinary general meeting held on 20 December 2012.

8. Mr. Zhang Limin appointed Mr. Liu Jingfu to attend 1 board meeting, appointed Mr. Luo Yongtai to attend 1 board meeting, 2 audit committee meetings and 1 annual general meeting, appointed Mr. Liu Jingfu to attend 1 audit committee meeting, and appointed Mr. Liu Jingfu to attend 1 audit committee meeting, those five attendances were not included in Mr. Zhang Limin's attendance. Mr. Zhang Limin didn't attend the annual general meeting of the Company held on 26 June 2012 in person due to his personal reasons, which is not in compliance with Code A.6.7.

9. Mr. Luo Yongtai appointed Mr. Liu Jingfu to attend 1 audit committee meeting, the attendance was not included in Mr. Luo Yongtai' attendance.

10. Mr. Liu Jingfu appointed Mr. Zhang Limin to attend 1 board meeting and 1 audit committee meeting, appointed Mr. Zhang Jian to attend 1 annual general meeting. Those three attendances were not included in Mr. Liu Jingfu's attendance. Mr. Liu Jingfu didn't attend the extraordinary general meeting of the Company held on 13 August 2012 in person due to his personal reasons, which is not in compliance with Code A.6.7.

11. Mr. Japhet Sebastian Law was appointed as member of the Board and the remuneration committee on 13 August 2012.

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 2012, 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.

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.

THE 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 quaterly, interim and annual reports of the Group. The audit committee reviewed the audited financial statements for the year ended 31 December 2012 and recommended approval to the Board. In 2012, the audit committee held a total of 5 meetings, in which two meetings were convened with the auditor, to review the financial information and the internal control system of the Company. For the year ended 31 December 2012, the Company complied with the requirements of Rules 5.28 of the GEM Listing Rules in respect of the audit committee.

(2) Remuneration committee

The Company has set up a remuneration committee in accordance with the requirements of Rule 5.34 of the GEM Listing Rules and its duties and responsibilities have been properly laid down in writing under the requirements of Rule 5.35. The remuneration committee currently comprises Mr. Luo Yongtai (chairman), Mr. Liu Jingfu and Mr. Japhet Sebastian Law. The remuneration committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all Directors, Supervisors and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives, and making recommendations to the Board on the remuneration packages of individual executive directors and senior management. In 2012, the remuneration committee held one meeting in total to review performance and awards of the Company in 2011. For the year ended 31 December 2012, the Company applied the Code B.1.2 (c)(ii) and complied with the requirements of Rules 5.34 of the GEM Listing Rules in respect of the remuneration committee.

(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 2012, the nomination committee held two meetings in total, to execute the related provisions of the nomination of the Directors and the policies, procedures and criterias of the program for shareholders' nominees to run for Directors, which has been publish in the website of the Company on 18 May, 2012.

Liability Insurance for Directors and Senior Management

The Company has arranged appropriate liability insurance cover for the Directors and Senior Management since May 2012.

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 2012, 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 of 2012, 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. During the reporting period, the Board has conducted a review of the effectiveness of the system of the internal controls of the Company together with its subsidiaries, and considered it as effective. The review covers all the material aspects of internal control, including financial control, operational compliance control as well as risks management, 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 Directors of the Company has fully considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The audit committee of the Company has 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 ensurethe 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 department and 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 departmentspursuant 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. Risks management

The Company has adopted appropriate measures to manage its investment, guarantee, litigations and material projects so as to standardize the operations of the Company. The company has set up the risk management department who is mainly responsible for risk evaluation and management of our businesses, such as finance logistics business and new business.

SHAREHOLDERS’ RIGHTS

Procedure for Shareholders to Convene a Extraordinary General Meeting:

Shareholders who hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board of Directors on holding an extraordinary general meeting by signing written requests defining the meeting agenda. The Board of Directors shall convene such meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares held shall be calculated as of the date when the written request was put forward by the shareholders

In case that the Board of Directors fails to give a notice of convening such meeting within thirty days after receipt of the aforesaid written request, the shareholders who put forward the request may convene such a meeting within four months after receipt of the request by the Board of Directors, and the procedures shall be the same as those for convening a general meeting by the Board of Directors where possible.

Procedure for Shareholders to Make Inquiries with the Board of Directors:

The shareholders who intend to make inquiries of or obtain information shall give prior written notice to the Company, and the Compay shall provide such information as soon as possible. Inquiries with the Board of Directors or the Company may be posted to the principal place of business in Hong Kong of the Company, the address of which is Unit B, 1st Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong, with telephone No. （852） 28271778 being available at normal business hours.

Procedures of Proposal Resolutions at General Meeting:

At the annual general meeting of the Company, shareholders (either independently or jointly) holding 3% more (including 3%) of the total number of the Company's voting shares shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda for the meeting the matters in the motions that fall within the scope of the duties of the shareholders' general meeting. But the motion shall reach the Company 10 days prior to the proceeding meeting notice is made. The extraordinary general meeting shall not resolve on matters not specified in the notice.

RELATIONSHIP WITH INVESTORS AND COMMUNICATION WITH THE 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. 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.

For the year ended 31 December 2012, the Company has revised the scope of business and the share capital structure for 3 times and one time respectively. Save for this, there is no any amendment to the Articles of 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 2012. Fees for audit for the year ended 31 December 2012 amounted to RMB1.50 million.

The Directos of the Company are responsible for preparation of the fiancial statements which can truthfully and fairly reflect financial positions of the Company and its subsidiaries, in pursuant to the International Financial Reporting Standards and the Companies Ordinance in Hong Kong.

The statements made by the independent auditors of the Company on their responsibilities for the financial statements are set out in the independent auditor's report in this report.

COMPANY SECRETARY

The Company engages an external service provider to provide secretarial service and has appointed Mr. Lo Tai On as its Company Secretary, Mr Lo has confirmed that for the year under review, he has attended not less than 15 hours of relevant professional training. His internal and principle contact person in the Company is Mr Jia Wenxuan, general manager of the investment planning department.

GENERAL MEETINGS

The general meeting of the Company has the highest authority. Totally three general meetings were held in 2012. The Company convened an annual general meeting on 26 June 2012 to consider and approve the resolutions relating to re-appointment of auditors, distribution of dividends and amendment to the Articles of the Company. The chairman has proposed separate resolutions for separate issues. The chairman of the Board and the members of each committee have attended the Annual General Meeting held in 2012, so as to respond to questions raised by shareholders. In addition, the chairman of the Independent Committee has attended the Annual General Meeting held in 2012 to answer questions related to connected transactions on the Annual General Meeting. 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. In addition, the Company held special general meetings on 13 August 2012 and 20 December 2012 respectively, to consider and approval interim dividends, amendments to the Articles of the Company, resignation and appointment of directors and supervisors.

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 2012.

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 42 of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2012 prepared in accordance with the International Financial Reporting Standards ("IFRS") are set out on page 42 to 104 of this annual report.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

As at 31 December 2012, profit attributable to the equity holders of the Company was approximately RMB59,078,000. The directors do not recommend payment of final dividend for the year ended 31 December 2012 (corresponding period 2011: RMB0.02 per Share).

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 2012 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 May 2012, Toyota Tsusho (China) Co., Ltd., and Kamigumi (Hong Kong) Company Limited has finished the additional capital injection by the Company to Tedahang Cold Chain Logistic Co., Ltd., the subsidiary of the Company, upon the capital injection, the registered capital of Tedahang Cold Chain Logistic Co., Ltd. is RMB200 million, of which RMB120 million was contributed by the Company who holds 60% of the equity.

In October 2012, the Company, Tianjin Haoteng Logistics Co,. Ltd (天津浩騰物流有限公司) and Zhaocheng Group Company Limited (兆誠集團有限公司) jointly establish Tianjin Teda International Freight Forwarding Co,. Ltd. (天津泰達國際貨運代理有限公司) which is mainly engaged in international freight forwarding. The registered capital of Tianjin Teda International Freight Forwarding Co,. Ltd (天津泰達國際貨運代理有限公司) is RMB5,000,000, of which RMB2,550,000 was contributed by the Company who holds 51% of the equity.

In November 2012, the Company established a joint venture, Tianjin Port Gangwan International Automobile Logistics Company Limited (天津港港灣國際汽車物流有限公司), with Tianjin Port Logistics Development Co., Ltd. and Tianjin Port Electricity Project Co., Ltd. The joint venture is mainly carrying out the primary business of warehousing, logistics, distribution, vehicle processing and maintenance, international freight forwarding and other operations related to automobile import and export. The registered capital of Tianjin Port Gangwan International Automobile Logistics Company Limited is RMB150 million, the Company contributed RMB60 million who helds 40% of the equity.

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 2012, the capitalized interests of the Company amounted to RMB5,130,000 (2011: RMB2,167,000).

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
Tse Ping	20 December 2012
Yang Xiaoping	20 December 2012
Independent Non-executive Directors	
Zhang Limin	23 June 2011
Liu Jingfu	23 June 2011
Luo Yongtai	23 June 2011
Japhet Sebastian Law	13 August 2012
Supervisors	
Xu Jianxin	13 August 2012
Chen Chung-Yi	20 December 2012
Wang Rui	23 June 2011
Lu Xia	23 June 2011
Yu Ang	23 June 2011
He Hongsheng	23 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, and confirmed that all the independent non-executive directors of the Company are independent persons.

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' and senior management's remuneration and the five highest paid individuals are set out in Note 9 to the consolidated financial statements of this report.

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

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISOR'S INTEREST IN THE COMPANY AND ITS ASSOCIATION CORPORATIONS

As at 31 December 2012, 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 2012, 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 2012.

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 2012, the following person 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 5% 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. The two aforementioned domestic share transfers were approved by the relevant state-owned assets supervision and administration authorities of the PRC and shall be finalized pending the completion of the transfer of the shares. So far as is known to the directors, chief executives and supervisors of the Company, as at 31 December 2012, 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%
CHAROEN POKPHAND GROUP COMPANY LIMITED (正大集團(BVI)控股有限公司)	Interest of corporation controlled by a substantial shareholder	28,344,960(L) Domestic shares	11.07%	8%
CPG Overseas Company Limited	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%

Note:

1. The letter "L" represents 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 2012, 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 5% 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)	38%
Tangshan Donghua Steel Group Co., Ltd.(唐山東華鋼鐵企業集團有限公司)	9%
Tianjin Tongguang Group Digital Communication Company Limited (天津通廣集團數字通信公司)	8%
Zhonghai Jiaye International Trading (Tianjin) Company Limited (中海嘉燁國際貿易（天津）有限公司)	4%
Tangshan Fengnan Donghua Iron Co., Ltd. (唐山市豐南區東華鋼鐵有限公司)	4%
Five largest customers in total	63%

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:

Leimeng (Tianjin) Enterprise Company Limited (雷盟(天津)實業有限公司)	16%
Green Land Energy Group Company Limited (綠地能源集團有限公司)	14%
Hebei Steel Group (Yanshan) Company Limited (河北鋼鐵集團燕山鋼鐵有限公司)	8%
Zhongwu Huashang International Logistics Co., Ltd. (中物華商國際物流股份有限公司)	8%
Chongqing Jiachuan Sanjie Transport Co., Ltd. (重慶嘉川三捷運輸有限公司)	5%
Five largest customers in total	51%

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 connected transactions and 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 2012.

1. Toyota Tsusho Corporation, which holds approximately 36.2% interest in Tianjin Fengtian Logistics Co., Ltd ("Tianjin Fengtian Logistics", a non-wholly owned subsidiary of the Company), is a substantial shareholder of a subsidiary of the Company. Under the GEM Listing Rules, Toyota Tsusho Corporation is the connected person of the Company.

2. Toyota Tsusho (China) Co., Ltd. ("Toyota Tsusho (China)") is the wholly owned subsidiary as well as an associate of Toyota Tsusho Corporation, thus Toyota Tsusho (China) is the connected person of the Company under the GEM Listing Rules.

3. Tianjin Teda Investment Holdings Co., Ltd ("Teda Holdings") holds approximately 50.45% of the issued share capitals of the Company, thus Teda Holdings is the substantial shareholder of the Company. However, Tianjin Beacon Company Limited ("Tianjin Beacon") is a wholly-owned subsidiary of Teda Holdings, and Teda Holdings and Tianjin Beacon hold 15% and 85% equity interest in Tianjin Beacon Industrial Development Co., Limited ("TBID") respectively, thus Tianjin Beacon and TBID are both the subsidiaries of Teda Holdings. According to the GEM Listing Rules, Tianjin Beacon and TBID are both connected persons of the Company.

Details of the connected transactions and continuing connected transactions for the year ended 31 December 2012 are as follows:

Connected Transactions

As at 21 March 2012, the Company's subsidiary Tedahang Cold Chain Logistic Co., Ltd. ("Tedahang") entered into a capital increase agreement with the Company, Toyota Tsusho (China) and Kamigumi (Hong Kong) Company Limited ("Kamigumi"), pursuant to which the registered capital of Tedahang increased from RMB120 million to RMB200 million. The capital increase compromised contribution of RMB50 million from Toyota Tsusho (China) and contribution of RMB30 million from Kamigumi. In addition, the Company, Toyota Tsusho (China) and Kamigumi entered a joint venture agreement on 21 March 2012, so as to regulate their relationships with Tedahang.

On 9 July 2012, the Company and Tianjin Beacon entered into the Sale and Purchase Agreement, pursuant to which, the Company agreed to purchase and Tianjin Beacon agreed to sell the Paint for a consideration of RMB10,000,000. At the same time, the Company and TBID entered into the Sale and Purchase Agreement, pursuant to which, the Company agreed to sell and TBID agreed to purchase the Paint for a consideration of RMB10,240,000.

CONTINUING CONNECTED TRANSACTIONS

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.

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

	Annual Caps for 2012 RMB'000	Actual Figures for 2012 RMB'000
Toyota Services Supply Agreement	**104,000**	88,048

The independent non-executive Directors, Zhang Limin, Luo Yongtai, Liu Jingfu and Japhet Sebsastian Law, 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 clause 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 31 of the Annual Report in accordance with clause 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 2012, 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 2012, 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 2012, 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, 19 March 2013

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 held in 2012, 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 2012, 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 2012, 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
Xu Jianxin
Chairman

Tianjin, the PRC, 19 March 2013

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Zhang Jian (張艦), aged 55, joined the Company as the chairman and general manager in June 2006. He is also the chairman of Nomination Committee of the Company. 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. He is vice president of the China Federation of Logistics and Purchasing and China Society of Logistics

NON-EXECUTIVE DIRECTORS

Mr. Hu Jun (胡軍), aged 36, joined the Company as a non-executive director in June 2009. He graduated from mathematics department of Nankai University (南開大學) in June 1999; obtained a master's degree at Tianjin University of Finance and Economics (天津財經大學) in June 2001; and received a doctoral degree from the Regional and Urban Research Institute of Nankai University (南開大學區域與城市經濟研究所). During the period, he had been the chairman of the Tianjin Federation of Students (天津學生聯合會) and vice chairman of Youth Federation (青年聯合會) from 1998 to 1999 and the senior supervisor of the real estate loan department of the Industrial and Commercial Bank of China Tianjin branch, from 1999 to 2002. From 2002 to date, he has been the deputy manager of the investment management department of Tianjin Teda Investment Holding Co., Ltd.. Mr. Hu is also currently the director of Tianjin Teda Construction Group Co., Ltd (泰達建設集團), Tianjin Binhai Energy & Development Co., Ltd. (天津濱海能源發展股份有限公司) (stock code: 000695, Shenzhen Stock Exchange) and Tianjin Jinbin Development Co., Ltd. (天津津濱發展股份有限公司) (stock code: 000897, Shenzhen Stock Exchange).

Mr. Zhang Jun (張軍), aged 45, 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. From 2008 to November 2012, He was the general manager of Tianjin TEDA Group Company Ltd. From May 2009 to May 2011, he was a director of Tianjin TEDA Co., Ltd. (Stock code: 000652, Shenzhen Stock Exchange). From May 2011 to February 2013, he was a director of Tianjin TEDA Co., Ltd. (Stock code: 000652, Shenzhen Stock Exchange). He is currently working as the vice general manager of Tianjin Teda Investment Holding Co., Ltd. (天津泰達投資控股有限公司) and a director of Binhai Investment Company Limited (濱海投資有限公司) (Stock code: 8035, Hong Kong Stock Exchange).

Mr. Tse Ping (謝炳), aged 61, is the Founder and Chairman of Sino Biopharmaceutical Limited, a listed company on the Hong Kong Stock Exchange (stock code 01177). With more than 20 years of pharmaceutical related investment and management experience in China, Mr. Tse is currently a director of Chia Tai Pharmaceutical Investment (Beijing) Co. Ltd., Jiangsu Chia Tai – Tianqing Pharmaceutical Co. Ltd., Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd., Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd., Yancheng Suhai Pharmaceutical Co., Ltd., Qingdao Chia Tai Haier Pharmaceutical Co., Ltd., Qingdao Chia Tai Haier Medicines Co., Ltd., Qingdao Heng Seng Tang Pharmacy Co., Ltd, Beijing Tide Pharmaceutical Co. Ltd., Beijing Chia Tai Green Continent Pharmaceutical Co. Ltd. and Beijing Chia Tai Green Continent Medicines Co., Ltd. Mr. Tse was formerly the vice chairman of C.P. Lotus Corporation and Shenzhen 999 Pharmaceutical Co., Ltd.（深圳三九藥業有限公司）, and was involved in the management of Hainan Haiyao Co., Ltd.（海南海藥股份有限公司）(formerly known as Hainan Pharmaceutical Industrial Joint-Stock Company Limited（海南海藥實業股份有限公司）), which is now listed on the Shenzhen Stock Exchange. Mr. Tse was also formerly the chairman of Chia Tai Qingchunbao Pharmaceutical Co., Ltd. which is now a subsidiary of Shanghai Industrial Investment (Holdings) Co., Ltd., the chairman of Xian C.P. Pharmaceutical Co., Ltd. and the executive chairman of TM International Bank Co., Ltd, based in Shanghai. Mr. Tse is still a director of Chia Tai Qingchunbao Pharmaceutical Co., Ltd., a committee member of the Association of Pharmaceutical Biotechnology of China and an honorary professor of Shenyang University of Pharmacy. In January 2008, Mr. Tse was granted the "World Outstanding Chinese Award" in Hong Kong and awarded an honorary doctorate degree from the University of West Alabama. He also received "2007/2008 Fellowship of Asian Knowledge Management Association" from the Asian Knowledge Management Association in December 2008. In June 2010, Mr. Tse was awarded the "2010 Top Ten Most Innovative Leaders of Chinese Enterprises" by the Chinese Association of Productivity Science and China Enterprises News. Mr. Tse was a member of the Ninth, the Tenth and the Eleventh National Committee of the Chinese People's Political Consultative Conference, and is currently the vice chairman of China International Council for the Promotion of Multinational Corporations and China OverseasChinese Entrepreneurs Association.

Mr. Yang Xiaoping (楊小平), aged 49, he joined Nichiyo Co., Ltd in 1989 as manager until 1993, after which he was transferred to Nichiyo Co., Ltd Beijing Office as a representative till 2001. Since then, Mr. Yang has gained extensive experience through management participation in various corporations, including acting as the Vice President of the CP Group and as the executive director and Vice Chairman for CP Lotus Super Market Chain Store Company Ltd. Furthermore, Mr. Yang is also the executive director and chief executive officer of Chia Tai Land Holding Company Ltd., senior vice chairman of Chia Tai Group Agro-Industry And Food Business China Area, chief executive officer of Chia Tai Worldwide Investment Company Ltd., the executive director of both Chia Tai Vision Ltd. and Chia Tai International Finance Co., Ltd., chief executive officer of Chia Tai Holding Group Company Ltd. and chairman of Chia Tai Energy Development (China) Company Ltd. and as the executive director and general manager of Shanghai Fortune World Development Company Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Limin (張立民), aged 57, 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 is also the chairman of the Audit Committee of the Company. 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). 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 66, is a Doctor of Management, 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) and the director of the Business and Management Research Center. He is entitled to the State Council Special Allowance. He joined the Company as an independent non-executive director in September 2006. He is also a member of the Audit Committee and Nomination Committee of the Company. 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), 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), and a director of Ringpu (Tianjin) Biotechnology Co., Ltd. (天津瑞普生物技術股份有限公司) (Stock code: 300119, Shenzhen 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 49, joined the Company as an independent non-executive Director in September 2006. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. 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).

Mr. Japhet Sebastian Law ("Mr. Law"), aged 61, was appointed as an independent non-executive director in August 2012. He is also a member of the Remuneration Committee of the Company, obtained his Doctorate degree of Philosophy in mechanical/industrial engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986. Mr. Law was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002 and retired from the University of Hong Kong on 1 August 2012. Prior to returning to Hong Kong, Mr. Law was the director of Operations Research at the Cullen College of Engineering and director of Graduate Studies in Industrial Engineering at the University of Houston, and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Mr. Law has consulted with various corporations in Hong Kong and overseas. He is also active in public services, having served as a member of the Provisional Regional Council of The Government of the Hong Kong Special Administrative Region and various other committees, and is also active on the boards of profit, non-profit, and charitable organisations in Hong Kong and overseas.Mr. Law is currently an independent non-executive director of Beijing Capital International Airport Co., Ltd. (Stock Code: 00694), Tianjin Port Development Holdings Limited (Stock Code: 03382), Ever Fortune International Holdings Limited (Stock Code: 00875) and Regal Hotels International Holdings Limited (Stock Code: 00078), companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and Global Digital Creations Holdings Limited (Stock Code: 08271), Binhai Investment Company Limited (Stock Code: 08035), and the Company (Stock Code: 08348) companies whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Law was also an independent non-executive director of First China Financial Holdings Limited (Stock Code: 08123), a company whose shares are listed on the GEM of the Stock Exchange, from June 2005 to October 2008.

SUPERVISORS

Shareholder Representative Supervisor

Ms. Xu Jianxin (徐建新), aged 48, was the solicitor of Tianjin Teda Law Firm, the legal advisor of Tianjin Teda Investment Holding Co., Ltd. and the deputy director and legal advisor of the office of Tianjin Teda Investment Holding Co., Ltd. She is currently serving as the head of the Legal Affairs and Internal Audit Department of Tianjin Teda Investment Holding Co., Ltd. and the secretary to the board of directors of Tianjin Teda Investment Holding Co., Ltd. She is concurrently holding the position of the chairman of the supervisory committee of Tianjin Jinbin Development Co. Ltd, the supervisor of Tianjin Seamless Steel Pipe (Group) Corporation Limited (天津無縫鋼管集團有限公司), the chairman of the supervisory committee of Sihuan Pharmaceutical Company Limited (四環藥業股份有限公司), the supervisor of Tianjin Binhai Energy & Development Co., Ltd. (天津濱海能源發展股份有限公司), the supervisor of Northern International Trust Co., Ltd. (北方國際信託股份有限公司), the supervisor of Tianjin Teda International (Group) Holding Company Limited (天津市泰達國際控股(集團)有限公司) and the director of Bohai Industrial Investment Fund Management Co., Ltd.

Mr. Chen Chung-Yi (陳鍾義), aged 60, graduated from Tamkang University of Taiwan in June 1974. He was an auditor at KPMG in Taiwan, the Financial Manager of Maywufa Company Ltd., the Financial Manager of Charoen Pokphand Enterprise (Taiwan) Co., LTD, and the Vice President of Charoen Pokphand Group (Turkey). He has been the Senior Vice President of Chia Tai Group since October 2000.

Mr. Wang Rui (王蕤), aged 50, 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 44, 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 40, 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 was the vice president of Tianjin Ferroalloy Exchange and is currently the vice general manager of Business Development Department of the Company.

Mr. He Hongsheng (何洪生), aged 51, 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 2001, he completed the business administration programme organized by Nankai University (南開大學) and obtained the relevant certificate. From 2008 to 2012, He has been the manager of the risk management department of the Company. From 2012 to date, he served as the general manager of the Purchased & Logistics Department of the Company.

SENIOR MANAGEMENT

Mr. Zhang Jian (張艦), aged 55, 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 49, holds the Executive Master of Business Administration (EMBA) of Peking University. He has been worked as general manager and deputy chairman in many companies from 1993 to May 2011. He joined the Group in July 2011 and he is currently the vice president of the Company.

Mr. Gang Zhenning (剛振寧), aged 39, graduated from Tsinghua University with a bachelor's degree in civil engineering in 1997. He was the director of the enterprise development and planning department of a real estate company in Tianjin Economic Development Area from 2000 to 2003. From 2003 to 2005, he worked as the manager of the Planning Department of Tianjin Teda City Development Co., Ltd, and from July 2007 to October 2008, he worked in the investment management department of Teda Investment Holdings Co., Ltd. Mr. Gang joined the Group in October 2008 and served as the general manager of comprehensive management department. Mr. Gang is currently the president assistant of the Group, the general manager of Northeast Operation and Management Centre, as well as the general manager of the Project Management Department.

Mr. Liu Liming (劉利明), aged 57, 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

羅兵咸永道

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 42 to 104, which comprise the consolidated and company balance sheets as at 31 December 2012, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

羅兵咸永道

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 2012, 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, 19 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Revenue	5	**2,016,408**	2,288,319
Cost of sales	8	**(1,912,860)**	(2,172,715)
Gross profit		**103,548**	115,604
Administrative expenses	8	**(56,526)**	(62,816)
Other income	6	**17,826**	13,026
Other (losses)/gains – net	7	**(800)**	7,427
		64,048	73,241
Finance costs	10	**(12,235)**	(7,214)
Share of results of associates	21	**24,949**	33,112
Profit before income tax		**76,762**	99,139
Income tax expense	11	**(11,445)**	(7,282)
Profit/total comprehensive income for the year		**65,317**	91,857
Profit attributable to:			
Owners of the Company		**59,078**	80,521
Non-controlling interests		**6,239**	11,336
		65,317	91,857
Earnings per share (RMB cents)	14		
– Basic		**17**	23
– Diluted		**17**	23
Dividends	12	**17,715**	14,172

The notes on pages 49 to 104 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Land use rights	15	**146,207**	149,759
Property, plant and equipment	16	**544,158**	346,206
Investment properties	17	**88,340**	92,784
Investments in associates	21	**62,532**	56,046
Goodwill	18	**105**	105
		841,342	644,900
Current assets			
Inventories	23	**159,763**	41,752
Trade and other receivables	24	**698,199**	566,120
Amounts due from related parties	30	**9,480**	–
Pledged bank deposits	25	**136,507**	67,552
Cash and cash equivalents	25	**385,941**	296,419
		1,389,890	971,843
Total assets		**2,231,232**	1,616,743
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Ordinary shares	26	**354,312**	354,312
Other reserves	27	**70,864**	55,712
Retained earnings	28	**298,349**	279,224
		723,525	689,248
Non-controlling interests		**163,112**	86,781
Total equity		**886,637**	776,029

Consolidated Balance Sheet

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	31	**143,138**	–
Deferred income	32	**25,768**	10,063
		168,906	10,063
Current liabilities			
Trade and other payables	29	**941,778**	572,386
Amounts due to related partis	30	**–**	15
Current income tax liabilities		**4,310**	5,730
Dividend payables		**17,715**	–
Borrowings	31	**211,886**	252,520
		1,175,689	830,651
Total liabilities		**1,344,595**	840,714
Total equity and liabilities		**2,231,232**	1,616,743
Net current assets		**214,201**	141,192
Total assets less current liabilities		**1,055,543**	786,092

The consolidated financial statements on pages 42 and 104 were approved by the Board of Directors on 19 March 2013 and are signed on its behalf.

Zhang Jian
Director

Hu Jun
Director

The notes on pages 49 to 104 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Land use rights	15	**49,320**	50,460
Property, plant and equipment	16	**3,052**	3,389
Investment properties	17	**75,029**	78,920
Investments in subsidiaries	19	**281,596**	279,046
Investments in jointly controlled entities	20	**69,585**	69,585
Investments in associates	21	**33,500**	21,500
		512,082	502,900
Current assets			
Inventories	23	**145,553**	27,534
Trade and other receivables	24	**532,019**	374,978
Amounts due from subsidiaries	19	**1,303**	61,078
Amounts due from related parties	30	**9,491**	–
Pledged bank deposits	25	**122,507**	67,552
Cash and cash equivalents	25	**226,232**	194,577
		1,037,105	725,719
Total assets		**1,549,187**	1,228,619
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Ordinary shares	26	**354,312**	354,312
Other reserves	27	**76,795**	72,556
Retained earnings	28	**107,925**	106,554
Total equity		**539,032**	533,422

Balance Sheet

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	29	**777,842**	444,261
Amounts due to subsidiaries	30	**4,598**	936
Dividend payables		**17,715**	–
Borrowings	31	**210,000**	250,000
		1,010,155	695,197
Total liabilities		**1,010,155**	695,197
Total equity and liabilities		**1,549,187**	1,228,619
Net current assets		**26,950**	30,522
Total assets less current liabilities		**539,032**	533,422

The consolidated financial statements on pages 42 and 104 were approved by the Board of Directors on 19 March 2013 and are signed on its behalf.

Zhang Jian
Director

Hu Jun
Director

The notes on pages 49 to 104 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company					
	Share capital	**Other reserves (note 27)**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2011	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**
Comprehensive income						
Profit/total comprehensive income for the year	**–**	**–**	**59,078**	**59,078**	**6,239**	**65,317**
Transactions with owners						
Capital contribution by non-controlling interests	**–**	**–**	**–**	**–**	**80,500**	**80,500**
Transfer from retained earnings	**–**	**15,152**	**(15,152)**	**–**	**–**	**–**
Dividend paid	**–**	**–**	**(24,801)**	**(24,801)**	**(10,408)**	**(35,209)**
Total transactions with owners	**–**	**15,152**	**(39,953)**	**(24,801)**	**70,092**	**45,291**
Balance at 31 December 2012	**354,312**	**70,864**	**298,349**	**723,525**	**163,112**	**886,637**

The notes on pages 49 to 104 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	33(a)	**153,341**	(15,146)
Interest received		**3,731**	4,689
Interest paid		**(12,235)**	(9,381)
Income tax paid		**(16,437)**	(11,315)
Net cash generated from/(used in) operating activities		**128,400**	(31,153)
Cash flows from investing activities			
Interests paid		**(5,130)**	–
Purchase of property, plant and equipment		**(163,197)**	(135,197)
Purchase of land use rights		**–**	(316)
Proceeds from disposal of property, plant and equipment		**1,109**	112
Proceeds from government grant relevant to investment activities		**13,960**	–
(Increase)/decrease in pledged bank deposits		**(68,955)**	21,292
Investment in an associate		**(12,000)**	–
Proceeds from disposal of investment in associates		**–**	11,126
Dividends received from associates		**30,463**	33,510
Net cash used in investing activities		**(203,750)**	(69,473)
Cash flows from financing activities			
Proceeds from borrowings		**469,432**	250,000
Repayments of borrowings		**(367,566)**	(140,129)
Capital contribution by non-controlling interests		**80,500**	–
Dividends paid to owners of the parent		**(7,086)**	(7,086)
Dividends paid to non-controlling interests		**(10,408)**	(16,988)
Net cash from financing activities		**164,872**	85,797
Net increase/(decrease) in cash and cash equivalents		**89,522**	(14,829)
Cash and cash equivalents at 1 January		**296,419**	311,248
Cash and cash equivalents at 31 December representing bank balances and cash		**385,941**	296,419

The notes on pages 49 to 104 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

Tianjin Binhai Teda Logistics (Group) Corporation Limited. (the "Company") and its subsidiaries (together 'the Group') are principally engaged in provision of logistics and supply chain solutions services and trading and related logistics services in the People's Republic of China (the "PRC").

The Company was established as an investment holding company in the PRC by its promoters, Tianjin Teda Investment Holding Co., Ltd. (天津泰達投資有限公司) ("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.

On 18 November 2011, TEDA Holding entered into a share transfer agreement with Chia Tai Land Company Limited ("Chia Tai Company"), while TEDA Asset Company entered into a share transfer agreement with Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. ("Chia Tai Investment Company"). Accordingly, TEDA Holding and TEDA Asset Company agreed to transfer 28,344,960 (8% of ordinary shares) and 77,303,789 (21.82% of ordinary shares) domestic shares of the Company to Chia Tai Company and Chia Tai Investment Company respectively. During the year, the two aforementioned domestic share transfers were approved by the relevant state-owned assets supervision and administration authorities of the PRC and the registration procedures of the related transfers have not completed.

These financial statements are presented in Renminbi ("RMB") unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 19 March 2013.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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 2012 but have no material impact on the Group:

- IFRS 7 (Amendment): "Disclosures – Transfers of financial assets"
- IAS 12 (Amendment): "Deferred tax: Recovery of underlying assets"

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- IAS 1 (Amendment): "Financial statements presentation", regarding other comprehensive income. [1]
- IFRS 1 (Amendment): "First time adoption", on government loans. [2]
- IFRSs 10, 11 and 12 (Amendment): "transition guidance", limiting the requirement to provide adjusted comparative information to only the preceding comparative period. [2]
- Annual improvements 2011: address six issues in the 2009-2011 reporting cycle. It includes changes to: IFRS 1, "First time adoption"; IAS 1, "Financial statement presentation"; IAS 16, "Property plant and equipment"; IAS 32, "Financial instruments; Presentation"; IAS 34, "Interim financial reporting". [2]
- IFRS 10: "Consolidated financial statements". [2]
- IAS 27 (revised 2011): "Separate financial statements". [2]
- IFRS 11: "Joint arrangements". [2]
- IAS 28 (revised 2011): "Associates and joint ventures". [2]
- IFRS 12: "Disclosure of interests in other entities". [2]
- IFRS 13: "Fair value measurements". [2]
- IAS 19 (Amendment): "Employee benefits". [2]
- IFRS 7 (Amendment): "Financial instruments: Disclosures", on asset and liability offsetting. [2]
- IFRIC – Int 20: "Stripping costs in the production phase of a surface mine". [2]
- IAS 32 (Amendment): "Financial instruments: Presentation", on asset and liability offsetting. [3]
- IFRS 9 (limited modifications): "Financial instruments". [4]
- IFRS 7 and IFRS 9 (Amendments): "Mandatory effective date and transition disclosures". [4]

[1]. Changes effective for annual periods beginning on or after 1 July 2012
[2]. Changes effective for annual periods beginning on or after 1 January 2013
[3]. Changes effective for annual periods beginning on or after 1 January 2014
[4]. Changes effective for annual periods beginning on or after 1 January 2015

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

2.1 Basis of preparation *(Continued)*

2.1.1 *Changes in accounting policy and disclosures (Continued)*

The Group is in the process of assessing the impact of these new standards, interpretations and amendments. None of these is expected to have a significant effect on the results and financial position of the Group, except for one set out below:

IFRS 11, "Joint arrangements" requires an entity to reflect its joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form and proportional consolidation is no longer allowed for joint ventures. This amendment will be applicable retrospectively to annual periods beginning on or after 1 January 2013. As described in Note 2.4, the Group recognised its interest in assets, liabilities, revenue and expenses of its jointly controlled entities using proportionate consolidation.

Upon the adoption of the amendments in IAS 28 (revised 2011), the accounting of the Group's investment in joint ventures will change from proportionate consolidation to equity method of accounting. If the equity method of accounting was used to account for the Group's investment in joint ventures, net assets as of 31 December 2012 and 2011 and net profit for the years then ended will remain unchanged. Its revenue will be reduced by RMB280 million and RMB266 million respectively (Note 5), its expenses would be reduced by RMB256 million and RMB247 million respectively, while its share of profit from joint ventures would be increased by RMB24 million and RMB19 million respectively (Note 20).

2.2 Subsidiaries

2.2.1 *Consolidation*

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 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

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.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(c) Disposal of subsidiaries

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.

2.2.2 Separate financial statements

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.

2.3 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

2.3 Associates *(Continued)*

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.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2.4 Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognised its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar items, line by line, in the consolidated financial statements.

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

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a jointly controlled entity (note 2.9).

In the Company's balance sheet, investments in jointly controlled entities are stated at cost less provision for impairment loss (note 2.11). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2.5 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

2.6 Functional currency

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group's principal operations are conducted in the PRC. The consolidated financial statements have been presented in RMB, which is the functional currency of the Company.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

2.6 Functional currency *(Continued)*

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.7 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 historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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 asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

2.8 Investment property

Investment property, principally comprising buildings and properties, is held for long-term rental yields and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried 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 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the fare value of the non-controlling interests in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.10 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.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 purposes 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 reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

2.12 Financial assets

(a) *Classification*

The Group classifies its financial as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amounts due from related parties' and 'cash and cash equivalents' in the balance sheet.

(b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(c) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(d) *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

2.12 Financial assets *(Continued)*

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

For loans and receivables category, the amount of the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held– to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(e) 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 the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 and the best estimate of the amount required to settle the guarantee.

2.13 Inventories

Inventories which consist of steel and other materials are stated at the lower of cost and net realisable value. Cost is calculated using actual cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

2.15 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.

2.16 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.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.17 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.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

2.19 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

2.20 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 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.

2.22 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".

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

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

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

2.23 Revenue recognition *(Continued)*

(b) *Sales of services*

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.

For sales of services, revenue is recognised in accounting period in which the services rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

(c) *Rental income*

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

2.24 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.25 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) 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.

2.27 Dividend distribution

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT

3.1 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 libailities 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.

(a) Market risks

(i) Foreign exchange risk

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 29 and note 31.

The Group is mainly exposed to foreign currency risk between USD/RMB. The following table details the Group's sensitivity to a 10% (2011: 10%) strengthening in RMB against USD.

	2012	2011
	RMB'000	RMB'000
Decrease in post-tax profit for the year		
– USD	**1,523**	1,619

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risks (Continued)

(i) Foreign exchange risk *(Continued)*

For a 10% (2011: 10%) weakening of RMB against USD, there would be an equal and opposite impact on the post-tax profit.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate risk should the need arise.

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

If interest rates on bank balances and variable-rate bank borrowings had been 100 basis points (2011: 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 (2011: RMB1 million).

(b) 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 2012, 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 35

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

At 31 December 2012 and 2011, the ten largest debtors accounted for approximately 66% and 75% 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.

(c) 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) *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	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities							
As at 31 December 2012							
Trade and other payables	–	473,147	341,847	–	–	814,994	814,994
Dividend payables	–	17,715	–	–	–	17,715	17,715
Bank borrowings	5.94	46,749	54,562	125,974	160,076	387,361	355,024
		537,611	396,409	125,974	160,076	1,220,070	1,187,733

	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	Over 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) 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	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities							
As at 31 December 2012							
Trade and other payables	–	310,045	341,847	–	–	651,892	651,892
Amounts due to related parties	–	4,598	–	–	–	4,598	4,598
Dividend payables	–	17,715	–	–	–	17,715	17,715
Bank borrowings	6.02	43,160	52,500	121,850	–	217,510	210,000
		375,518	394,347	121,850	–	891,715	884,205

	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	Over 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

3.2 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management *(Continued)*

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.

3.3 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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) 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 2012, the carrying amount of trade and other receivables, net of allowance for doubtful debts, is about RMB698 million (2011: RMB566 million).

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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 2012					
	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	985,456	560,260	701,026	2,246,742	54,326	2,301,068
Inter-segment revenue	(172)	–	–	(172)	(4,358)	(4,530)
Revenue from external customers	985,284	560,260	701,026	2,246,570	49,968	2,296,538
Segment results	16,147	62,686	13,052	91,885	1,911	93,796
Depreciation and amortisation	(13,463)	(6,808)	(291)	(20,562)	(14,198)	(34,760)
Share of results of associates	–	–	–	–	24,949	24,949
Income tax expense	(3,178)	(15,612)	(87)	(18,877)	(374)	(19,251)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. SEGMENT INFORMATION *(Continued)*

	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)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. SEGMENT INFORMATION *(Continued)*

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

	2012 RMB'000	2011 RMB'000
Revenue for reportable segments	**2,246,570**	2,513,801
Revenue attributable to joint venture partners	**(280,130)**	(266,286)
Other segments	**49,968**	40,804
Revenue of the Group	**2,016,408**	2,288,319
Segment results for reportable segments	**91,885**	84,840
Segment results attributable to joint venture partners	**(31,343)**	(25,111)
	60,542	59,729
Other segments	**1,911**	13,535
Total segments	**62,453**	73,264
Share of results of associates	**24,949**	33,112
Unallocated other income	**3,731**	4,689
Unallocated corporate expenses	**(2,136)**	(4,712)
Finance costs	**(12,235)**	(7,214)
Profit before income tax	**76,762**	99,139
Income tax expense	**(11,445)**	(7,282)
Profit for the year	**65,317**	91,857

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

	2012 RMB'000	2011 RMB'000
Interest income from bank deposits	**3,731**	4,689
Subsidy income (note)	**13,718**	8,245
Others	**377**	92
	17,826	13,026

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For the year ended 31 December 2012

6. OTHER INCOME *(Continued)*

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 RMB13.7 million (2011: RMB8.2 million) pursuant to "Provisional Regulations on Modern Services 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 (LOSSES)/GAINS – NET

	2012 **RMB'000**	2011 RMB'000
Gain on disposal of interest in associates (note 21(a))	**–**	7,826
Gain/(Loss) on disposal of property, plant and equipment	**81**	(67)
Net foreign exchange losses	**(409)**	(1,342)
Others	**(472)**	1,010
	(800)	7,427

8. EXPENSES BY NATURE

Profit before income tax is arrived at after charging:

	2012 **RMB'000**	2011 RMB'000
Auditor's remuneration	**1,500**	1,330
Depreciation	**27,803**	26,322
Amortisation	**3,552**	2,848
Operating lease charges	**13,781**	12,013
Employee benefits expenses (note 9)	**163,041**	138,614
Cost of materials purchased	**761,308**	1,032,083
Subcontracting charges	**824,243**	860,827
Business tax	**15,759**	18,840
Transportation	**10,163**	10,798
Fuel	**24,979**	21,759
Others	**123,257**	110,097
Total cost of sales, distribution costs and administrative expenses	**1,969,386**	2,235,531

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9. EMPLOYEE BENEFIT EXPENSE

	2012 RMB'000	2011 RMB'000
Wages and salaries	**107,564**	90,904
Employer's contribution to pension scheme	**49,663**	41,851
Others	**5,814**	5,859
	163,041	138,614

(a) Directors' and chief executive's emoluments

	2012 RMB'000	2011 RMB'000
Director's fees	**488**	405
Other emoluments:		
– Salaries and allowances	**1,397**	1,769
– Performance related bonuses	**191**	244
– Retirement benefit scheme contributions	**42**	37
	2,118	2,455

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

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For the year ended 31 December 2012

9. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The emoluments paid and payable to each of the 9 (2011: 9) directors and chief executives 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 2012					
The Chief executive and director:					
Zhang Jian (Note d)	–	1,397	191	42	1,630
Non-executive directors:					
Zhang Jun	50	–	–	–	50
Hu Jun	50	–	–	–	50
Wang Jincai (Note e)	50	–	–	–	50
Tse Ping (Note f)	–	–	–	–	–
Yang Xiaoping (Note f)	–	–	–	–	–
Chen Fang (Note e)	–	–	–	–	–
Independent non-executive directors:					
Liu Jingfu	100	–	–	–	100
Luo Yongtai	100	–	–	–	100
Zhang Limin	100	–	–	–	100
Japhet Sebastian Law (Note g)	38	–	–	–	38
	488	1,397	191	42	2,118

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9. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

	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					
The Chief executive and directors:					
Zhang Jian	–	1,393	244	37	1,674
Wang Wei	–	376	–	–	376
Non-executive directors:					
Zhang Jun	40	–	–	–	40
Hu Jun	40	–	–	–	40
Wang Jincai	25	–	–	–	25
Zhang Jinming (Note h)	15	–	–	–	15
Ding Yi (Note h)	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

(b) The five individuals whose emoluments were the highest in the Group for the year include one (2011: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2011: four) individuals during the year are as follows:

	2012 RMB'000	2011 RMB'000
Employees		
– salaries and allowances	**2,588**	2,862
– performance related bonus	**7**	–
– retirement benefit scheme contribution	**42**	–
	2,637	2,862

The emoluments of each of these individuals were below RMB798,000 (2011: RMB813,000) (equivalent to HK$1,000,000) for the year.

9. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(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 2012.

(d) Zhang Jian is the chief executive and also the executive director of the Group.

(e) Wang Jincai and Chen Fang resigned on 20 December 2012.

(f) Tse Ping and Yang Xiaoping's appointments were effective on 20 December 2012.

(g) Japhet Sebastian Law's appointment was effective on 13 August 2012.

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

(I) The emoluments of the Group's senior management fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
RMB200,000 – RMB500,000	**2**	2
RMB500,000 – RMB1,000,000	**1**	–
RMB1,000,000 – RMB2,000,000	**1**	1

10. FINANCE COSTS

	2012	2011
	RMB'000	RMB'000
Interest on bank borrowings	**17,365**	9,381
Less: Amount capitalised in construction in progress	**(5,130)**	(2,167)
	12,235	7,214

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11. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Current income tax:		
– the Company and subsidiaries	**3,638**	886
– jointly controlled entities	**7,807**	6,396
	11,445	7,282

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 2012 (2011: 15%). The preferential tax treatment is subject to review by the relevant tax authority on an annual basis.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2012 RMB'000	2011 RMB'000
Profit before income tax	**76,762**	99,139
Tax at the domestic income tax rate of 25% (2011: 25%)	**19,191**	24,785
Tax effect of:		
– Income attributable to associates	**(6,237)**	(8,278)
– Income not subject to income tax	**–**	(2,425)
– Expenses not deductible for taxation purpose	**1,567**	367
– Utilisation of tax losses previously not recognised	**(1,226)**	(30)
– Tax losses for which deferred tax assets are not recognised	**261**	31
– Preferential tax rates of subsidiaries/jointly controlled entities	**(2,168)**	(2,742)
– Under/(over) provision in prior year	**105**	(3,496)
– Others	**(48)**	(930)
Income tax expense	**11,445**	7,282

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12. DIVIDENDS

Pursuant to the extraordinary general meeting held on 20 December 2012, It was approved that an interim dividend of RMB0.05 per share, totalling RMB17,715,600, will be paid to shareholders whose names appear on the register of members of the Company on 3 January 2013.

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), was approved at annual general meeting held on 26 June 2012 and have been paid in July 2012.

On 12 August 2011, the Company announced that an interim dividend of RMB0.02 per share, totalling RMB7,086,000, was approved at an extraordinary general meeting held on 26 September 2011 and paid in November 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 RMB30,411,000 (2011: RMB37,484,000).

14. EARNINGS PER SHARE

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

	2012 **RMB'000**	2011 RMB'000
Earnings		
Profit attributable to equity holders of the Company	**59,078**	80,521
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 2011 and 2012.

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15. LAND USE RIGHTS

The Group	2012 RMB'000	2011 RMB'000
At beginning of the year	**149,759**	121,021
Additions	**–**	31,586
Amortisation charge	**(3,552)**	(2,848)
At end of the year	**146,207**	149,759

The Company	2012 RMB'000	2011 RMB'000
At beginning of the year	**50,460**	59,660
Additions	**–**	31,586
Transfer to interest in a subsidiary	**–**	(39,563)
Amortisation charge	**(1,140)**	(1,223)
At end of the year	**49,320**	50,460

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 2012, the land use rights have remaining lease periods ranging from 34 to 45 years.

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group						
Cost						
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 1 January 2012	176,135	38,599	24,068	75,002	149,503	463,307
Additions	1,533	307	4,727	7,911	207,861	222,339
Transfer	40,849	1,034	298	16,981	(59,162)	–
Disposals	(148)	(1,409)	(998)	(3,084)	–	(5,639)
At 31 December 2012	218,369	38,531	28,095	96,810	298,202	680,007
Accumulated depreciation						
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 1 January 2012	39,064	22,461	13,709	41,867	–	117,101
Charge for the year	8,626	3,015	3,219	8,499	–	23,359
Disposals	(27)	(1,234)	(896)	(2,454)	–	(4,611)
At 31 December 2012	47,663	24,242	16,032	47,912	–	135,849
Net book values						
At 31 December 2012	170,706	14,289	12,063	48,898	298,202	544,158
At 31 December 2011	137,071	16,138	10,359	33,135	149,503	346,206

Notes to the Consolidated Financial Statements

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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 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 1 January 2012	1,593	4,210	–	5,803
Additions	148	812	–	960
Disposals	–	(895)	–	(895)
At 31 December 2012	1,741	4,127	–	5,868
Accumulated depreciation				
At 1 January 2011	499	921	–	1,420
Charge for the year	248	746	–	994
At 1 January 2012	747	1,667	–	2,414
Charge for the year	265	777	–	1,042
Disposals	–	(640)	–	(640)
At 31 December 2012	1,012	1,804	–	2,816
Net book values				
At 31 December 2012	729	2,323	–	3,052
At 31 December 2011	846	2,543	–	3,389

Note:

The Group is in the process of applying for the title to certain buildings with cost of approximately RMB8 million as at 31 December 2012 (2011: RMB8 million). The directors of the Company believe that the title documents will be obtained in due course without significant additional cost.

Depreciation expense of RMB20 million (2011: RMB18 million) has been charged in 'Cost of sales' and RMB3 million (2011: RMB3 million) in 'administrative expenses'.

Construction work in progress as at 31 December 2012 mainly comprises the cold warehouse being constructed in Tianjin.

During the year, the Group has capitalised borrowing costs amounting to RMB5.13 million (2011: RMB2.2million) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 6.59%.

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17. INVESTMENT PROPERTIES

	2012 RMB'000	2011 RMB'000
The Group		
At the beginning of the year	**92,784**	97,228
Depreciation charge for the year	**(4,444)**	(4,444)
At the end of the year	**88,340**	92,784

	2012 RMB'000	2011 RMB'000
The Company		
At the beginning of the year	**78,920**	82,811
Depreciation charge for the year	**(3,891)**	(3,891)
At the end of the year	**75,029**	78,920

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 2012 is approximately RMB133 million (2011: RMB132 million).

18. GOODWILL

	2012 RMB'000	2011 RMB'000
The Group		
Amount recognised from acquisition of additional 2% interest in Tianjin Alps Logistics Co., Ltd.,	**105**	105

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

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19. INVESTMENTS IN SUBSIDIARIES

	2012 RMB'000	2011 RMB'000
Non-current assets		
Unlisted shares, at cost	**281,596**	279,046
Current assets		
Amounts due from subsidiaries (note)	**1,303**	61,078

As at 31 December 2012 and 2011, the Group's subsidiaries are set out in Note 37(a).

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

20. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Company	2012 RMB'000	2011 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	2012 RMB'000	2011 RMB'000
Current assets	**134,418**	123,058
Non-current assets	**27,010**	28,436
Current liabilities	**39,603**	40,149
Income	**287,691**	272,442
Expenses	**264,064**	253,616
Net profit	**23,627**	18,826

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

As at 31 December 2012 and 2011, the Group's jointly controlled entities are set out in Note 37(b).

21. INVESTMENTS IN ASSOCIATES

The Group	2012 RMB'000	2011 RMB'000
Investment, at cost	**36,000**	24,000
Share of post acquisition profits, net of dividends received	**26,532**	32,046
	62,532	56,046

The Company	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost less provision	**33,500**	21,500

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

	2012 RMB'000	2011 RMB'000
As at 1 January	**56,046**	59,744
Investment in a new associate (note (i))	**12,000**	–
Decrease in investments (note (ii))	**–**	(3,300)
Share of results	**24,949**	33,112
Dividends received	**(30,463)**	(33,510)
At 31 December	**62,532**	56,046

Notes:

(i) Pursuant to a promoter agreement dated 16 May 2012, the Company together with two other entities established an entity which is principally engaged in the provision of automobile storage and related services. The Company holds a 40% equity interest with first instalment of capital injection of RMB12,000,000.

(ii) In 2011, the Company disposed of the investment in an associate, namely Tianjin Teda Sidier Electronic Trading Market Operation and Management Co., Ltd. for a consideration of RMB5 million. In addition, the Group withdrew the investment in an associate, namely Tianjin Binhai Yuan Sheng Steel Market Operating and Management Co., Ltd. and collected RMB6 million.

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21. INVESTMENTS IN ASSOCIATES *(Continued)*

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

	2012 RMB'000	2011 RMB'000
Total assets	**471,892**	240,872
Total liabilities	**(281,630)**	(71,656)
Net assets	**190,262**	169,216
Group's share of net assets	**62,532**	56,046
Revenue	**206,698**	191,050
Profit for the year	**54,411**	70,652
Group's share of results of the year	**24,949**	33,112

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

22. FINANCIAL INSTRUMENTS

(a) By Category – Group

	2012 RMB'000	2011 RMB'000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	**218,132**	239,954
Amount due from related parties	**9,480**	–
Cash and cash equivalents	**385,941**	296,419
Total	**613,553**	536,373
Liabilities per balance sheet		
Borrowings	**355,024**	252,520
Trade and other payables excluding statutory liabilities	**941,778**	562,783
Total	**1,296,802**	815,303

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22. FINANCIAL INSTRUMENTS *(Continued)*

(b) By Category – Company

	2012 RMB'000	2011 RMB'000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	**54,886**	52,415
Amounts due from related parties	**9,491**	–
Cash and cash equivalents	**226,232**	194,577
Total	**290,609**	246,992
Liabilities per balance sheet		
Borrowings	**210,000**	250,000
Trade and other payables excluding statutory liabilities	**777,842**	436,759
Total	**987,842**	686,759

23. INVENTORIES

The Group	2012 RMB'000	2011 RMB'000
Steel	**120,751**	194
Iron powder	**23,197**	8,125
Other materials	**15,815**	16,378
Charred coal and coke	**–**	17,055
	159,763	41,752

The Company	2012 RMB'000	2011 RMB'000
Steel	**120,751**	194
Iron powder	**23,197**	8,125
Other materials	**1,605**	2,160
Charred coal and coke	**–**	17,055
	145,553	27,534

No significant inventory is stated at net relisable value at year end (2011: Nil).

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24. TRADE AND OTHER RECEIVABLES

The Group	2012 RMB'000	2011 RMB'000
Trade receivables	**168,384**	170,481
Less: impairment recognised	**(21)**	(8)
	168,363	170,473
Bills receivables (note (b))	**18,370**	41,000
	186,733	211,473
Prepayment to suppliers	**480,067**	326,166
Other receivables	**31,651**	28,734
Less: impairment recognised	**(252)**	(253)
	698,199	566,120

The Company	2012 RMB'000	2011 RMB'000
Trade receivables	**30,553**	7,175
Bills receivables	**18,370**	41,000
	48,923	48,175
Prepayment to suppliers	**477,133**	322,563
Other receivables	**5,963**	4,240
	532,019	374,978

(a) Except for approximately RMB25 million of trade and other receivables are denominated in US dollar (2011: RMB25 million), the balance of the Company's 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	2012 RMB'000	2011 RMB'000
0 – 90 days	**159,851**	204,784
91 – 180 days	**22,408**	4,834
181 – 365 days	**2,850**	150
Over 1 year	**1,645**	1,705
	186,733	211,473

The Company	2012 RMB'000	2011 RMB'000
0 – 90 days	**29,604**	47,769
91 – 180 days	**18,370**	395
181 – 365 days	**933**	11
Over 1 year	**16**	–
	48,923	48,175

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. 95%(2011: 96%) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

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24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

The Group	2012 RMB'000	2011 RMB'000
91 – 180 days	**4,038**	4,834
181 – 365 days	**2,850**	150
Over 1 year	**1,645**	1,713
	8,533	6,697

The Company	2012 RMB'000	2011 RMB'000
91 – 180 days	**–**	395
181 – 365 days	**933**	11
Over 1 year	**16**	–
	949	406

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	2012 RMB'000	2011 RMB'000
At the beginning of the year	**261**	250
Impairment loss addition	**12**	11
At the end of the year	**273**	261

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25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

The Group	2012 RMB'000	2011 RMB'000
Cash at bank and on hand	**325,941**	241,419
Short term deposits	**60,000**	55,000
	385,941	296,419
Restricted bank deposits (note (c))	**136,507**	67,552

The Company	2012 RMB'000	2011 RMB'000
Cash at bank and on hand	**166,232**	139,577
Short term deposits	**60,000**	55,000
	226,232	194,577
Restricted bank deposits (note (c))	**122,507**	67,552

(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	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Currency:				
– US Dollars	**14,645**	13,504	**116**	193
– Japanese Yen	**56**	1,524	**–**	–
– Euro	**333**	79	**–**	–

(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	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Effective interest rate (per annum)	**0.35%-2.8%**	0.5%-1.49%	**0.35%-2.8%**	0.5%-1.49%

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

(c) The restricted bank deposits include the pledged bank deposits of RMB123 million and specific funds for construction in progress of RMB14 million.

Pledged bank deposits represents pledge to banks to secure bills payable of RMB613 million (2011: RMB338 million) issued by the Company and the Group.

The pledged deposits carry fixed interest rate ranging from 2.8% to 3.3% (2011: 1.49%-3.3%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills payable.

The specific funds for construction in progress represent the unutilised bank balances of government grants received by a subsidiary for its construction of fixed assets.

26. SHARE CAPITAL

	2012			2011		
	Domestic shares RMB'000	**H – shares RMB'000**	**Total RMB'000**	Domestic shares RMB'000	H – shares RMB'000	Total 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 2011	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
Transfer from retained earnings	–	–	15,152	15,152
Balance at 31 December 2012	55,244	(73,258)	88,878	70,864

The Company	**Share premium** RMB'000	**Statutory reserves** (note a) RMB'000	**Total** RMB'000
Balance at 1 January 2011	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
Transfer from retained earnings	–	4,239	4,239
Balance at 31 December 2012	55,244	21,551	76,795

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 2012 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.

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For the year ended 31 December 2012

28. RETAINED EARNINGS

	Group	Company
	RMB'000	RMB'000
At 1 January 2011	212,653	80,721
Profit for the year	80,521	37,484
Dividends paid	(7,086)	(7,086)
Statutory reserves	(6,864)	(4,565)
At 31 December 2011	279,224	106,554
At 1 January 2012	279,224	106,554
Profit for the year	59,078	30,411
Dividends paid	(24,801)	(24,801)
Statutory reserves	(15,152)	(4,239)
At 31 December 2012	298,349	107,925

29. TRADE AND OTHER PAYABLES

	2012	2011
The Group	**RMB'000**	RMB'000
Trade payables	**84,304**	112,496
Bills payables (note (a))	**612,534**	337,480
	696,838	449,976
Deposits from customers	**126,784**	44,773
Other payables	**118,156**	77,637
	941,778	572,386

	2012	2011
The Company	**RMB'000**	RMB'000
Trade payables	**98**	7,646
Bills payables (note (a))	**612,534**	337,480
	612,632	345,126
Deposits from customers	**125,950**	44,218
Other payables	**39,260**	54,917
	777,842	444,261

29. TRADE AND OTHER PAYABLES *(Continued)*

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	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
0 – 90 days	**453,982**	226,699	**371,847**	122,778
91 – 180 days	**242,286**	219,082	**240,687**	218,473
181 – 365 days	**125**	2,245	**–**	2,077
Over 1 year	**445**	1,950	**98**	1,798
	696,838	449,976	**612,632**	345,126

(c) Except for approximately RMB17 million of trade and other payables are denominated in US dollar (2011: RMB15 million), the balance of the Company and the Group's trade and other payables are denominated in Renminbi.

30. AMOUNTS DUE FROM/TO RELATED PARTIES/SUBSIDIARY

The Group	**2012 RMB'000**	2011 RMB'000
Amount due from a related party	**8,000**	–
Amount due from an associate	**1,480**	–
	9,480	–
Amount due to an associate	**–**	15

The Company	**2012 RMB'000**	2011 RMB'000
Amount due from a related party	**8,000**	–
Amount due from an associate	**1,480**	–
Amount due from an jointly controlled	**11**	–
	9,491	–
Amount due to a subsidiary	**4,598**	936

The amounts due from a related party and an associate are trading in nature. They are unsecured, interest free and settled on normal credit terms. They are denominated in Renminbi.

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For the year ended 31 December 2012

31. BORROWINGS

The Group	2012 RMB'000	2011 RMB'000
Non-current		
Bank borrowings (note (c))	**143,138**	–
Current		
Short term bank borrowings	**211,886**	252,520
Total borrowings	**355,024**	252,520
Analysed into:		
– Secured (note (a))	**1,886**	2,520
– Unsecured	**353,138**	250,000
	355,024	252,520

The Company	2012 RMB'000	2011 RMB'000
Short term bank borrowings, unsecured	**210,000**	250,000

Note:

(a) Included in the balance is the Group's share of a short term bank borrowing of a jointly controlled entity amounting to RMB1,886,000 (2011: RMB2,520,000). The borrowing is denominated in the US Dollars, carrying interest at floating rates ranging from 1.57% to 2.51% per annum (2011: 2.05% to 2.17%) and is guaranteed by Alps Logistics Co., Ltd., the joint venture partner of Dalian Alps Teda Logistics Co., Ltd. as at 31 December 2012 and 2011.

(b) Except for the loan balance of RMB1,886,000(2011: RMB2,520,000) which is denominated in the US Dollar, all other loans are denominated in RMB.

(c) The maturity of the borrowings included in non-current liabilities is as follows:

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Over one year, less than two years	**2,818**	–	**–**	–
Over two year, less than five years	**140,320**	–	**–**	–
	143,138	–	**–**	–

31. BORROWINGS (Continued)

(d) The effective annual interest rates at the balance sheet date were as follows:

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
RMB	**5.94%**	6.98%	**6.02%**	6.99%

(e) The carrying amounts of the borrowings approximate their fair values as at 31 December 2012 either due to their short-term maturity or because they bear interest at prevailing market rates throughout their maturity period.

32. DEFERRED INCOME

	2012 RMB'000	2011 RMB'000
Government grants received	**25,768**	10,063

The government grants from TEDA Administrative Commission were received in respect of its acquisition of land use rights and from the Finance Bureau of the Tianjin Municipality and Tianjin Binhaixinqu were received in respect of the construction in progress of the Group. 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.

Notes to the Consolidated Financial Statements

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33. NOTES TO CASH FLOW STATEMENT

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

	2012 RMB'000	2011 RMB'000
Profit before tax	**76,762**	99,139
Adjustment for:		
Interest income	**(3,731)**	(4,689)
Finance costs	**12,235**	7,214
Depreciation for property, plant and equipment and investment properties	**27,803**	26,322
Amortisation of land use rights	**3,552**	2,848
Amortisation of deferred income	**(255)**	–
(Gain)/loss on disposal of property, plant and equipment	**(81)**	737
Impairment losses increase	**12**	11
Share of results of associates	**(24,949)**	(33,112)
Gain on disposal of interest in associates and a jointly controlled entity	**–**	(7,826)
Operating cash flow before changes in working capital:	**91,348**	90,644
Inventories	**(118,011)**	71,585
Trade and other receivables	**(127,959)**	381,029
Amounts due from related parties	**(9,480)**	3,658
Trade and other payables	**317,458**	(561,747)
Amounts due to related parties	**(15)**	(315)
Net cash generated from/(used in) operations	**153,341**	(15,146)

34. 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:

	2012	2011
	RMB'000	RMB'000
Buildings		
Within one year	**5,801**	5,730
In the second to fifth year inclusive	**9,186**	11,056
Over five years	**3,981**	5,972
	18,968	22,758

	2012	2011
	RMB'000	RMB'000
Motor vehicles		
Within one year	**324**	1,034
In the second to fifth year inclusive	**102**	573
	426	1,607

The Company has no significant operating lease expenses commitments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

34. COMMITMENTS *(Continued)*

(a) Operating lease commitments *(Continued)*

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

	2012 RMB'000	2011 RMB'000
The Group		
Within one year	**2,658**	2,790
In the second to fifth year inclusive	**23**	69
	2,681	2,859

	2012 RMB'000	2011 RMB'000
The Company		
Within one year	**2,612**	2,560
In the second to fifth year inclusive	**–**	–
	2,612	2,560

(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:

	2012 RMB'000	2011 RMB'000
Company and subsidiaries	**461**	147,979

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

35. FINANCIAL GUARANTEE LIABILITIES

At 31 December 2012, the Company has outstanding guarantee of RMB144 million provided to Tedahang Cold Chain Logistics Co., Ltd., a subsidiary with 60% interest owned by the Group, for its bank borrowing facilities of RMB350 million. The borrowings drawn down by the subsidiary as at 31 December 2012 was RMB144 million.

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 2012.

36. RELATED PARTY TRANSACTIONS

Save for the balances with related parties at the balance sheet date as set out in note 30, the Group had the following transactions with related parties:

(a) Sales of goods and services

	2012 **RMB'000**	2011 RMB'000
Sales of goods	**8,752**	–

(b) Purchase of goods and services

	2012 **RMB'000**	2011 RMB'000
Purchase of goods	**8,547**	–

(c) 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, except for bank borrowings of RMB50 million, majority of the Group's cash and bank balances and borrowings are with state controlled banks.

(d) Key management compensation

The details of remuneration of key management personnel are set out in note 9.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

37. SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(a) The following are subsidiaries in which the Company has direct interest at 31 December 2012, all of which are established and operating in the PRC:

Name of company	Date of establishment	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	RMB200,000,000	60%	Cold warehouse operating and logistic services
He Guang Trade and Business Co., Ltd.	6 April 2011	HK$100,000	100%	International trading
Tianjin Teda International Freight Forwarding Co., Ltd.	18 October 2012	RMB5,000,000	51%	International transportation agency service

37. SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(Continued)

(b) The following are jointly controlled entities at 31 December 2012, all of which are unlisted, incorporated and operating in the PRC:

Name of company	Date of establishment	Registered capital	Attributable equity interests of the Group (note (ii))	Principal activities
Tianjin Alps Teda Logistics Co., Ltd. (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

(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.

Notes to the Consolidated Financial Statements

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37. SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(Continued)

(c) The following are associates at 31 December 2012, all of which are unlisted, incorporated and operating in the PRC:

Name of company	Date of establishment	Registered capital	Attributable equity interests of the Group	Principal activities
Directly held:				
Tianjin Ferroalloy Exchange Co.Ltd	9 July 2009	RMB100,000,000	20%	Import and export metal, storage and other services
Tianjin Tianxin Automobile Inspection Services Co., Ltd	16 September 2010	RMB5,000,000	30%	Vehicle inspection
Tianjin Port Gangwan International Automobile Logistics Co.,Ltd	20 November 2012	RMB150,000,000	40%	Provision of automobile storage and related services
Indirectly held:				
Tianjin Port International Automobile Logistics Co., Ltd	27 March 2006	RMB5,000,000	50%	Provision of automobile storage and related services