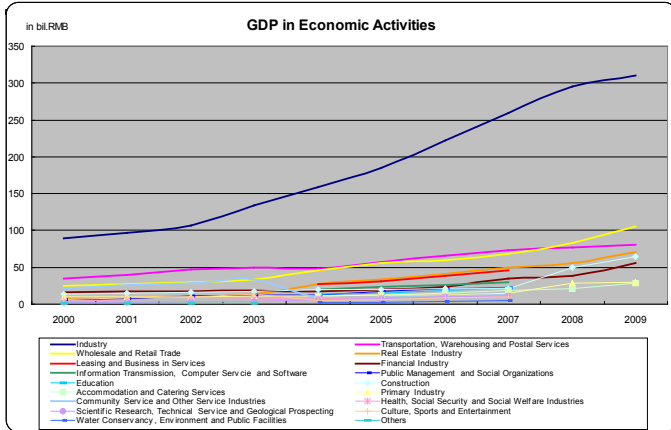


**Business Opportunity in Guangzhou – Logistics**

(2.2) Place

**Executive Summary**

(1) Leading Industry by GDP



Railway	Double-way Electrification Railway --Beijing to Hong Kong			
	Double-way Railway --Guangzhou to Nanchang (or to Fujian Nanping)			
	One-way Railway --Guangzhou to Maoming (or to Sanya)			
Waterway	<b>Guangzhou Customs District --Guangzhou Port Group Co., Ltd.</b>			
	Xinfeng Port	Huangpu Port	Xiji Port	
	Xingang Port	Xinsha Port	Nansha Port	Shazai Port
	<b>HuangPu Customs District</b>			
	Huangpu Port	Xingang Port	Developing Zone	
Highway	China National Highway 105 (Beijing to Zuhai)			
	China National Highway 106 (Beijing to Guangzhou)			
	China National Highway 107 (Beijing to Shenzhen)			
	China National Highway 205 (Guangzhou to Shanhaiguan)			
	China National Highway 321 (Guangzhou to Chengdu)			
	China National Highway 325 (Guangzhou to Nanning)			
Airway	<b>Guangdong Airport Management Corporation</b>			
	Guangzhou Baiyun International Airport (No.3 biggest in China)			
	Shantou Airport	Zhanjiang Airport	Meixian Airport	
	Jiyang Airport	Shaoguan Airport		
	<b>Civil Aviation Administration of China</b>			
	Shenzhen Baoan International Airport (No.5 biggest in China)			
	Zhuhai Airport			
	<b>Huizhou Airport (Huizhou Municipal Government)</b>			
	<b>Foshan Airport (Shanghai Airlines)</b>			
	<b>China Southern Airlines Company Limited</b>			

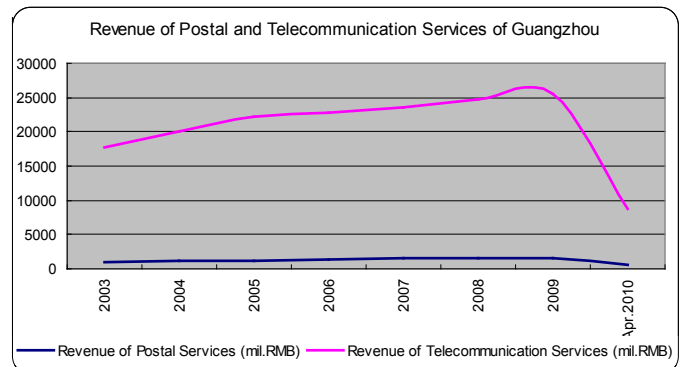
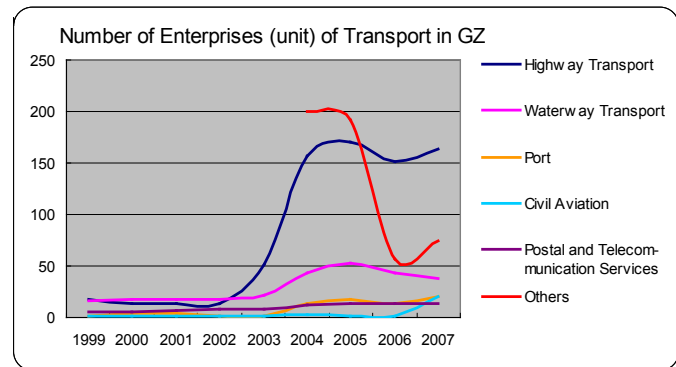
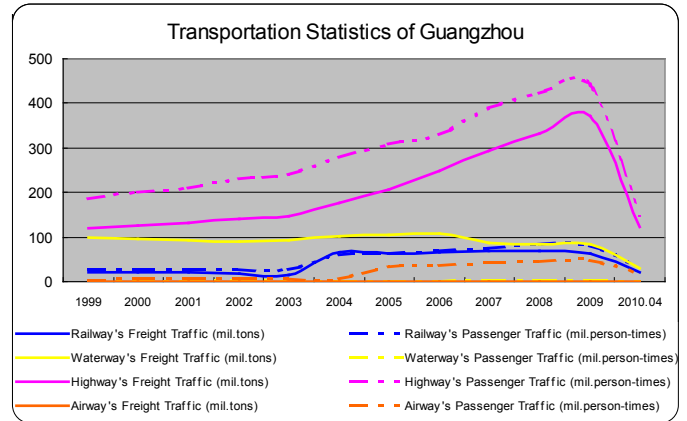
(2) Industrial Strength

(2.1) Profile

	Port Rankings (Container Traffic in TEUs)			
	2009	2007	2005	2002
Shanghai	2 (25 mil. TEUs)	2 (26.2 mil. TEUs)	3 (18.1 mil. TEUs)	4 (8.6 mil. TEUs)
Hong Kong	3 (21 mil. TEUs)	3 (23.9 mil. TEUs)	2 (22.4 mil. TEUs)	1 (19.1 mil. TEUs)
Shenzhen	4 (18 mil. TEUs)	4 (21.1 mil. TEUs)	4 (16.2 mil. TEUs)	6 (7.6 mil. TEUs)
Guangzhou	6 (11.1 mil. TEUs)	12 (9.2 mil. TEUs)	18 (4.7 mil. TEUs)	28 (2.2 mil. TEUs)

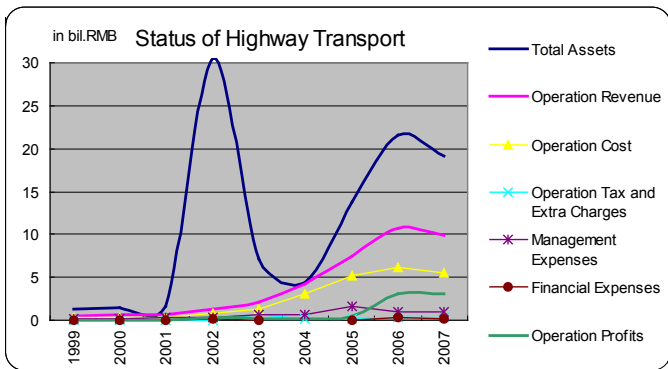
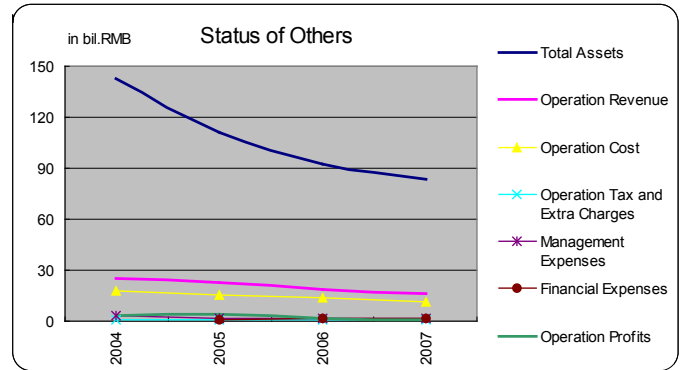
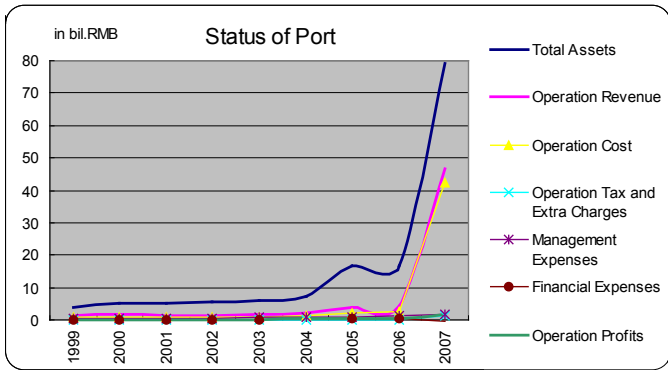
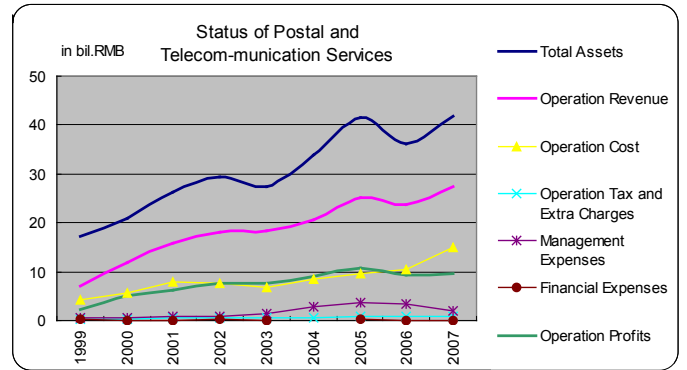
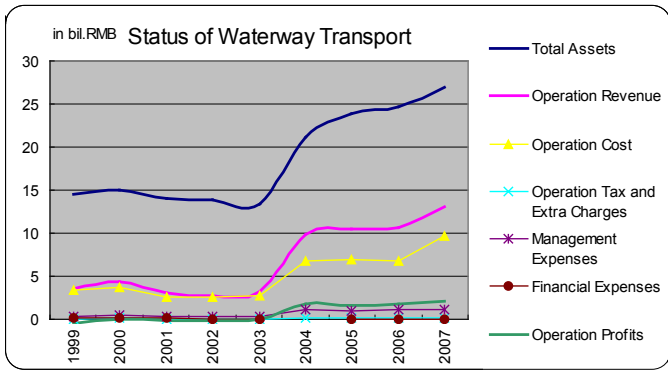
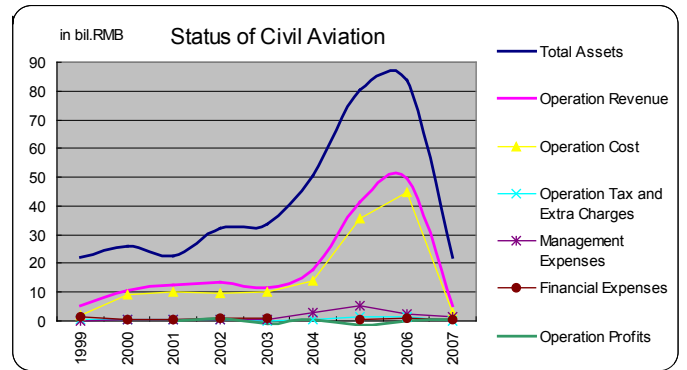
	Number of unites	%-changed of that of year 2004	Employees (10000 person)	%-changed of that of year 2004	% of all working people	Self-employment unites
Traffic, Storing and mail	4458	81.4	36.11	65.4	7.6	74526
communicate, PC and software services	5567	100	13.19	98.5	4.8	---

(2.3) Product



(2.4) Profit

Main Indicators on Traffic, Storing and Postal				
unite: bil.RMB				
	Total Assets	Total Equities	Revenues	Profit
Total	343.281	160.068	154.098	13.268
Railway	20.065	9.437	4.799	0.173
Highway	90.18	33.103	28.97	6.47
City Public Traffic	46.81	28.077	13.024	0.506
Waterway	66.318	47.589	33.088	9.415
Airway	89.691	11.15	47.488	-5.206
Loading & Handing	17.701	7.722	19.166	2.146
Storing	10.482	5.169	4.351	0.695
Post	2.034	3.821	3.21	-0.507

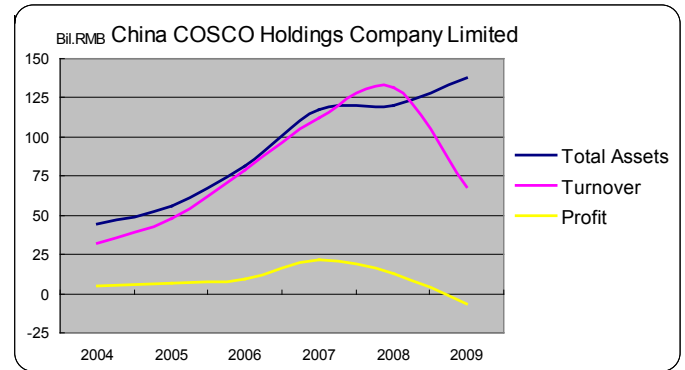


(3) Major Players

(3.1) Railway

Ministry of Railway of PRC

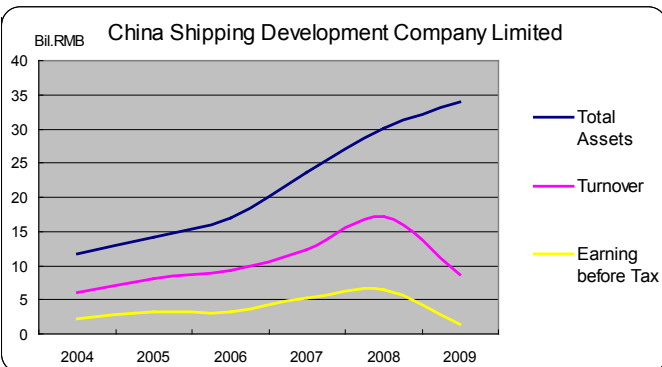
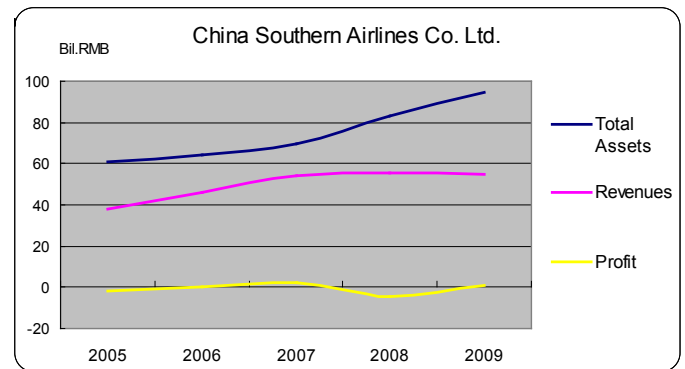
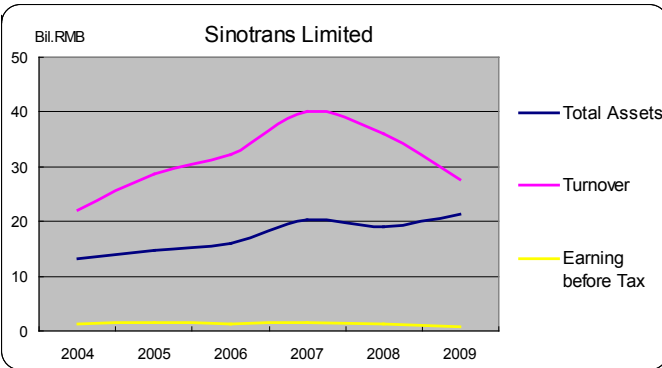
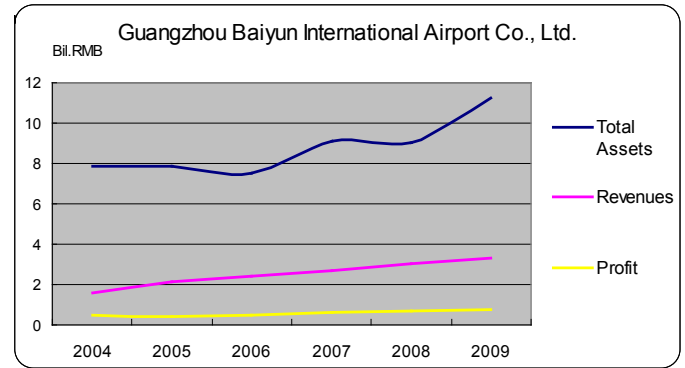
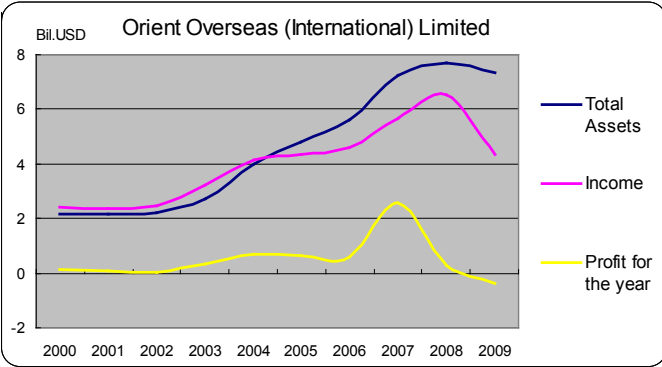
(3.2) Waterway



(3.3) Highway

Guangzhou Transportation Group

(3.4) Airway

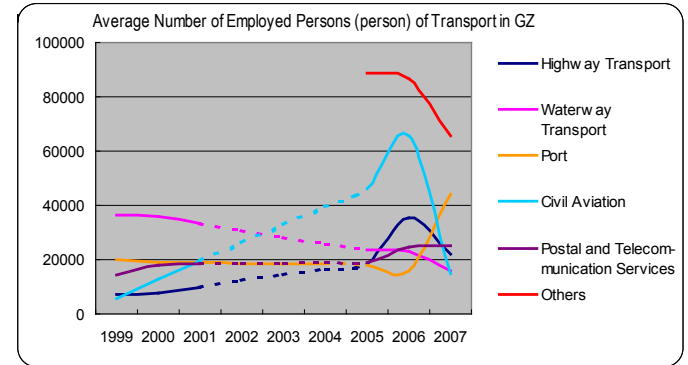


(3.5) Post and Telecom

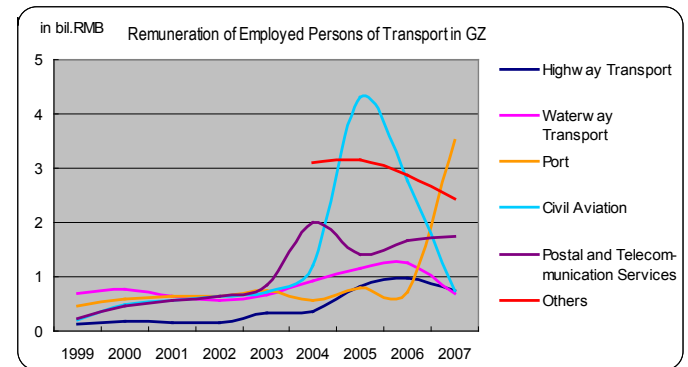
State Post Bureau of PRC

(4) Human Resources

(4.1) Recruitment

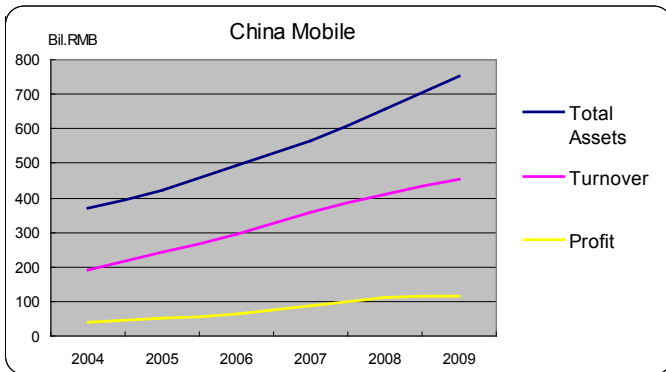
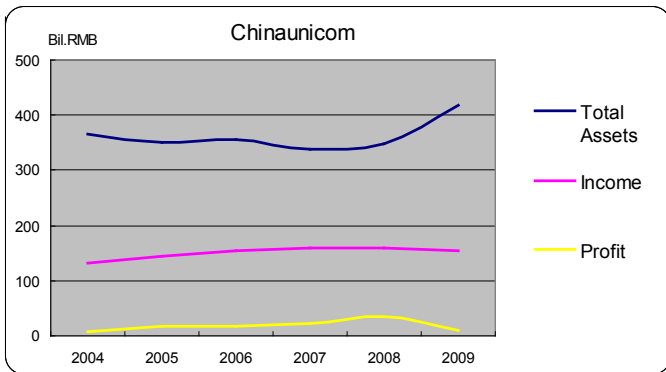
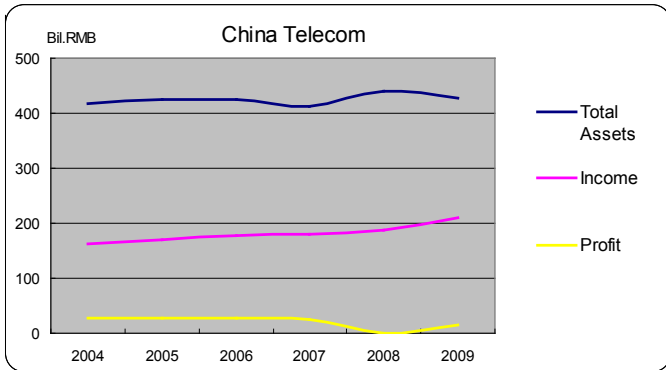


(4.2) Compensations & Benefits



(5) Industrial Prospect

- \* Guangzhou is the No. 6 biggest port in the world. In the future, Guangzhou has the energy to rank in an upper grade in the world.
- \* Port (storing), railway and airway are not the open and fair market for all the players.
- \* Highway transportation is the most open and fair market for all players.
- \* The HR aspect in Guangzhou logistics is not transparent.
- \* Guangzhou is in the beginning of the logistics field.



**Original Contents**

**Introduction**

Guangzhou was awarded as one of the logistics modeling cities by Ministry of Commerce of PRC recently. According to the press that was released by Ministry of Commerce, the model contents of Guangzhou were City incorporate logistics, E-business logistics, International logistics & tax-free logistics. At the same time, there are 46 cities on the list. Table 1 is the comparison of the major counterparts of Guangzhou.

Table 1

City	Content
Beijing	City incorporate logistics, Agricultural products cold-chain logistics, E-business logistics, Medicine logistics, International logistics & taxfree logistics and Green logistics.
Shanghai	City incorporate logistics, Medicine logistics, Chemical & dangerous logistics, International logistics & taxfree logistics.
Guangzhou	City incorporate logistics, E-business logistics, International logistics & taxfree logistics.
Shenzhen	City incorporate logistics, E-business logistics, International logistics & taxfree logistics.
Zhongshan	Medicine logistics, International logistics & taxfree logistics.

Source: web site of Ministry of Commerce of PRC 2010-

02-26

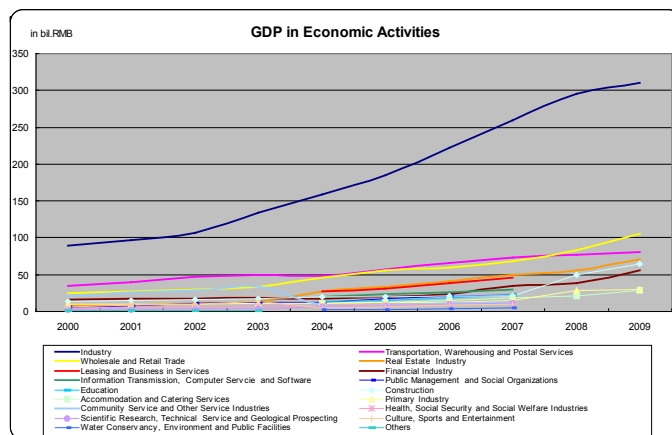
**Methodology**

In this report several critical investigating areas are pre-determined. They are Leading Ind., Industrial strength, Major Players and Human Resources Situation. In each aspect, there will be variables as parameters that serve to describe situation in a quantified manner.

(1) Leading Industry by GDP

Guangzhou is well known as a manufacturing city, so logistics is a very important part of production in Guangzhou. According to the statistics, logistics is the third largest industry running after manufacturing and wholesale & retail trade. Exhibit 1 is the GDP value separated by economic activities.

Exhibit 1



Source: Guangzhou Statistics Department 2010

## (2) Industrial Strength

Talking about industrial strength, one might usually think about profitability is a direct reflection of how good and hence how strong an industry is. Profit is a factor that measures strength.

In this report, it is going to take a wider scope of looking at four areas to strike a balance in viewing strength instead of relying on using one factor. They are: Profile, Place, Product and Profit. It is believed that a healthy and strong industry will have a balanced development in these four sectors, not solely profit.

### (2.1) Profile

The profile of logistics in Guangzhou is positive. For China Southern Airlines Co. Ltd. - the 3rd largest airline in the world and 1st in Asia in the terms of passenger traffic - takes Guangzhou as headquarter. (Source: news of China Southern Airlines Co. Ltd. 2010-06-20). In addition, Guangzhou is the capital city of PRD and linked through by several national highways. Table 2 is the port rankings provided by Forbes and American Association of Port Authorities.

Table 2

	Port Rankings (Container Traffic in TEUs)			
	2009	2007	2005	2002
Shanghai	2 (25 mil. TEUs)	2 (26.2 mil. TEUs)	3 (18.1 mil. TEUs)	4 (8.6 mil. TEUs)
Hong Kong	3 (21 mil. TEUs)	3 (23.9 mil. TEUs)	2 (22.4 mil. TEUs)	1 (19.1 mil. TEUs)
Shenzhen	4 (18 mil. TEUs)	4 (21.1 mil. TEUs)	4 (16.2 mil. TEUs)	6 (7.6 mil. TEUs)
Guangzhou	6 (11.1 mil. TEUs)	12 (9.2 mil. TEUs)	18 (4.7 mil. TEUs)	28 (2.2 mil. TEUs)

Source: Forbes news 2010-06-07, web site of American Association of Port Authorities 2010 and Wikipedia 2010

The twenty-foot equivalent unit (often TEU or teu) is an inexact unit of cargo capacity often used to describe the capacity of container ships and container terminals.

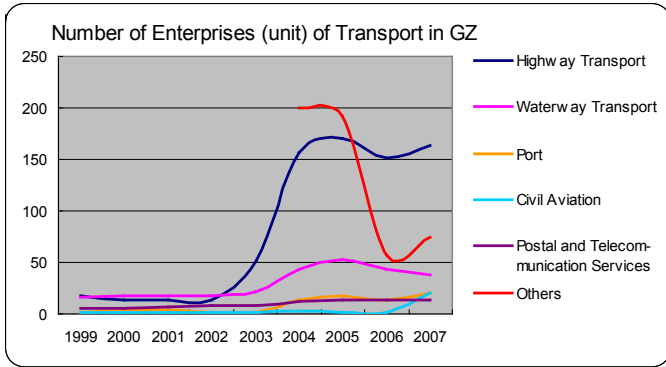
Table 3 and Exhibit 2 are the detail from Guangzhou statistics department. According to the data, the logistics in Guangzhou is not very strong but develop in a rapid way.

Table 3

	Number of unites	%-changed of that of year 2004	Employees (10000 person)	%-changed of that of year 2004	% of all working people	Self-employment unites
Traffic, Storing and mail	4458	81.4	36.11	65.4	7.6	74526
communicate, PC and software services	5567	100	13.19	98.5	4.8	—

Source: Guangzhou State Economic Statistics Public II, 2008

Exhibit 2



Source: Guangzhou Statistics Department 2010

According to Exhibit 2, one can know that highway transport is the most competitive field of the transport market in Guangzhou. Correspondingly, railway, airway and telecom are the least competitive filed.

(2.2) Place

This part lists the network of the mentioned transport ways. In this way, readers can know clearer about the advantages and shortages of Guangzhou logistics.

Table 4

Railway	Double-way Electrification Railway --Beijing to Hong Kong			
	Double-way Railway --Guangzhou to Nanchang (or to Fujian Nanping)			
	One-way Railway --Guangzhou to Maoming (or to Sanya)			
Waterway	<b>Guangzhou Customs District --Guangzhou Port Group Co., Ltd.</b>			
	Xinfeng Port	Huangpu Port	Xiji Port	
	Xingang Port	Xinsha Port	Nansha Port	Shazai Port
	<b>HuangPu Customs District</b>			
Highway	Huangpu Port			
	Xingang Port			
	Developing Zone			
	China National Highway 105 (Beijing to Zhuhai)			
	China National Highway 106 (Beijing to Guangzhou)			
	China National Highway 107 (Beijing to Shenzhen)			
Airway	China National Highway 205 (Guangzhou to Shanhaiguan)			
	China National Highway 321 (Guangzhou to Chengdu)			
	China National Highway 325 (Guangzhou to Nanning)			
	<b>Guangdong Airport Management Corporation</b>			
	Guangzhou Baiyun International Airport (No.3 biggest in China)			
	Shantou Airport	Zhanjiang Airport	Meixian Airport	
	Jiyang Airport	Shaoguan Airport		
	<b>Civil Aviation Administration of China</b>			
	Shenzhen Baoan International Airport (No.5 biggest in China)			
	Zhuhai Airport			
	Huizhou Airport (Huizhou Municipal Government)			
Foshan Airport (Shanghai Airlines)				
China Southern Airlines Company Limited				

Source: Ministry of Railway of PRC 2010, GuangZhou Port Group 2010, HuangPu Customs District 2010, website www.mapd.cn 2010 and Nanfang City Daily, Civil Aviation Administration of China, the website of mention airports 2010

Railway: Beijing is the capital city of the country. In addition, Guangzhou is the capital city of Southern China and the important key point between Beijing and Hong Kong. So the railway between these two places are combined by the most advanced equipments and facilities.

**Waterway:** Although Guangzhou has been famous by its seaport for thousands of years, but nowadays, Shenzhen is the more suitable place for the huge ship to park. So the sizable ships are more like to choose Shenzhen as the destination due to geographical reason for entertaining deep water vassals.

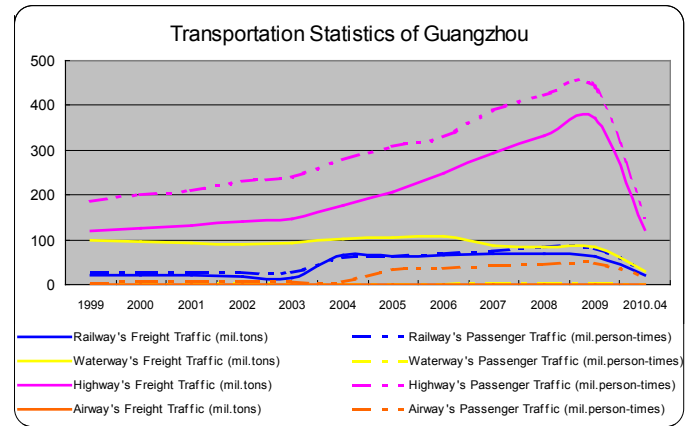
**Highway:** As the capital city of Guangdong and the central city of PRD, there are six national highways though Guangzhou from south to north and from east to west.

**Airway:** The management institution of Guangzhou Baiyun International Airport also manages other five airports within Guangdong Province. It gives tips that there are six airports to cooperate while the airports are in busy seasons. Correspondingly, Shenzhen does not have this advantage.

(2.3) Product

According to the statistics department of Guangzhou, the transportation products are classified by freight and passenger. Exhibit 3 is the detail of it.

Exhibit 3

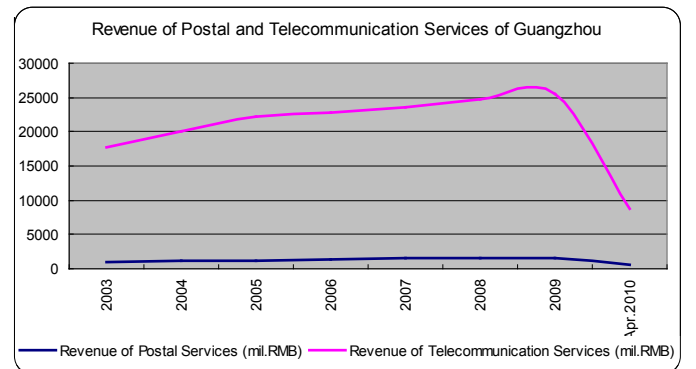


Source: Guangzhou Statistics Department 2010

According to Exhibit 3, one can see that highway transport is the major transport way in Guangzhou. In waterway transport, freight traffic is much more larger than passenger traffic. On the other hand, in airway transport, passenger traffic is larger than freight traffic.

As a modern city, telecom is highly related to the logistics. So Exhibit 4 is the picture of post and telecom.

Exhibit 4



Source: Guangzhou Statistics Department 2010

(2.4) Profit

The following Table 5 is from the Guangzhou State Economic Statistics Public II. These kinds of statistics were only announced for two times. The first time was in 2004. The second time was in 2008. Although the data are relatively incomprehensive and outdated, they give indicators to study.

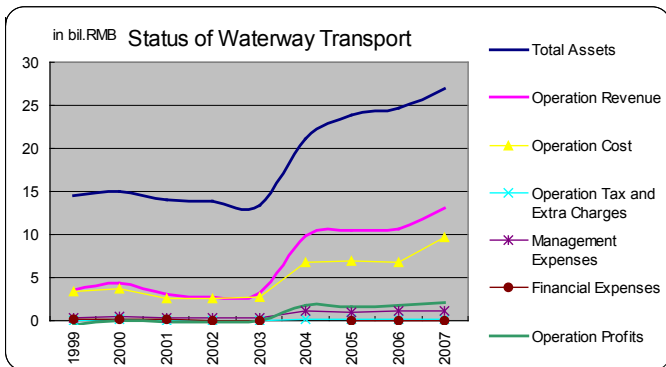
Table 5

Main Indicators on Traffic, Storing and Postal				
unit: bil.RMB				
	Total Assets	Total Equities	Revenues	Profit
Total	343.281	160.068	154.098	13.268
Railway	20.065	9.437	4.799	0.173
Highway	90.18	33.103	28.97	6.47
City Public Traffic	46.81	28.077	13.024	0.506
Waterway	66.318	47.589	33.088	9.415
Airway	89.691	11.15	47.488	-5.206
Loading & Handing	17.701	7.722	19.166	2.146
Storing	10.482	5.169	4.351	0.695
Post	2.034	3.821	3.21	-0.507

Source: Guangzhou State Economic Statistics Public I

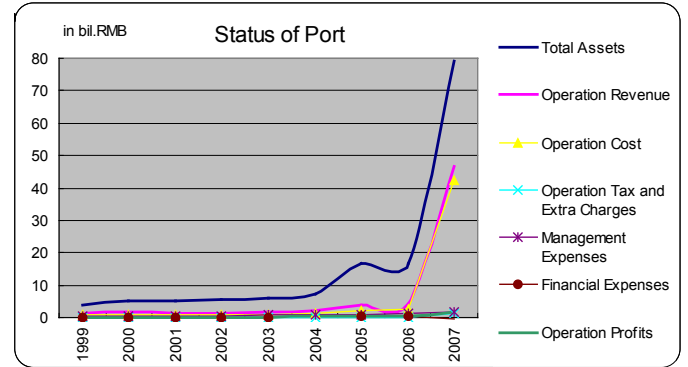
The following Exhibit 5 to 10 are the statuses of the business performance on different transport ways from year 1999 to 2007.

Exhibit 5



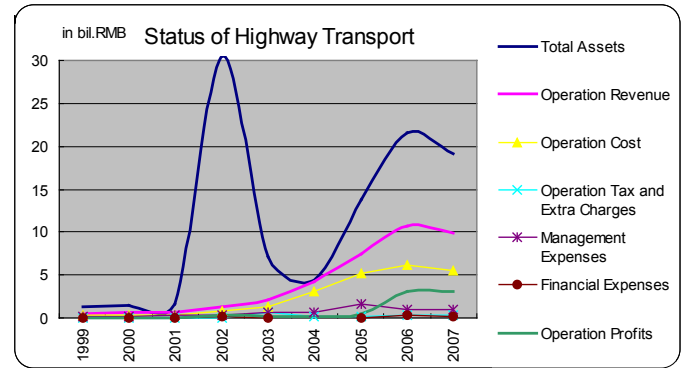
Source: Guangzhou Statistics Department 2010

Exhibit 6



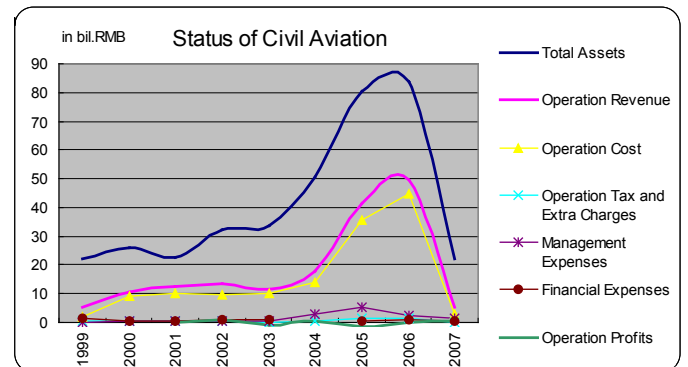
Source: Guangzhou Statistics Department 2010

Exhibit 7



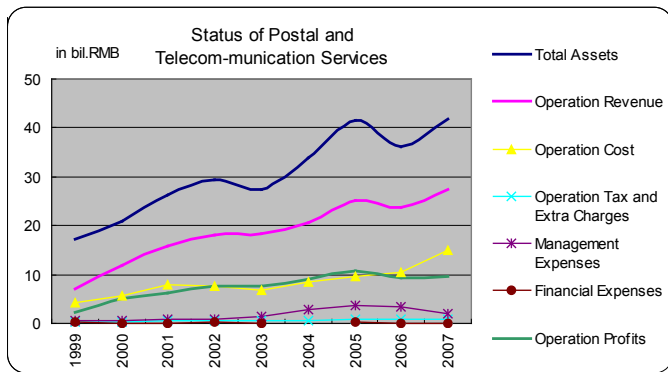
Source: Guangzhou Statistics Department 2010

Exhibit 8



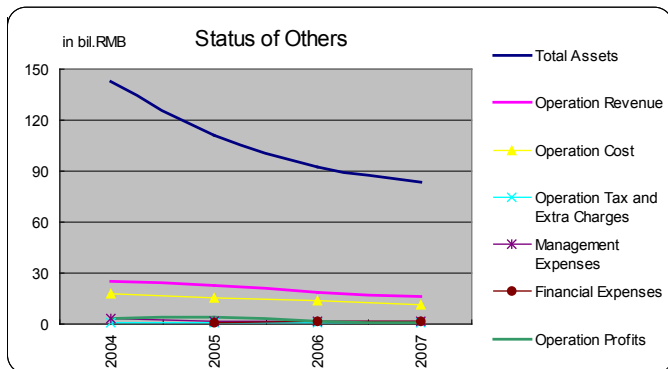
Source: Guangzhou Statistics Department 2010

Exhibit 9



Source: Guangzhou Statistics Department 2010

Exhibit 10



Source: Guangzhou Statistics Department 2010

According to above exhibits, readers can see that waterway transport and highway transport earn most of the profits among the different transport ways. Port and civil aviation contains high operation cost, so the profits from them are mean.

### (3) Major Players

Although the statistics department has described the statuses of waterway, highway and airway transports, the following independent description of each company can give a clearer glance in each transport ways.

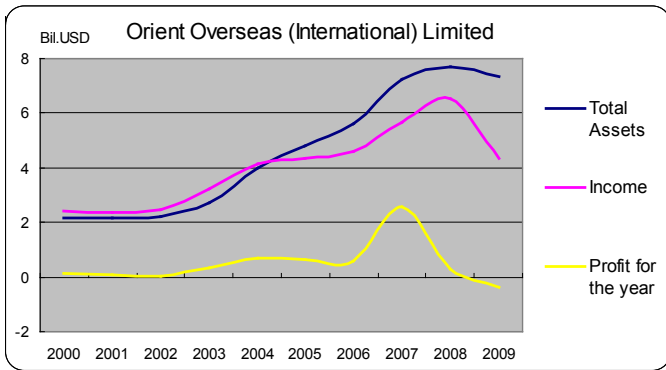
#### (3.1) Railway

Ministry of Railway of PRC is an independent department that is separated from Ministry of Transport of PRC. The ministry manages the country's railways departments and transports.

#### (3.2) Waterway

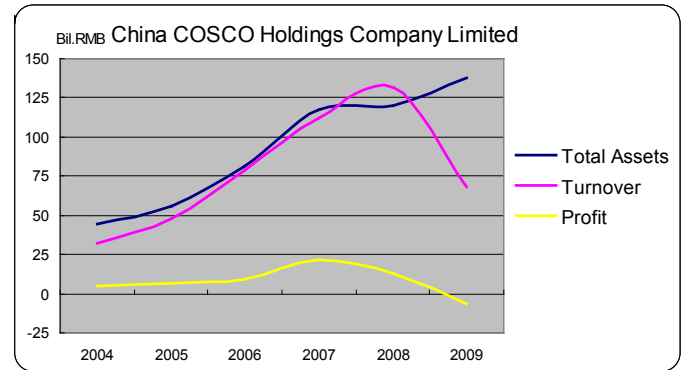
Although the ports belong to the country, there are famous waterway transportation companies worth mentioning. They are Orient Overseas (International) Limited (HK code No.:316), Sinotrans Limited (HK code No.:598), China Shipping Development Company Limited (HK code No.:1138) and China COSCO Holdings Company Limited (HK code No.:1919).

Exhibit 11



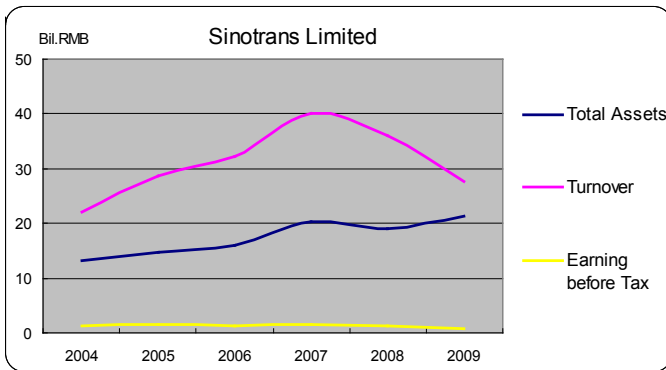
Source: Annual reports of OOCL 2000-2009

Exhibit 14



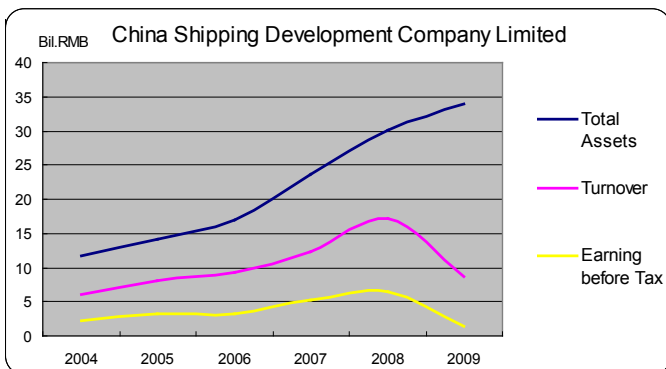
Source: Annual reports of COSCO 2004-2009

Exhibit 12



Source: Annual reports of Sinotrans 2004-2009

Exhibit 13



Source: Annual reports of CS 2004-2009

According to above Exhibits from 11 to 14, one can see that the companies which are belonged to outside investors can gain positive profit in year 2009. Oppositely, the companies which are state owned make loss in their business performance. The reason may be due to large operation cost.

(3.3) Highway

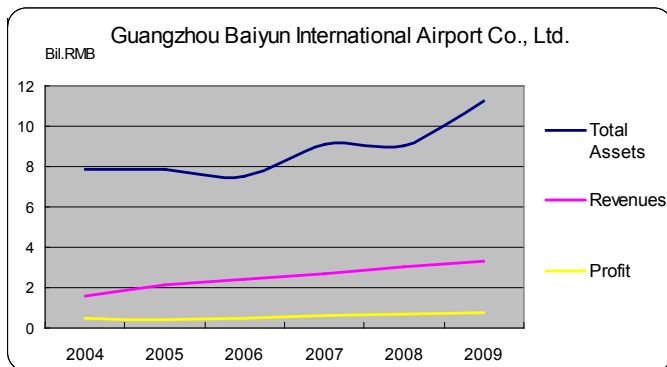
Basically, it is a totally fare field for the competitors in this market. For the previous Exhibit 2 and Exhibit 7 shows that the highway transport includes most of the company unites among all the transportation ways. On the other hand, the companies in highway transport make the largest profit among other transportation ways.

Guangzhou Transportation Group is the leading company in this field. It is a state owned company. The business includes freight and passenger transport within the country and from Guangdong to Hong Kong, coach station and bus station operating and the related business.

### (3.4) Airway

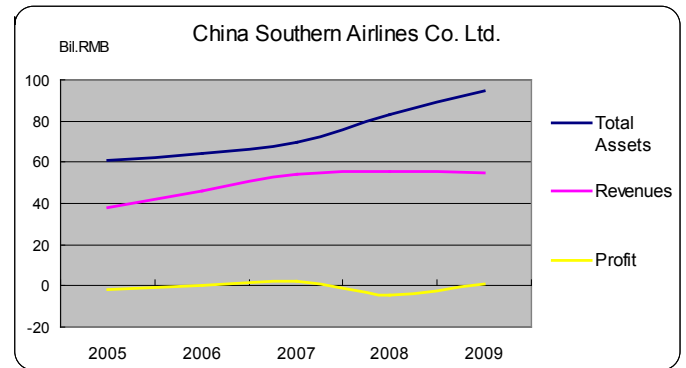
Guangzhou Baiyun International Airport Co., Ltd. (Shanghai code No.:600004) and China Southern Airlines Co. Ltd. (HK code No.:1055) are the star companies in Guangzhou and even in Southern China.

#### Exhibit 15



Source: Annual reports of Baiyun International Airport 2004-2009

#### Exhibit 16



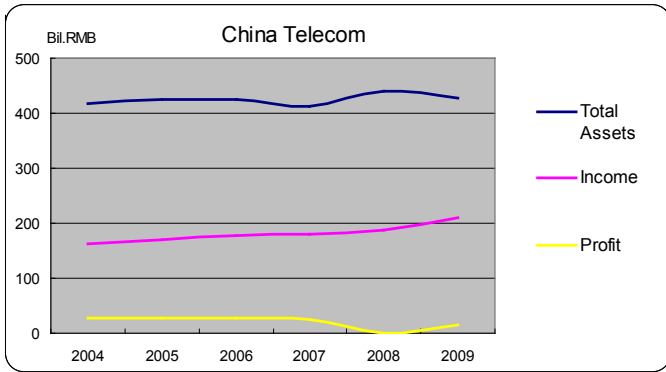
Source: Annual reports of CSA 2005-2009

### (3.5) Post and Telecom

State Post Bureau of PRC is the management department and major operating institution in China Post field. It is very alike the Ministry of Railway of PRC. But following the entry of jumbo international express providers such as DHL and OCS, the Bureau opens the market by changing the Post Law from 2001 step by step. (Source: China Economy Weekly 2009-05-07)

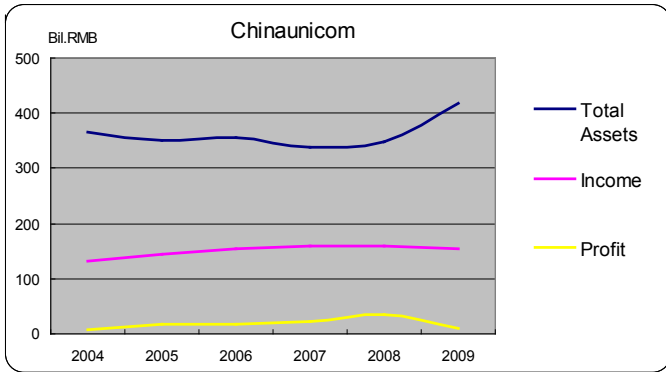
In the telecom market, there are three major companies in Guangzhou and even in China. These three companies are China Telecom (HK code No.:728), Chinaunicom (HK code No.:762) and China Mobile (HK code No.:941).

Exhibit 17



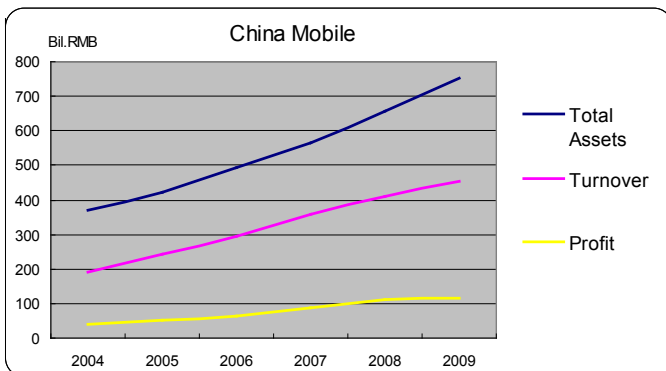
Source: Annual reports of China Telecom 2004-2009

Exhibit 18



Source: Annual reports of Chinaunicom 2004-2009

Exhibit 19



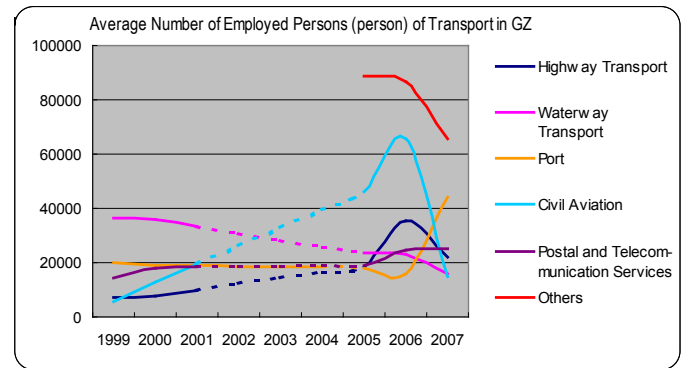
Source: Annual reports of China Mobile 2004-2009

(4) Human Resources

Recruitment, selection, allocation and remaining are the full steps in HR chain.

(4.1) Recruitment

Exhibit 20

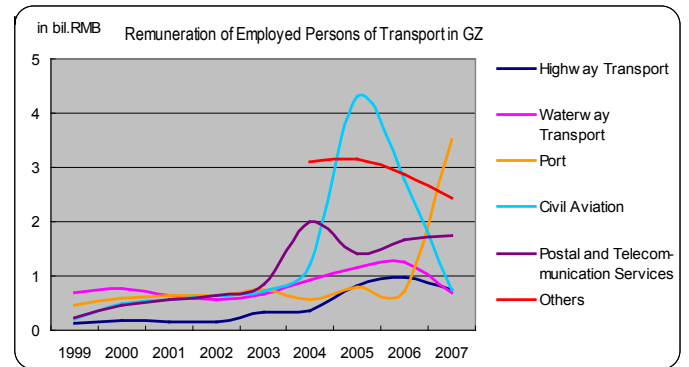


Source: Guangzhou Statistics Department 2010

According to Exhibit 20, it seems that the transport companies are in the “Change”. The employee number in these companies are reduced except Port and Telecom.

(4.2) Compensations & Benefits

Exhibit 21



Source: Guangzhou Statistics Department 2010

Comparing with Exhibit 20 and Exhibit 21, one can know that people working in Port, Civil Aviation and Telecom companies can gain higher compensation than that who working in other transportation ways.

#### (5) Industrial Prospect

Guangzhou is the capital city locating in the key point between Beijing and Hong Kong. According to the news from Forbes, Guangzhou is the No. 6 biggest port in the world (source: website of Forbes 2010). And the container traffic of Guangzhou rose while other competitors dropped in the year 2009. It seems that Guangzhou has the energy to rank in an upper grade of the world in the future.

According to the previous study, it gives hints that the markets in port (storing), railway and airway are not open and fair market for all the players. So the operating cost in these fields are high and the profit are mean.

Highway transportation is the most open and fair market for all players. So the field is the most competitive. On the other hand, as a consumer, highway transport is the most receivable transport way in Guangzhou.

The HR aspect in Guangzhou logistics is not transparent. Some companies in railway, airway and port face the problems of over staffed and huge compensation expense.

The full chain of modern logistics includes warehousing, freight transportation, inventory management, packaging, order processing, customer service and material handling management. (Source: Hong Kong Logistics Association 2010) According to the data provided by Guangzhou Statistics Department, the chain in Guangzhou is not complete in terms of the full product chains. It gives hints that Guangzhou is in the beginning of the logistics field.

## Conclusion

According to the statistics, logistics was the third largest industry running after manufacturing and wholesale & retail trade in Guangzhou. In Forbes news, Guangzhou is the No. 6 biggest port in the world in 2009 (source: website of Forbes 2010). In addition, Guangzhou is one of the logistics modeling cities among the 46 others awarded by Ministry of Commerce of PRC.

As the capital city of Guangdong and Southern China, Guangzhou was passed through by several national highways. Besides, China Southern Airlines Company Limited takes Guangzhou as headquarter.

The chain in Guangzhou logistics is not completed yet. It gives hints that Guangzhou is in the beginning of logistics field. Any company or person who have senior knowledge in logistics field is well acceptable by the place.

– End of Report –

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