



**SINOTRANS LIMITED**

Stock Code : 598

# 2009

• Interim Report •



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work around the  
**CLOCK**

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work around the  
**WORLD**



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# Corporate Information

## LEGAL NAME OF THE COMPANY:

SINOTRANS LIMITED

## DATE OF COMMENCEMENT OF THE COMPANY'S REGISTRATION:

20 November 2002

## REGISTERED ADDRESS AND HEADQUARTERS OF THE COMPANY:

Sinotrans Plaza A  
A43, Xizhimen Beidajie  
Haidian District  
Beijing 100044  
People's Republic of China

## PLACE OF BUSINESS IN HONG KONG:

21/F, Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong

## LEGAL REPRESENTATIVE OF THE COMPANY:

Mr. Zhao Huxiang

## COMPANY SECRETARY:

Mr. Gao Wei

## INVESTOR AND MEDIA RELATIONS:

Securities and Legal Affairs Department  
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Email: ir@sinotrans.com  
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## HONG KONG SHARE REGISTRAR:

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Services Limited  
17th Floor  
Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

## H SHARE LISTING:

The Stock Exchange of Hong Kong Limited

## ABBREVIATION OF THE COMPANY'S SHARES:

中國外運 (SINOTRANS)

## STOCK CODE:

598

## PRINCIPAL BANKERS:

Bank of China  
1 Fuxingmennei Street  
Xicheng District  
Beijing 100818  
People's Republic of China

Bank of Communications  
33 Fuchengmenwai Financial Street  
Xicheng District  
Beijing 100032  
People's Republic of China

## AUDITORS:

*International auditors:*  
PricewaterhouseCoopers  
22nd Floor  
Prince's Building  
Central  
Hong Kong

*PRC auditors:*  
PricewaterhouseCoopers  
Zhong Tian CPAs Limited Company  
11th Floor  
PricewaterhouseCoopers Centre  
202 Hu Bin Road  
Shanghai 200021  
People's Republic of China

## LEGAL ADVISERS:

Richards Butler  
In association with Reed Smith LLP  
20th Floor  
Alexandra House  
Chater Road  
Central  
Hong Kong

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	For the six months ended 30 June	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Revenue	3	13,097,277	20,783,154
Other income		168,704	161,326
Business tax and other surcharges		(143,848)	(166,383)
Transportation and related charges		(9,777,352)	(16,822,877)
Staff costs		(1,163,428)	(1,224,694)
Depreciation and amortisation		(253,362)	(221,134)
Repairs and maintenance		(73,305)	(76,768)
Fuel		(390,280)	(490,477)
Travel and promotional expenses		(131,387)	(170,896)
Office and communication expenses		(84,160)	(120,864)
Rental expenses		(672,330)	(715,487)
Other gains, net	4	186,196	25,801
Other operating expenses		(271,593)	(261,328)
<b>Operating profit</b>	5	<b>491,132</b>	699,373
Gain on disposal of a jointly controlled entity		—	514,070
Finance costs, net	6	<b>491,132</b> <b>(39,092)</b>	1,213,443 (4,549)
Share of post-tax profits of associates		<b>452,040</b> <b>20,190</b>	1,208,894 29,586
<b>Profit before income tax</b>		<b>472,230</b>	1,238,480
Income tax expense	7	<b>(180,268)</b>	(339,328)
<b>Profit for the period</b>		<b>291,962</b>	899,152
<b>Attributable to:</b>			
— Equity holders of the Company		<b>270,352</b>	684,816
— Minority interests		<b>21,610</b>	214,336
		<b>291,962</b>	899,152
Dividends	8(b)	—	(127,470)
<b>Earnings per share for profit attributable to the equity holders of the Company, basic and diluted</b>	9	<b>RMB0.064</b>	RMB0.161

The notes on pages 10 to 38 form an integral part of this unaudited condensed consolidated interim financial information.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>Profit for the period</b>	<b>291,962</b>	899,152
<b>Other comprehensive income</b>		
Fair value gains/(losses) on available-for-sale financial assets, net of tax	175,200	(1,137,000)
Currency translation differences	439	(21,291)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>175,639</b>	(1,158,291)
<b>Total comprehensive income/(loss) for the period</b>	<b>467,601</b>	(259,139)
<b>Total comprehensive income/(loss) attributable to:</b>		
— Equity holders of the Company	381,976	(58,034)
— Minority interests	85,625	(201,105)
	<b>467,601</b>	(259,139)

The notes on pages 10 to 38 form an integral part of this unaudited condensed consolidated interim financial information.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2009

	Note	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		1,100,762	1,098,863
Prepayments for acquisition of land use rights		451,325	388,514
Property, plant and equipment	10	5,443,925	5,330,998
Investments in associates		819,627	911,530
Deferred income tax assets		197,022	185,448
Intangible assets		93,949	85,388
Available-for-sale financial assets	11	712,437	367,454
Other non-current assets		94,670	80,007
		<b>8,913,717</b>	<b>8,448,202</b>
<b>Current assets</b>			
Prepayments, deposits and other current assets		404,314	481,074
Inventories		36,713	36,235
Trade and other receivables	12	5,075,350	5,149,605
Financial assets at fair value through profit or loss		5,848	421
Restricted cash		177,573	474,044
Term deposits with initial terms of over three months		1,097,504	1,188,730
Cash and cash equivalents		4,390,392	4,447,670
		<b>11,187,694</b>	<b>11,777,779</b>
Assets held for sale	19	102,397	—
		<b>11,290,091</b>	<b>11,777,779</b>
<b>Total assets</b>		<b>20,203,808</b>	<b>20,225,981</b>

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2009

	Note	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		4,249,002	4,249,002
Reserves		4,037,315	3,655,350
Dividend declared/proposed	8(b)	—	84,980
		<b>8,286,317</b>	7,989,332
<b>Minority interests</b>		<b>1,859,651</b>	1,848,609
<b>Total equity</b>		<b>10,145,968</b>	9,837,941
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		187,620	140,835
Provisions	16	82,343	104,874
Borrowings	15	1,973,774	315,712
Other non-current liabilities		1,938	1,380
		<b>2,245,675</b>	562,801
<b>Current liabilities</b>			
Trade payables	14	3,703,544	3,660,755
Other payables, accruals and other current liabilities		1,208,153	2,145,335
Receipts in advance from customers		1,240,155	1,085,452
Current income tax liabilities		105,225	98,731
Borrowings	15	1,028,986	2,101,563
Derivative financial instruments	13	123,507	311,907
Salary and welfare payables		402,595	421,496
		<b>7,812,165</b>	9,825,239
<b>Total liabilities</b>		<b>10,057,840</b>	10,388,040
<b>Total equity and liabilities</b>		<b>20,203,808</b>	20,225,981
<b>Net current assets</b>		<b>3,477,926</b>	1,952,540
<b>Total assets less current liabilities</b>		<b>12,391,643</b>	10,400,742

The notes on pages 10 to 38 form an integral part of this unaudited condensed consolidated interim financial information.



# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	For the six months ended 30 June 2009 (Unaudited)								
	Attributable to equity holders of the Company								
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2009</b>	4,249,002	738,730	225,151	54,671	(21,987)	2,743,765	7,989,332	1,848,609	9,837,941
Profit for the period	—	—	—	—	—	270,352	270,352	21,610	291,962
Other comprehensive income:									
Fair value gains on available-for-sale financial assets, net of tax	—	—	—	111,185	—	—	111,185	64,015	175,200
Currency translation differences	—	—	—	—	439	—	439	—	439
<b>Total comprehensive income for the period ended 30 June 2009</b>	—	—	—	111,185	439	270,352	381,976	85,625	467,601
2008 final dividend	—	—	—	—	—	(84,980)	(84,980)	—	(84,980)
Dividends declared to minority shareholders of subsidiaries	—	—	—	—	—	—	—	(77,596)	(77,596)
Capital injection from minority shareholders of a subsidiary	—	—	—	—	—	—	—	4,000	4,000
Acquisition of remaining equity interests in subsidiaries from minority shareholders	—	(11)	—	—	—	—	(11)	(987)	(998)
Transfer to statutory reserve (Note 8(a))	—	—	25,610	—	—	(25,610)	—	—	—
	—	(11)	25,610	—	—	(110,590)	(84,991)	(74,583)	(159,574)
<b>As at 30 June 2009</b>	4,249,002	738,719	250,761	165,856	(21,548)	2,903,527	8,286,317	1,859,651	10,145,968
Representing:									
Share capital and reserves	4,249,002	738,719	250,761	165,856	(21,548)	2,903,527	8,286,317	1,859,651	10,145,968
2009 interim dividends (Note 8(b))	—	—	—	—	—	—	—	—	—
<b>As at 30 June 2009</b>	4,249,002	738,719	250,761	165,856	(21,548)	2,903,527	8,286,317	1,859,651	10,145,968

The notes on pages 10 to 38 form an integral part of this unaudited condensed consolidated interim financial information

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	For the six months ended 30 June 2008 (Unaudited)								
	Attributable to equity holders of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
<b>As at 1 January 2008</b>	4,249,002	1,485,817	220,437	943,388	677	2,434,850	9,334,171	2,282,286	11,616,457
Profit for the period	—	—	—	—	—	684,816	684,816	214,336	899,152
Other comprehensive income:									
Fair value losses on available-for-sale financial assets, net of tax	—	—	—	(721,559)	—	—	(721,559)	(415,441)	(1,137,000)
Currency translation differences	—	—	—	—	(21,291)	—	(21,291)	—	(21,291)
<b>Total comprehensive income for the period ended 30 June 2008</b>	—	—	—	(721,559)	(21,291)	684,816	(58,034)	(201,105)	(259,139)
2007 final dividend paid	—	—	—	—	—	(127,470)	(127,470)	—	(127,470)
Dividends declared to minority shareholders of subsidiaries	—	—	—	—	—	—	—	(157,208)	(157,208)
Acquisition of additional equity interests in subsidiaries from minority shareholders	—	3,309	—	—	—	—	3,309	(25,258)	(21,949)
Reserves arising on the common control combinations	—	(749,800)	—	—	—	—	(749,800)	—	(749,800)
Transfer to statutory reserve (Note 8(a))	—	—	67,204	—	—	(67,204)	—	—	—
	—	(746,491)	67,204	—	—	(194,674)	(873,961)	(182,466)	(1,056,427)
<b>As at 30 June 2008</b>	4,249,002	739,326	287,641	221,829	(20,614)	2,924,992	8,402,176	1,898,715	10,300,891
Representing:									
Share capital and reserves	4,249,002	739,326	287,641	221,829	(20,614)	2,797,522	8,274,706	1,898,715	10,173,421
2008 interim dividend	—	—	—	—	—	127,470	127,470	—	127,470
<b>As at 30 June 2008</b>	4,249,002	739,326	287,641	221,829	(20,614)	2,924,992	8,402,176	1,898,715	10,300,891

The notes on pages 10 to 38 form an integral part of this unaudited condensed consolidated interim financial information.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	For the six months ended 30 June	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Net cash generated from operating activities		646,819	651,761
Net cash used in investing activities	20	(1,289,719)	(647,036)
Net cash generated from financing activities	20	585,622	233,579
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(57,278)</b>	238,304
<b>Cash and cash equivalents at 1 January</b>		<b>4,447,670</b>	4,432,894
<b>Cash and cash equivalents at 30 June</b>		<b>4,390,392</b>	4,671,198

The notes on pages 10 to 38 form an integral part of this unaudited condensed consolidated interim financial information.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Sinotrans Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 20 November 2002 as a joint stock company with limited liability as a result of a group reorganisation of China National Foreign Trade Transportation (Group) Corporation (“Sinotrans Group Company”) in preparation for a listing of the Company’s H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Reorganisation”). In 2009, the former Sinotrans Group Company changed its name to China Yangtze Group Company (“Sinotrans Group Company”) after it merged with China Changjiang National Shipping (Group) Corporation.

The principal activities of the Company and its subsidiaries (together, the “Group”) include freight forwarding, shipping agency, express services, marine transportation, storage and terminal services, and other services such as trucking and air cargo transportation. The Group has operations mainly in the PRC.

This unaudited condensed consolidated interim financial information is presented in thousands of units of Renminbi (RMB’000), unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the Board of Directors for issue on 25 August 2009.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1 January 2009.

- IAS 1 (revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any changes in the number of reportable segments presented, as the previously reported segments in primary reporting format are on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker as stated in Note 3. Comparatives for 2008 have been restated.

- Amendment to IFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

Other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 January 2009, are not currently relevant for the Group or do not have material impact on the Group in the period ended 30 June 2009.

## 3. SEGMENT INFORMATION

The chief operating decision-maker ("management") reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Management considers the business from a service perspective and divides the business into the following operating segments: freight forwarding, shipping agency, express services, marine transportation, storage and terminal services and other services.

Management assesses the performance of the operating segments based on segment profit. Segment profit is the operating profit excludes the effects of the profit and losses on the changes in fair value and corporate expenses.

The Group's segment assets exclude financial assets at fair value through profit or loss, investment in associates, available-for-sale financial assets, related dividend and investment income receivables, as well as goodwill because the Group's entire investing activities are managed on a central basis as corporate assets. Deferred income tax assets and other corporate assets are also excluded. In addition, segment assets exclude interests receivable, of which is not considered when assessing segment results. These are part of the reconciliation to total balance sheets assets. The assets of each reportable segment comprise the effects of the inter-segment elimination adjustments related to receivables and payables.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to management is measured in a manner consistent with that in the condensed consolidated interim income statement.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 3. SEGMENT INFORMATION (CONTINUED)

	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Group RMB'000
<b>For the six months ended 30 June 2009 (Unaudited)</b>								
Revenue — external	9,302,400	294,454	1,422,018	1,005,017	649,939	423,449	—	13,097,277
Revenue — inter-segment	185,302	28,213	6,539	219,537	96,627	56,630	(592,848)	—
Total revenue	9,487,702	322,667	1,428,557	1,224,554	746,566	480,079	(592,848)	13,097,277
Segment profit/(loss)	161,294	133,805	128,588	(172,441)	145,855	(34,212)	—	362,889
<b>As at 30 June 2009 (Unaudited)</b>								
Segment assets	9,103,197	1,325,149	2,671,473	1,111,900	3,862,615	904,828	(729,682)	18,249,480

	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Group RMB'000
For the six months ended 30 June 2008 (Unaudited)								
Revenue — external	16,215,208	345,232	1,713,037	1,470,755	676,070	362,852	—	20,783,154
Revenue — inter-segment	170,116	23,477	9,486	168,947	80,439	49,045	(501,510)	—
Total revenue	16,385,324	368,709	1,722,523	1,639,702	756,509	411,897	(501,510)	20,783,154
Segment profit/(loss) (restated*)	275,653	160,023	210,891	(48,883)	166,842	(32,558)	—	731,968
As at 31 December 2008 (audited)								
Segment assets	9,506,184	1,389,758	2,641,789	1,287,530	3,240,909	857,821	(749,922)	18,174,069

\* The segment profit for the six months ended 30 June 2008 is restated according to the reports reviewed by management, which considered the effects from non-operating incomes and expenses that was reported as unallocated cost previously.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 3. SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2009 (Unaudited)							
	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Corporate RMB'000	Group RMB'000
Capital expenditure*	147,802	8,781	51,262	3,983	206,742	6,324	16,389	441,283
Depreciation	70,898	5,503	39,071	22,044	59,585	41,037	7,009	245,147
Amortisation	1,988	—	—	—	293	—	5,934	8,215
Operating lease charges on land use rights	5,441	—	302	—	6,781	679	—	13,203
Provision for impairment losses of receivables	10,971	1,030	4,873	85	344	777	—	18,080

	For the six months ended 30 June 2008 (Unaudited)							
	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Corporate RMB'000	Group RMB'000
Capital expenditure*	279,819	4,700	30,708	22,812	269,656	68,605	8,104	684,404
Depreciation	69,047	4,929	37,977	16,921	49,953	26,491	7,488	212,806
Amortisation	2,890	—	—	—	293	—	5,145	8,328
Operating lease charges on land use rights	5,337	—	556	—	6,065	—	—	11,958
Provision for/(reversal of) impairment losses of receivables	3,034	1,097	3,546	317	(613)	23	—	7,404

\* The capital expenditure stands for the total cash paid for addition of non-current segment assets for the six months ended 30 June 2009 and 2008.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 3. SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Segment profit	362,889	731,968
Other gains, net	186,196	25,801
Corporate expenses	(57,953)	(58,396)
Operating profit	491,132	699,373
Gain on disposal of a jointly controlled entity	—	514,070
Finance costs, net	(39,092)	(4,549)
Share of profit of associates	20,190	29,586
Profit before income tax	472,230	1,238,480
Income tax expense	(180,268)	(339,328)
Profit for the period	291,962	899,152

The Company is domiciled in the PRC. The result of the Group's revenue from external customers in China (excluding Hong Kong, Macao and Taiwan) for the six months ended 30 June 2009 is RMB11,960,900,000 (for the six months ended 30 June 2008: RMB19,822,538,000), and the result of the Group's revenue from external customers from other regions is RMB1,136,377,000 (for the six months ended 30 June 2008: RMB960,616,000).

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
<b>Segment assets</b>	<b>18,249,480</b>	18,174,069
Financial assets at fair value through profit or loss	5,848	421
Investments in associates	819,627	911,530
Available-for-sale financial assets	712,437	367,454
Deferred income tax assets	197,022	185,448
Interest receivable and dividends receivable	14,445	11,693
Corporate assets	204,949	575,366
<b>Total assets</b>	<b>20,203,808</b>	20,225,981

As at 30 June 2009, the total of non-current segment assets located in China (excluding Hong Kong, Macao and Taiwan) is RMB6,977,846,000 (As at 31 December 2008: RMB6,759,317,000), and the total of these non-current segment assets located in other regions is RMB130,027,000 (As at 31 December 2008: RMB138,601,000).



# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 4. OTHER GAINS, NET

	For the six months ended	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Financial assets at fair value through profit or loss:		
— fair value losses	—	(305)
— fair value gains	435	—
Derivative financial instruments (Note 13):		
— fair value gains on foreign exchange forward contracts	136,809	—
— fair value gains on fuel oil forward contract	51,591	—
Change in fair values of Share Appreciation Rights Plan (“SAR Plan”) (Note 17):	(2,639)	26,106
	<b>186,196</b>	25,801

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited) (Note 26)
<b>Crediting</b>		
Rental income from		
– buildings	12,582	13,901
– plant and machinery	93,983	92,629
Gain on disposal of financial assets at fair value through profit or loss	–	5,857
Gain on disposal of property, plant and equipment	4,708	1,356
Dividend income on available-for-sale financial assets	–	5,472
Reversal of provision for impairment losses of receivables	9,364	3,237
<b>Charging</b>		
Depreciation		
– owned property, plant and equipment	241,541	206,444
– owned property, plant and equipment leased out under operating leases	3,606	6,362
Losses on disposal of property, plant and equipment	3,874	2,852
Provision for impairment losses of receivables	27,444	10,641
Provision for impairment losses of property, plant and equipment	20	–
Operating lease charges		
– land use rights	13,203	11,958
– buildings	136,026	126,738
– plant and equipment	523,101	576,791
Amortisation of intangible assets	8,215	8,328

## 6. FINANCE COSTS, NET

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Interest income on bank balances	(44,479)	(47,973)
Interest expenses on bank borrowings wholly repayable within five years	34,967	39,337
Interest expenses on bank borrowings wholly repayable over five years	7,075	–
Interest expenses on entrusted loans payable to Sino-trans Group Company wholly repayable within five years (Note 24(d))	28,013	–
Exchange losses, net	2,074	4,102
Bank and other charges	11,442	9,083
	39,092	4,549

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 7. INCOME TAX EXPENSE

Income tax expense in the unaudited condensed consolidated income statement represents:

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Current income tax		
– Hong Kong profits tax	19	8
– PRC income tax expense	203,439	217,730
Deferred PRC income tax	(23,190)	121,590
	<b>180,268</b>	339,328

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period.

The provision for PRC current income tax is based on the statutory rate of 25% (2008: 25%) of the assessable income of each of the companies comprising the Group as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries or jointly controlled entities which are taxed at preferential rates ranging from 0% to 20% (2008: 0% to 20%) based on the relevant PRC tax laws and regulations.

The Group provides for corporate income tax on the basis of its profit for financial reporting purposes, adjusted for income and expense items that are not assessable or deductible for corporate income tax purposes.

Deferred income taxes are calculated under the liability method using the tax rates which are enacted or substantively enacted by the balance sheet date.

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

Deferred income taxes are provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

On 31 March 2003, the Group obtained an approval from the Ministry of Finance and the State Administration of Taxation of the PRC that the additional depreciation and amortisation on the asset revaluation surplus of approximately RMB839,800,000, arising from the Reorganisation, which was recorded by the Group in the financial statements prepared under PRC accounting standards, is deductible for enterprise income tax purposes. Since the Group did not recognise the above asset revaluation surplus in its financial statements prepared in accordance with IFRS, a deferred tax asset of RMB221,678,000 was recognised and credited to capital reserve in 2003. Such deferred income tax asset is charged to income tax expense during each period based on the depreciation and amortisation on the asset revaluation surplus.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 8. PROFIT APPROPRIATIONS

### (a) Statutory surplus reserve

In accordance with the relevant PRC regulations and the Articles of Association of the Company, every year the Company is required to transfer 10% of the profit after income tax determined in accordance with the PRC accounting standards to a statutory surplus reserve until the balance reaches 50% of the registered share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered share capital.

For the six months ended 30 June 2009, approximately RMB25,610,000 (corresponding period in 2008: RMB67,204,000), representing 10% of profit after tax (corresponding period in 2008: 10%) determined under the PRC accounting standards, has been appropriated to the statutory surplus reserve.

### (b) Dividends

The final dividend that related to the year ended 31 December 2008 amounting to RMB84,980,044 was partially paid by RMB35,748,120. As at 30 June 2009, the dividend payable (under "Other payables, accruals and other current liabilities") comprise of unpaid interim and final dividends of 2008 declared to Sinotrans Group Company, totalled RMB123,079,810. During the period, the Board determined not to declare any interim dividend (six months ended 30 June 2008: RMB0.030 per share).

## 9. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six-month period.

	For the six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	270,352	684,816
Weighted average number of ordinary shares in issue (thousands)	4,249,002	4,249,002
Basic and diluted earnings per share	RMB0.064	RMB0.161

As the Company has no dilutive potential shares, there is no difference between basic and diluted earnings per share.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 10. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June 2009 (Unaudited)								
	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles, aircraft and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
<b>Cost</b>									
At beginning of period	2,276,828	124,373	530,671	46,288	1,342,829	1,778,676	627,783	903,072	7,630,520
Additions	45,688	2	804	358	43,765	25,170	11,809	208,390	335,986
Acquisition of a subsidiary (Note 18)	—	—	—	—	38,247	16,591	229	—	55,067
Disposals	(12,513)	(6,239)	—	(14)	(17,216)	(55,788)	(13,336)	—	(105,106)
Transfer upon completion	336,736	6,959	35,786	—	34,618	4,161	7,369	(425,629)	—
Exchange differences	48	—	—	(84)	(181)	(60)	198	—	(79)
At end of period	2,646,787	125,095	567,261	46,548	1,442,062	1,768,750	634,052	685,833	7,916,388
<b>Accumulated depreciation and impairment losses</b>									
At beginning of period	(455,710)	(62,003)	(126,998)	(20,600)	(470,805)	(746,747)	(416,659)	—	(2,299,522)
Depreciation	(42,455)	(10,369)	(10,002)	(1,044)	(56,826)	(86,314)	(38,137)	—	(245,147)
Provision for impairment losses	(20)	—	—	—	—	—	—	—	(20)
Disposals	6,900	2,280	—	2	11,451	43,932	7,622	—	72,187
Exchange differences	(5)	—	—	(49)	(7)	(127)	227	—	39
At end of period	(491,290)	(70,092)	(137,000)	(21,691)	(516,187)	(789,256)	(446,947)	—	(2,472,463)
<b>Net book value</b>									
At end of period	2,155,497	55,003	430,261	24,857	925,875	979,494	187,105	685,833	5,443,925
At beginning of period	1,821,118	62,370	403,673	25,688	872,024	1,031,929	211,124	903,072	5,330,998

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the six months ended 30 June 2008 (Unaudited)									
	Buildings	Leasehold	Port and rail		Plant and	Motor	Furniture	Assets under	Total
	RMB'000	improvements	facilities	Containers	machinery	vehicles,	and office	construction	
		RMB'000	RMB'000	RMB'000	RMB'000	aircraft and	equipment	RMB'000	RMB'000
						vessels			
<b>Cost</b>									
At beginning of period	2,102,197	142,804	428,903	26,206	1,207,193	1,283,732	613,202	588,117	6,392,354
Additions	11,378	4,042	3,511	961	53,137	372,037	39,850	398,238	883,154
Disposals	(3,053)	(14,421)	(6,119)	(1,446)	(34,720)	(34,104)	(51,422)	—	(145,285)
Transfer upon completion	60,559	385	17,272	—	22,705	2,546	3,662	(107,129)	—
Exchange differences	(1,943)	—	—	(38)	(438)	(13,969)	(310)	—	(16,698)
At end of period	2,169,138	132,810	443,567	25,683	1,247,877	1,610,242	604,982	879,226	7,113,525
<b>Accumulated depreciation and impairment losses</b>									
At beginning of period	(385,601)	(82,270)	(108,695)	(20,882)	(414,699)	(673,534)	(375,289)	—	(2,060,970)
Depreciation	(38,283)	(9,844)	(8,705)	(665)	(49,514)	(64,457)	(41,338)	—	(212,806)
Disposals	2,627	7,535	627	1,374	26,528	27,814	22,019	—	88,524
Reversal of impairment losses	226	—	—	—	—	500	—	—	726
Exchange differences	778	—	—	3	102	7,015	188	—	8,086
At end of period	(420,253)	(84,579)	(116,773)	(20,170)	(437,583)	(702,662)	(394,420)	—	(2,176,440)
<b>Net book value</b>									
At end of period	1,748,885	48,231	326,794	5,513	810,294	907,580	210,562	879,226	4,937,085
At beginning of period	1,716,596	60,534	320,208	5,324	792,494	610,198	237,913	588,117	4,331,384

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Listed equity investment (a)	<b>561,600</b>	328,000
Unlisted equity investments, at cost less impairment (b)		
— Cost	<b>150,837</b>	39,454
— Provision for impairment	—	—
	<b>150,837</b>	39,454
Available-for-sale financial assets	<b>712,437</b>	367,454

The available-for-sale financial assets include:

- (a) Listed equity investment represented the subscription by Sinotrans Air Transportation Development Co., Ltd (“Sinoair”) of 80 million ordinary shares of RMB2.80 each in Air China Limited (“Air China”) upon its initial public offering of A shares on the Shanghai Stock Exchange at a cash consideration of RMB224,000,000 in August 2006, with a fair value of RMB561,600,000 (31 December 2008: RMB328,000,000) as at 30 June 2009. Air China was incorporated in the PRC whose principal activities were air transportation. Sinotrans Air Transportation Development Co., Ltd. Sinoair is a subsidiary of the Company.
- (b) Unlisted equity investments comprised equity interests in entities which are engaged in logistics and freight forwarding operations. There is no open market for these instruments and the directors consider that the marketability of the Group’s shareholdings is low. In light of the minority shareholdings held by the Group, the probabilities of the range of possible fair values of these investments cannot be reliably assessed. These investments are therefore stated at cost less impairment. The Group makes assessment when there is objective evidence that the available-for-sale financial assets are impaired in accordance with the guidelines in IAS39. The assessment requires the Company’s directors to make judgments. In making these judgments, the Group has assessed various factors, such as financial operation of the investees, prospect of their operations in short to medium terms, as well as the prospect of the industries the investees operate in, and changes in their operating environment.

For the six months ended 30 June 2009 and 2008, there were no disposals of the available-for-sale financial assets. As at 30 June 2009 and 31 December 2008, the entire available-for-sale financial assets were denominated in RMB and none of them were impaired or pledged.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Trade receivables, net	4,417,023	4,491,649
Bills receivable	117,743	98,445
Other receivables, net	351,557	315,033
Due from related parties	189,027	244,478
	<b>5,075,350</b>	5,149,605
Trade receivables	4,503,215	4,567,850
Less: Provision for impairment of receivables	(86,192)	(76,201)
Trade receivables, net	<b>4,417,023</b>	4,491,649

As at 30 June 2009 and 31 December 2008, the aging analysis of trade receivables is as follows:

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Within 6 months	4,239,822	4,435,954
Between 6 and 12 months	191,881	79,508
Between 1 and 2 years	45,859	33,305
Between 2 and 3 years	18,351	11,622
Over 3 years	7,302	7,461
	<b>4,503,215</b>	4,567,850

The credit period of the Group's trade receivables generally ranges from 1 to 6 months. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, both locally and internationally dispersed.



# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 13. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
<b>Current liabilities</b>		
— Foreign exchange forward contracts — held for trading (a)	119,374	256,183
— Fuel oil forward contract — held for trading (b)	4,133	55,724
	<b>123,507</b>	<b>311,907</b>

The critical accounting estimates and judgments on derivative financial instruments made by management are consistent with those disclosed in the annual financial statements for the year ended 31 December 2008.

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2008.

The Group's derivative financial instruments are as follows:

### (a) Foreign exchange forward contracts

As at 30 June 2009, the Group had certain outstanding gross-settled foreign exchange forward contracts with banks. Upon the spot rate as at balance sheet date, the Group is to buy approximately US\$164,942,000 and simultaneously sell approximately JPY16,880,900,000 as notional principal amount in aggregate over the remaining periods of the contracts, subject to certain structured terms. These contracts are settled on a monthly basis and will expire through 2010 and 2011. In addition, as at 30 June 2009, the Company had an outstanding net-settled foreign exchange forward contract with a bank. Upon the spot rate as at balance sheet date, the notional principal amount of the contract is US\$500,000 to buy US\$ and simultaneously sell JPY over the remaining period of the contract, subject to certain structured terms. The contract is settled on a monthly basis and will expire in October 2011. These contracts may be terminated before the maturity date when certain conditions are met.

For the six months ended 30 June 2009, the realised exchange losses, net of the above foreign exchange forward contracts amounting to RMB20,261,000 were charged in the consolidated income statement under "finance costs, net".

### (b) Fuel oil forward contract

As at 30 June 2009, the Group had an outstanding fuel oil forward contract with a bank to buy fuel oil from 12,000 metric tons to 24,000 metric tons in aggregate over the remaining period of the contract, subject to certain structured terms. The contract is settled on a monthly basis and will expire in December 2009. This contract may be terminated before the maturity date when certain conditions are met.

For the six months ended 30 June 2009, the realised net losses of the above fuel oil forward contract amounting to RMB21,847,000 were charged in the consolidated income statement under "fuel".

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 14. TRADE PAYABLES

The normal credit period for trade payables generally ranges from 1 to 3 months. Aging analysis of trade payables (including amounts due to related parties of trading in nature) at the respective balance sheet dates is as follows:

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Within 6 months	3,205,295	3,210,651
Between 6 and 12 months	255,600	221,098
Between 1 and 2 years	125,496	119,567
Between 2 and 3 years	50,195	43,324
Over 3 years	66,958	66,115
	<b>3,703,544</b>	3,660,755

## 15. BORROWINGS

(a) Borrowings are analysed as follows:

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Current:		
Bank borrowings	1,002,959	2,101,563
Current portion of non-current bank borrowings	26,027	—
	<b>1,028,986</b>	2,101,563
Non-current:		
Bank borrowings	293,774	315,712
Entrusted loans payable to Sinotrans Group Company	1,680,000	—
	<b>1,973,774</b>	315,712
Total borrowings	<b>3,002,760</b>	2,417,275
Borrowings:		
Unsecured		
— Bank borrowings	811,582	1,621,895
— Entrusted loans payable to Sinotrans Group Company	1,680,000	—
	<b>2,491,582</b>	1,621,895
Secured and guaranteed	511,178	795,380
	<b>3,002,760</b>	2,417,275

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 15. BORROWINGS (CONTINUED)

- (a) Borrowings are analysed as follows: (Continued)

The carrying amounts of the borrowings at the respective balance sheet dates approximate their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities. Movements in borrowings are analysed as follows:

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
At beginning of period	2,417,275	1,354,483
Proceeds from borrowings	2,190,901	2,073,649
Repayments of borrowings	(1,605,416)	(928,490)
At end of period	3,002,760	2,499,642

- (b) The non-current borrowings as at 30 June 2009 and 31 December 2008 were repayable as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
1–2 years	41,567	52,080
2–5 years	1,815,082	133,430
Over 5 years	117,125	130,202
	1,973,774	315,712

- (c) The weighted average effective annual interest rate of the bank borrowings and the entrusted loans payable to Sinotrans Group Company as at 30 June 2009 is 5.20% and 3.55% (31 December 2008: 5.96% and nil) respectively.

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For the six months ended 30 June 2009

## 15. BORROWINGS (CONTINUED)

(d) Securities and guarantees

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Restricted cash pledged	130,198	438,412
Net book value of property, plant and equipment pledged	469,448	455,224
Net book value of land use rights pledged	54,687	22,145
Guarantees provided by third parties	15,659	28,816
Corresponding borrowings		
— pledged by restricted cash	128,228	431,554
— pledged by property, plant and equipment	337,184	326,895
— pledged by land use rights	30,107	8,115
— guaranteed by third parties	15,659	28,816

## 16. PROVISIONS

	<b>One-off cash housing subsidies RMB'000</b>	<b>Guarantees RMB'000</b>	<b>Outstanding claims RMB'000 (Unaudited)</b>	<b>Onerous contracts RMB'000</b>	<b>Foreseeable losses RMB'000</b>	<b>Total RMB'000</b>
<b>As at 31 December 2008</b>	<b>32,773</b>	<b>8,178</b>	<b>27,095</b>	<b>26,663</b>	<b>10,165</b>	<b>104,874</b>
<b>Additional provision</b>	<b>—</b>	<b>—</b>	<b>2,804</b>	<b>—</b>	<b>1,697</b>	<b>4,501</b>
<b>Utilised during the period</b>	<b>(931)</b>	<b>—</b>	<b>(3,693)</b>	<b>(12,243)</b>	<b>(10,165)</b>	<b>(27,032)</b>
<b>As at 30 June 2009</b>	<b>31,842</b>	<b>8,178</b>	<b>26,206</b>	<b>14,420</b>	<b>1,697</b>	<b>82,343</b>
As at 1 January 2008	33,841	8,200	79,464	20,178	—	141,683
Additional provision	—	—	—	9,366	5,322	14,688
Utilised during the period	(992)	—	(53,268)	(15,101)	—	(69,361)
As at 30 June 2008	32,849	8,200	26,196	14,443	5,322	87,010

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 16. PROVISIONS (CONTINUED)

One-off cash housing subsidies represent the Group's provision made prior to the Reorganisation. Sinotrans Group Company agreed to bear any further one-off cash housing subsidies in the excess of the amount of RMB74,560,000 provided for in the Group's consolidated financial statements at the time of the Reorganisation.

The outstanding claims provision as at respective balance sheet dates relates to certain legal claims brought against the Group by customers.

Onerous contracts provision as at the respective balance sheet dates were made for Group's vessels which were sub-let with a loss.

## 17. CASH-SETTLED SHARE-BASED PAYMENT

The Group had cash-settled share-based payment arrangements, also known as Share Appreciation Rights Plan ("SAR Plan") with key employees and directors.

The SAR Plan entitles persons who are granted such rights to receive cash payments when the Company's share price rises above the exercise price specified in the SAR Plan in a certain predetermined period, subject to certain terms and conditions of the SAR Plan. Upon exercise of the SAR, the grantee will receive payment, subject to any withholding tax, equal to the product of the number of SAR exercised and the difference between the exercise price and market price of H Shares at the time of exercise.

The eligible grantees under the SAR Plan are members of the Board of Directors of the Company and the supervisory committee (excluding independent directors and independent supervisors), the president, vice president, company secretary, assistant to the president, chief financial officer, heads of departments and managers and assistant managers of departments, branches and subsidiaries and special talented personnel. Special talented personnel are those key personnel who make important contributions to the Group's development or operations and include senior technical experts and market development personnel who make remarkable contributions to the Group.

The number of SAR to be granted to the eligible grantees under the SAR Plan and any other share option scheme of the Company will not exceed 10% of the total number of issued share capital of the Company.

All SAR have an exercise period of 10 years. A person granted SAR may not exercise his or her rights in the first year after the date of grant. In each of the second, third and fourth year after the date of grant, the rights that may be vested shall not in aggregate exceed one third of the total number of SAR granted to him or her in a particular year. A person can exercise vested SAR before the expiration of the exercise period.

As at 30 June 2009, the Company has granted SAR to a total of 5 (31 December 2008: 5) directors, 1 (31 December 2008: 1) supervisor and 122 (31 December 2008: 122) senior employees of the Group. The directors and the supervisor have received 2,740,000 SAR (31 December 2008: 2,740,000 SAR). The senior employees of the Group have received 22,644,000 SAR (31 December 2008: 22,644,000 SAR).

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For the six months ended 30 June 2009

## 17. CASH-SETTLED SHARE-BASED PAYMENT (CONTINUED)

Determination of fair values on outstanding SAR is summarized as follows:

(a) Information on outstanding SAR

	Date of grant	Expiry date	Exercise price in HK\$ per share	30 June 2009 (Thousands) (Unaudited)	31 December 2008 (Thousands) (Audited)
Tranche I	20 January 2003 (Note (i))	20 January 2013	2.19	21,324	21,324
Tranche II	24 June 2003 (Note (ii))	24 June 2013	2.18	4,060	4,060
				25,384	25,384

- (i) The fair value of SAR granted under Tranche I as at 30 June 2009 determined using the Black-Scholes valuation model was HK\$0.35 (31 December 2008: HK\$0.23). The significant inputs into the model were share price of HK\$1.75 (31 December 2008: HK\$1.50), exercise price per share shown above, expected life of SAR of 1.78 years (31 December 2008: 2.03 years), expected dividend rate of 4.56% (31 December 2008: 4.54%) and risk-free interest rate of 0.55% (31 December 2008: 0.55%). The expected volatility is estimated based on historical daily share price of the Company.
- (ii) The fair value of SAR granted under Tranche II as at 30 June 2009 determined using the Black-Scholes valuation model was HK\$0.38 (31 December 2008: HK\$0.25). The significant inputs into the model were share price of HK\$1.75 (31 December 2008: HK\$1.50), exercise price per share shown above, expected life of SAR of 1.99 years (31 December 2008: 2.24 years), expected dividend rate of 4.56% (31 December 2008: 4.54%) and risk-free interest rate of 0.69% (31 December 2008: 0.60%). The expected volatility is estimated based on historical daily share price of the Company.
- (iii) The intrinsic value of SAR vested at 30 June 2009 and 31 December 2008 for both Tranche I and II is nil.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 17. CASH-SETTLED SHARE-BASED PAYMENT (CONTINUED)

- (b) Movements in the number of SAR outstanding and their related weighted average exercise prices are analysed as follows:

	For the six months ended 30 June (Unaudited)			
	2009		2008	
	Average Exercise price in HK\$ per share	Number of SAR (Thousands)	Average exercise price in HK\$ per share	Number of SAR (Thousands)
At beginning of period	2.19	25,384	2.19	25,544
Exercised	2.19	—	2.19	(160)
At end of period	2.19	25,384	2.19	25,384

As at 30 June 2009 and 31 December 2008, all of the outstanding SAR were exercisable, and 296,000 SAR has been exercised since the date of grant.

- (c) The amounts recognised in this unaudited condensed consolidated interim financial information for SAR (before taxes):

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Charged/(credited) to operating profit	2,639	(26,106)

	30 June 2009 RMB'000 (Unaudited)		31 December 2008 RMB'000 (Audited)
Salary and welfare payables	7,914		5,275

# Unaudited Condensed Consolidated Interim Financial Information

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## 18. BUSINESS COMBINATIONS

On 20 January 2009, one of the Company's subsidiaries, Shandong Sinotrans Lishen Hoisting and Transporting Company Limited acquired trucking business related assets and businesses of Rugao Benz Transportation Company Limited ("Rugao"), which is mainly engaged in certain trucking business in the PRC. The total cash consideration is RMB58,160,000 and there is no contingent consideration.

The acquired business contributed revenues of RMB32,519,000 and profit of RMB2,062,000 to the Group for the period from acquisition to 30 June 2009. If the acquisition had occurred on 1 January 2009, the Group's unaudited consolidated revenue and unaudited consolidated profit for the six months ended 30 June 2009 would have been RMB13,100,853,000 and RMB292,474,000 respectively.

Details of the assets acquired are as follows:

	<b>Provisional Fair value RMB'000</b>	<b>Acquiree's carrying amount RMB'000</b>
Property, plant and equipment	55,067	21,154
Inventories	3,093	4,344
Net identifiable assets acquired	58,160	25,498
Fair value of net identifiable assets acquired	58,160	
Goodwill on acquisition	—	
Total purchase consideration — cash paid and payable	58,160	

Net cash outflow in respect of the acquisition is analysed as follows:

Cash and cash equivalents in Rugao	—
Cash paid for the six months ended 30 June 2009	(18,000)*
Net cash outflow on acquisition	(18,000)

\* Part of the consideration amounting to RMB36,000,000 was prepaid in 2008 and the remaining consideration amounting to RMB4,160,000 was paid in July and August 2009.

## 19. ASSETS HELD FOR SALE

The Company's and Sinoair's investments in an associate company, Sinotrans Logistics Investment Holding Company Limited ("Sinotrans Logistics investment"), aggregately amounting to RMB102,397,000, have been presented as assets held for sale following the Board's approval of the decision to dispose the investments. The investments represented 47.5% equity interests in Sinotrans Logistics investment, and were remeasured to the lower of carrying amount and fair value less costs to sell at the date of held-for-sale classification.



# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 20. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

### (a) Major investing activities:

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Decrease/(increase) in term deposits with initial terms of over three months	91,226	(288,688)
Interest income received	48,603	47,167
Proceeds from disposal of property, plant and equipment	33,753	18,856
Dividends received from associates	14,497	11,105
Proceeds from disposal of a jointly controlled entity, net of cash disposed of	—	540,537
Proceeds from disposal of held-to-maturity financial assets	—	55,870
Dividends received from available-for-sale financial assets	—	5,472
Acquisition of associates	(12,691)	(145,054)
Purchase of land use rights	(11,195)	(17,953)
Purchase of intangible assets	(16,776)	(9,692)
Net cash outflow in acquisition of a subsidiary (Note 18)	(18,000)	—
Prepayments for acquisition of land use rights	(71,760)	(13,636)
Payment of consideration for acquisition from ultimate holding company	(400,000)	(156,030)
Prepaid consideration for acquisition of a subsidiary acquired (Note 25(a))	(52,076)	—
Settlement of investment cost paid by ultimate holding company on behalf of the Group	(405,439)	—
Purchase of available-for-sale financial assets	(111,383)	—
Purchase of property, plant and equipment	(341,552)	(643,123)

### (b) Major financing activities:

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
New bank borrowings	510,901	2,073,649
Entrusted loans payable to Sinotrans Group Company	1,680,000	—
Borrowings from Sinotrans Group Company	—	200,000
Decrease/(increase) in restricted cash	296,471	(841,516)
Payment of dividends	(35,748)	(127,470)
Dividends paid to minority shareholders in subsidiaries	(58,137)	(143,575)
Repayments of bank borrowings	(1,605,416)	(928,490)
Repayments to ultimate holding company	(200,000)	—

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 21. CONTINGENT LIABILITIES

The Group has been named in a number of lawsuits arising in its ordinary course of business. Where management can reasonably estimate the outcome of the lawsuits taking into account the legal advice, provisions have been made for the probable losses which are included in Note 16. Where management cannot reasonably estimate the outcome of the lawsuits or believe the probability of loss is remote, no provision has been made. As at 30 June 2009, such lawsuits amounted to approximately RMB 90,631,000 (31 December 2008: RMB 55,336,000).

## 22. CAPITAL COMMITMENTS

The Group has the following outstanding capital commitments not provided for in the condensed consolidated interim financial information:

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Authorised and contracted for but not provided for	<b>194,094</b>	535,647
Authorised but not contracted for	<b>200,550</b>	250,815
	<b>394,644</b>	786,462

An analysis of the above capital commitments by nature is as follows:

	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited)
Acquisition of property, plant and equipment	<b>137,085</b>	288,525
Construction commitments	<b>108,209</b>	154,862
Investments in subsidiaries, jointly controlled entities and associates	<b>149,350</b>	343,075
	<b>394,644</b>	786,462

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 23. OPERATING LEASE COMMITMENTS

### (a) The Group as lessee

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Land and buildings		
– not later than one year	162,420	154,575
– later than one year but not later than five years	246,889	251,299
– later than five years	184,331	235,739
Vessels, containers and other property, plant and equipment		
– not later than one year	621,678	799,523
– later than one year but not later than five years	450,615	685,292
– later than five years	1,503	3,853
	<b>1,667,436</b>	2,130,281

### (b) The Group as lessor

The Group has contracted with customers for the following future minimum lease receivables under non-cancellable operating leases:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Land and buildings		
– not later than one year	25,323	15,739
– later than one year but not later than five years	15,637	16,778
– later than five years	8,295	6,142
Vessels, containers and other property, plant and equipment		
– not later than one year	105,017	163,175
– later than one year but not later than five years	84,220	119,914
	<b>238,492</b>	321,748

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS

On 4 February 2009, the Group renewed the Master Business Services Agreement in respect of the provision and receipt of transportation and logistic services, chartering of vessels and leasing of containers, warehouses, freight stations, certain office premises and other properties for a term of 3 years which was originally signed on 26 January 2006. The agreement contemplates that the relevant members of the Group and Sinotrans Group Company (including its subsidiaries and associates other than the Group) will enter into contracts for specific services and for the leasing of certain assets as and when necessary, in compliance with the terms of the business service agreement.

A portion of the Group's business activities is conducted with other PRC state-owned enterprises. The Group believes that these transactions are carried out on normal commercial terms that are consistently applied to all customers. For the purpose of related party transactions disclosure, the Group has identified, to the extent practicable, those corporate customers and suppliers which are PRC state-owned enterprises based on their immediate ownership structure. It should be noted, however, that substantially all of the Group's business activities are conducted in the PRC and the influence of the PRC government in the Chinese economy is pervasive. In this regard, the PRC government indirectly holds interests in many companies. Many PRC state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests. Such interests, however, would not be known to the Group and are not reflected in the disclosures below. In addition, a portion of the Group's services provided is of a retail nature to end users, which include transactions with the employees of PRC state-owned enterprises on corporate business, their key management personnel and close family members. These transactions are carried out on normal commercial terms that are consistently applied to all customers. Due to the vast volume and the pervasiveness of these transactions, the Group is unable to determine the aggregate amount of these transactions for disclosure. Therefore, the revenue from provision of services disclosed below does not include retail transactions with these related parties. However, the Group believes that meaningful information relating to related party disclosures has been adequately disclosed.

In addition to the related party information shown elsewhere in the unaudited condensed consolidated interim financial information, the following is a summary of other significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions:

### (a) Transactions with related parties

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>Transactions with Sinotrans Group Company and fellow subsidiaries</b>		
<i>Revenue</i>		
Revenue from provision of services	68,449	109,321
<i>Expenses</i>		
Service fees	(136,021)	(92,887)
Rental expenses for office buildings	(20,021)	(19,694)
Rental expenses for containers	(28,152)	(26,356)
Rental expenses for vessels	(16,832)	(37,526)

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Transactions with related parties (Continued)

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>Transactions with associates of the Group</b>		
<i>Revenue</i>		
Revenue from provision of services	44,773	57,220
<i>Expenses</i>		
Service fees	(28,663)	(35,925)
<b>Transactions with jointly controlled entities (after elimination of the Group's proportionate interests in those jointly controlled entities)</b>		
<i>Revenue</i>		
Revenue from provision of services	26,310	53,762
<i>Expenses</i>		
Service fees	(29,778)	(46,563)
<b>Transactions with other PRC state-owned enterprises</b>		
<i>Revenue</i>		
Revenue from provision of services	113,276	135,382
Interest income from bank deposits	32,773	46,001
<i>Expenses</i>		
Service fees	(417,604)	(708,446)

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Balances with related parties

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
<b>Balances with Sinotrans Group Company and fellow subsidiaries</b>		
Trade and other receivables	117,206	160,419
Prepayments, deposits, and other current assets	10,955	4,513
Trade payables	(95,248)	(121,819)
Other payables, accruals and other current liabilities	(537,660)	(1,491,978)
Receipts in advance from customers	(1,662)	(2,887)
<b>Balances with jointly controlled entities</b>		
Trade and other receivables	30,437	25,015
Prepayments, deposits, and other current assets	278	403
Trade payables	(4,923)	(1,763)
Other payables, accruals and other current liabilities	(1,037)	(278)
Receipts in advance from customers	(89)	(427)
<b>Balances with associates of the Group</b>		
Trade and other receivables	16,276	14,718
Prepayments, deposits, and other current assets	162	173
Trade payables	(7,989)	(10,329)
Receipts in advance from customers	(550)	(988)
Other payables, accruals and other current liabilities	(26)	(915)
<b>Balances with other PRC state-owned enterprises</b>		
Restricted cash	170,741	474,044
Term deposits with initial terms of over three months	1,091,504	1,147,184
Cash and cash equivalents	4,226,913	4,205,585
Trade and other receivables	25,108	45,021
Prepayments, deposits and other current assets	16,796	6,554
Trade payables	(50,558)	(73,326)
Other payables, accruals and other current liabilities	(2,243)	(1,209)
Receipts in advance from customers	(7,497)	(57,170)

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Purchase of property, plant and equipment

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Transactions with other PRC state-owned enterprises	77,994	66,670

### (d) Borrowings

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>Entrusted loans payable to Sinotrans Group Company</b>		
At beginning of period	—	—
Proceeds from loans	1,680,000	—
Repayment of loans	—	—
At end of period	1,680,000	—
Interest charged	28,013	—
Interest paid	—	—
<b>Borrowings from PRC state-owned banks</b>		
At beginning of period	2,416,767	1,352,427
Proceeds from loans	510,901	2,073,649
Repayment of loans	(1,605,027)	(927,723)
At end of period	1,322,641	2,498,353
Interest charged	42,021	39,317
Interest paid	(41,060)	(35,629)

The weighted average effective annual interest rate of the bank borrowings and the entrusted loans payable due from Sinotrans Group Company as at 30 June 2009 is 5.20% and 3.55% respectively (31 December 2008: 5.96% and nil).

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (e) Key management personnel compensation

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Basic salaries, housing allowances and other allowances and benefits in kind	1,596	1,593
Discretionary bonuses	1,459	1,372
Contributions to pension plans	144	132

## 25. SUBSEQUENT EVENTS

- (a) On 1 July 2009, one of the Company's jointly controlled entities, DHL-Sinotrans International Air Courier Company Limited (DHL-Sinotrans), acquired 100% shares of Shanghai Quan Yi Express Limited and its wholly-owned subsidiary (together "APEX"), which is mainly engaged in providing express service in the PRC. The total cash consideration is RMB345,000,000, within which, RMB104,152,000 has been paid by DHL-Sinotrans till June 2009 and the net cash outflow of the Group is RMB52,076,000. Up to date of approval of this interim financial information, management is still in the progress of assessing the fair value of assets and liabilities acquired.
- (b) On 16 July 2009, the Company and Sinoair each entered into an equity transfer agreement with Sinotrans Group Company for the sale to Sinotrans Group Company of their respective 35% and 12.5% interests in Sinotrans Logistics investment for an aggregate consideration of RMB108,806,000, the relevant investments in the associate had been classified as assets held for sale as stated in Note 19.
- (c) On 1 July 2009, Sinoair entered into an equity transfer agreement with DHL-Sinotrans to dispose its 100% equity interests in Beijing Sinotrans Express Company Co., LTD ("Sinotrans-Sudi") to DHL-Sinotrans. Up to date of approval of this interim financial information, management is still in the progress of assessing the fair value of assets and liabilities of Sinotrans-Sudi.

## 26. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current presentation, but there is no material impact on prior year financial statements.



# Management Discussion and Analysis of Results of Operations and Financial Position

## REVIEW OF OPERATING RESULTS

There have been significant changes in the domestic and external economic landscapes for China during the first half of 2009, as the nation's foreign import and export continued to plunge amid severely dwindled demand for its exports in the aftermath of the international financial crisis. Foreign import and export decreased by 23.5% as compared with the corresponding period last year, comprising a 21.8% decline in export and a 25.4% decline in import. Foreign trade throughput at major ports dropped 1.3% while containers throughput at major ports continued to turn lower at 11%.

Against an extremely difficult operating environment, the Group has adopted a range of issue-specific measures to address market changes, increased the pace of business realignment and restructuring with a view to pursuing business development with maximum efforts. The development of large-scale customers and projects continued, while the process of adjusting business models and operating structures accelerated so that the Group could develop the import and domestic trade sectors with vigor and explore other fields. We also fostered our competitive edge in terms of differentiation by fostering high-end servicing capabilities in sub-segments with the development of specialised logistics such as engineering logistics, chemical logistics and contract logistics.

For the six months ended 30 June 2009, as compared with the corresponding period last year, the number of containers handled in sea freight forwarding services decreased by 19.8%; the business volume handled by air freight forwarding services decreased by 29.4%; the business volume handled by express services decreased by 27.6%; the number of containers handled in shipping agency business decreased by 19.2%; the shipping volume by marine transportation decreased by 10.4%; the number of containers handled in terminal throughput decreased by 7.3%, the business volume of containers handled at container yards decreased by 7.5% and the number of containers handled in trucking business decreased by 11.9%.

For the six months ended 30 June 2009, the Group achieved turnover of approximately RMB13,097.3 million, representing a decrease of 37.0% as compared with the corresponding period in 2008. Profit attributable to equity holders of the Company amounted to RMB270.4 million, representing a decrease of 60.5% as compared to the corresponding period in 2008. Earnings per share was RMB0.064 (corresponding period in 2008: RMB0.161).

# Management Discussion and Analysis of Results of Operations and Financial Position

## OPERATING STATISTICS

The table below sets forth certain operating statistics of the Group by business segments for the periods indicated:

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
Freight forwarding		
Sea freight forwarding		
Bulk cargo (in millions of tonnes)	<b>3.3</b>	2.9
Container cargo (in ten thousands of TEUs)	<b>267</b>	333
Air freight forwarding (in millions of kilograms)	<b>149.5</b>	211.9
Rail freight forwarding		
Bulk cargo (in millions of tonnes)	<b>0.3</b>	0.4
Container cargo (in ten thousands of TEUs)	<b>1.7</b>	2.3
Road freight forwarding		
Bulk cargo (in millions of tonnes)	<b>0.04</b>	0.04
Container cargo (in ten thousands of TEUs)	<b>1.7</b>	1.9
Express services		
Packages (in millions of units)	<b>8.09</b>	11.17
Shipping agency		
Net registered tonnes (in millions of tonnes)	<b>280.2</b>	276.6
Vessel calls (number of times per vessel)	<b>31,943</b>	38,172
Containers (in millions of TEUs)	<b>5.08</b>	6.29
Storage and terminal services		
Warehouse operating volume		
Bulk cargo (in millions of tonnes)	<b>4.9</b>	5.2
Containers (in millions of TEUs)	<b>3.7</b>	4.0
Terminal throughput		
Bulk cargo (in millions of tonnes)	<b>5.8</b>	4.6
Containers (in ten thousands of TEUs)	<b>116.6</b>	125.8
Marine transportation		
TEUs	<b>811,008</b>	905,306
Other services		
Trucking of bulk cargo (in ten thousands of tonnes)	<b>121.8</b>	88.4
Trucking of containers (in ten thousands of TEUs)	<b>43.1</b>	48.9

# Management Discussion and Analysis of Results of Operations and Financial Position

## FINANCIAL STATISTICS

The table below presents selected financial information of the Group for the periods indicated:

	<b>For the six months ended 30 June</b>	
	<b>2009 (Unaudited) (In RMB million except for earnings per share and number of shares)</b>	2008 (Unaudited) (In RMB million except for earnings per share and number of shares)
Revenue	13,097.3	20,783.2
Other income	168.7	161.3
Business tax and other surcharges	(143.8)	(166.4)
Transportation and related charges	(9,777.4)	(16,822.9)
Depreciation and amortisation	(253.4)	(221.1)
Cost of operation (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges):		
— Staff costs	(1,163.4)	(1,224.7)
— Repairs and maintenance	(73.3)	(76.8)
— Fuel	(390.3)	(490.5)
— Travel and promotional expenses	(131.4)	(170.9)
— Office and communication expenses	(84.2)	(120.9)
— Rental expenses	(672.3)	(715.5)
— Other operating expenses	(271.6)	(261.2)
Other gains, net	186.2	25.8
Operating profit	491.1	699.4
Gain on disposal of a jointly controlled entity	—	514.1
Financial costs, net	(39.1)	(4.6)
Share of profit of associates	20.2	29.6
Profit before income tax	472.2	1,238.5
Income tax expense	(180.2)	(339.3)
<b>Profit after income tax</b>	<b>292.0</b>	<b>899.2</b>
Profit attributable to shareholders		
Equity holders of the Company	270.4	684.8
Minority interests	21.6	214.4
Declared interim dividend	—	(127.5)
Earnings per share, basic and diluted	<b>RMB0.064</b>	RMB0.161
Number of shares (in millions of shares)	4,249.0	4,249.0

## Management Discussion and Analysis of Results of Operations and Financial Position

The table below sets out the unaudited turnover (in million RMB) from the Group's major business segments and the percentage of total turnover before segment elimination for the periods indicated:

	For the six months ended 30 June (unaudited)			
	2009		2008	
Freight forwarding	9,487.7	69.3%	16,385.3	77.0%
Express services	1,428.6	10.4%	1,722.5	8.1%
Shipping agency	322.7	2.4%	368.7	1.7%
Storage and terminal services	746.6	5.5%	756.5	3.6%
Marine transportation	1,224.6	8.9%	1,639.7	7.7%
Other services	480.1	3.5%	411.9	1.9%

The table below sets forth the segment results (in million RMB) of the major business segments of the Group and the comparative figures for the corresponding period in 2008. The result of each segment is defined as the operating profit of each segment excludes the effects of the profit and losses on the changes in fair value and corporate expenses. The segment profit for the six months ended 30 June 2008 is restated according to the reports reviewed by management, which considered the effects from non-operating incomes and expenses that was reported as unallocated cost previously.

	For the six months ended 30 June (unaudited)	
	2009	2008 (Restated)
Freight forwarding	161.3	275.7
Express services	128.6	210.9
Shipping agency	133.8	160.0
Storage and terminal services	145.9	166.8
Marine transportation	(172.4)	(48.9)
Other services	(34.2)	(32.6)

### COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

#### Turnover

For the six months ended 30 June 2009, the Group's turnover amounted to RMB13,097.3 million, down by 37.0% from RMB20,783.2 million for the corresponding period in 2008. The decline in turnover was mainly attributable to the substantial decrease in import and export business volume coupled with significantly lower market freight rates, reflecting dampened international trade following the global financial crisis.

#### Freight forwarding

For the six months ended 30 June 2009, turnover from our freight forwarding services amounted to RMB9,487.7 million, decreasing by 42.1% from RMB16,385.3 million for the corresponding period in 2008.

## Management Discussion and Analysis of Results of Operations and Financial Position

Turnover from freight forwarding mainly comprised revenues from containers sea freight forwarding services and air freight forwarding services. The number of containers handled in sea freight forwarding services decreased by 19.8% to 2.67 million TEUs for the first half of 2009 from 3.33 million TEUs for the first half of 2008; while the amount of cargo handled by air freight forwarding services decreased by 29.4% to 149,500 tonnes for the first half of 2009 from 211,900 tonnes for the first half of 2008.

Decline in revenue from freight forwarding for the first half of 2009 was primarily attributable to reduced business volume and lower market freight rates, as the China (Export) Containerized Freight Index (CCFI) for the first half of the year declined by 26.7% compared with the same period last year.

### Express Services

For the six months ended 30 June 2009, turnover for the Group's express services reached RMB1,428.6 million, representing a 17.1% decrease from RMB1,722.5 million for the corresponding period in 2008.

For the first half of 2009, the number of documents and parcels handled through the Group's express services was 8.09 million units, a decrease of 27.6% from the 11.17 million units handled for the corresponding period in 2008.

The decline of business volume at a higher rate than revenue was mainly a result of the substantial decrease in the business volume of domestic express service.

### Shipping Agency

For the six months ended 30 June 2009, turnover from the Group's shipping agency reached RMB322.7 million, representing a 12.5% decrease from RMB368.7 million for the corresponding period in 2008.

For the first half of 2009, number of containers handled in shipping agency business of the Group was 5.08 million TEUs, representing a decrease of 19.2% from 6.29 million TEUs for the corresponding period in 2008. Net registered tonnage of vessels handled by the shipping agency services reached 280.20 million tonnes, up by 1.3% from 276.60 million tonnes for the corresponding period in 2008. Number of vessel calls managed reduced by 16.3% to 31,943, compared with 38,172 for the corresponding period in 2008.

The decrease in turnover and business volume was mainly attributable to the cancellation or consolidation of shipping routes by shipping companies to cope with adverse market conditions.

### Storage and Terminal Services

For the six months ended 30 June 2009, the turnover from storage and terminal services amounted to RMB746.6 million, down by 1.3% from RMB756.5 million for the corresponding period in 2008.

For the first half of 2009, the Group's warehouses handled 4.90 million tonnes of bulk cargo, down by 5.8% from 5.20 million tonnes for the corresponding period in 2008; containers handled was down by 7.5% to 3.70 million TEUs from 4.00 million TEUs for the corresponding period in 2008; containers handled in terminals was down by 7.3% to 1.166 million TEUs from 1.258 million TEUs for the corresponding period in 2008. The volume of bulk cargo handled at terminals rose to 5.80 million tonnes from 4.60 million tonnes for the corresponding period in 2008, an increase of 26.1%.

The significant growth in the volume of bulk cargo handled at terminals was mainly a result of the significant growth in iron ore and oil imports.

# Management Discussion and Analysis of Results of Operations and Financial Position

## Marine Transportation

For the six months ended 30 June 2009, turnover from marine transportation was RMB1,224.6 million, decreasing by 25.3% from RMB1,639.7 million for the corresponding period in 2008.

For the first half of 2009, the number of containers shipped by the Group dropped by 10.4% to 811,008 TEUs from 905,306 TEUs for the corresponding period in 2008.

The decline in business volume and revenue was mainly attributable to the substantial decline in both cargo volumes in the market and freight rates.

## Other Services

Turnover from other services (mainly from trucking services and air cargo transportation) for the six months ended 30 June 2009 amounted to RMB480.1 million, increasing by 16.6% from RMB411.9 million for the corresponding period in 2008.

The bulk cargo trucking volume of the Group registered 1.218 million tonnes for the first half of 2009, a 37.8% growth from 0.884 million tonnes for the corresponding period of 2008. The volume of containers handled was 0.431 million TEUs, decreasing by 11.9% from 0.489 million TEUs for the corresponding period of 2008. The growth in revenue was attributable to the substantial growth in bulk cargo business and air cargo transportation business of the Group.

## Transportation and Related Charges

For the six months ended 30 June 2009, transportation and related charges were reduced by 41.9% to RMB9,777.4 million, compared with RMB16,822.9 million for the corresponding period in 2008. Such decrease was mainly attributable to the decline in the business volume of the Group.

## Depreciation and Amortisation

Depreciation and amortisation amounted to RMB253.4 million for the six months ended 30 June 2009, representing an increase of 14.6% from RMB221.1 million for the corresponding period in 2008, primarily as a result of the gradual utilisation of the Group's newly acquired assets.

## Operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges)

The Group's operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges) were RMB2,786.5 million for the six months ended 30 June 2009, reducing by 9.0% from RMB3,060.5 million for the corresponding period in 2008.

The decrease in operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges) reflected lower costs and expenses in various areas as a result of the Group's diligent cost control efforts to address severities in the macro-economic environment.

## Other Gains, Net

For the six months ended 30 June 2009, the net amount of the Group's other gains was RMB186.2 million, which represented a growth of 621.7% over RMB25.80 million for the corresponding period in 2008. Such growth was mainly attributable to the change in the fair value of the derivative financial instruments held by the Group.

# Management Discussion and Analysis of Results of Operations and Financial Position

The Group held a few forward fuel contracts and forward Yen-USD contracts to hedge against the risks of rising fuel prices and exchange rate fluctuations in its shipping route operations. As at 30 June 2009, a fair value gain of RMB188.4 million was booked in respect of these contracts.

## Operating Profit

The Group's operating profit was RMB491.1 million for the six months ended 30 June 2009, representing a decrease of 29.8% from RMB699.4 million for the corresponding period in 2008. Operating profit for the six months ended 30 June 2009 as a percentage of total revenue increased to 3.7% from 3.3% for the six months ended 30 June 2008, but decreased to 14.1% from 17.0% as a percentage of net revenue (total revenue less transportation and related charges), reflecting mainly lower business volumes for various segments of the Group compared with the corresponding period last year in line with the economic downturn and declines in import and export.

## Income tax expense

For the six months ended 30 June 2009, income tax expense of the Group amounted to RMB180.2 million, representing a decrease of 46.9% from RMB339.3 million for the corresponding period in 2008. Income tax expense as a percentage of profit before income tax expense rose to 38.2% from 27.4% for the six months ended 30 June 2008, reflecting higher tax rates for certain subsidiaries of the Group who were in transition to standard tax rates from concessionary tax rates, as well as widened losses for the air cargo transportation business.

## MINORITY INTERESTS

Minority interests for the six months ended 30 June 2009 amounted to RMB21.60 million, decreasing by 89.9% from RMB214.4 million for the corresponding period in 2008, reflecting mainly decreased profit for the period of Sinoair, a non-wholly-owned subsidiary of the Group.

## PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit after income tax from the Group for the six months ended 30 June 2009 amounted to RMB292.0 million, representing a decrease of 67.5% from RMB899.2 million for the same period in 2008.

The Group's profit attributable to shareholders of the Company for the six months ended 30 June 2009 amounted to RMB270.4 million, representing a decrease of 60.5% from RMB684.8 million for the same period in 2008.

# Management Discussion and Analysis of Results of Operations and Financial Position

## LIQUIDITY AND CAPITAL RESOURCES

The following table summarises the Group's cash flows for the period indicated:

	<b>For the six months ended 30 June</b>	
	<b>2009 RMB in millions (Unaudited)</b>	2008 RMB in millions (Unaudited)
Net cash inflow from operating activities	<b>646.8</b>	651.8
Net cash used in investing activities	<b>(1,289.7)</b>	(647.1)
Net cash generated from financing activities	<b>585.6</b>	233.6
Net (decrease)/increase in cash and cash equivalents	<b>(57.3)</b>	238.3
Cash and cash equivalents at the end of period	<b>4,390.4</b>	4,671.2

### Operating Activities

Net cash generated from operating activities for the six months ended 30 June 2009 amounted to RMB646.8 million, which was down by 0.8% compared with RMB651.8 million for the corresponding period in 2008. The net cash inflow from operating activities reflected primarily profit attributable to shareholders of the Company for the six months ended 30 June 2009 amounting to RMB270.4 million (corresponding period in 2008: RMB684.8 million), an increase of RMB42.80 million in trade payables (corresponding period in 2008: increase of RMB337.7 million) an increase of RMB154.7 million in advanced receipts from customers (corresponding period in 2008: increase of RMB303.6 million), a decrease of RMB60.07 million in trade receivables for the six months ended 30 June 2009 (corresponding period in 2008: increase of RMB588.8 million) and a decrease of RMB76.80 million (corresponding period in 2008: increase of RMB14.10 million) in prepayments, deposits and other current assets.

For the six months ended 30 June 2009, the average age of trade receivables was 69 days, as compared to 57 days for the corresponding period in 2008.

### Investing Activities

For the six months ended 30 June 2009, net cash used in the Group's investing activities of RMB1,289.7 million comprised mainly RMB341.6 million for the addition of property, plant and equipment, RMB99.73 million for the acquisition of land use rights and intangible assets, RMB400.0 million for the settlement of balance amounts in the consideration payable for the acquisition of a subsidiary in 2008, RMB70.08 million for the acquisition of new companies and RMB405.4 million for the repayment of investment amounts advanced by the ultimate controlling company, which was partially offset by the decrease of RMB91.23 million in term deposits with initial terms of over three months. For the six months ended 30 June 2008, net cash used in the Group's investing activities of RMB647.1 million comprised mainly RMB643.1 million for the addition of property, plant and equipment, RMB288.7 million in term deposits with initial terms of over three months, RMB41.28 million for the acquisition of land use rights and intangible assets, RMB145.1 million for the acquisition of associates, which was partially offset by an increase of RMB540.5 million in net cash received for the disposal of a jointly controlled entity during the period.



# Management Discussion and Analysis of Results of Operations and Financial Position

## Financing Activities

Net cash generated from the Group's financing activities amounted to RMB585.6 million for the six months ended 30 June 2009, compared with net cash outflow from financing activities of RMB233.6 million for the corresponding period in 2008. Net cash generated in the Group's financing activities for the six months ended 30 June 2009 comprised mainly additional bank borrowings amounting to RMB510.9 million (corresponding period 2008: increase of RMB2,073.6 million) and additional entrusted bank loans from the ultimate controlling company of RMB1,680.0 million (corresponding period 2008: nil), partially offset by repayments of bank borrowings of RMB1,605.4 million (corresponding period 2008: RMB928.5 million).

## Capital Expenditure

For the six months ended 30 June 2009, the Group's capital expenditure amounted to RMB441.3 million, consisting primarily of RMB341.6 million for acquisition and construction of fixed assets, RMB16.78 million for the acquisition of intangible assets and RMB82.96 million for the purchase of land use rights. Out of the above, RMB296.5 million was used for the renovation and construction of terminals, warehouses, logistics centres and container yards, RMB68.90 million for the purchase of vehicles, vessels and machinery equipment and RMB75.90 million for IT investment and refurbishment and purchase of office equipment.

## CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2009, the Group's contingent liabilities mainly comprised RMB90.63 million (2008: RMB55.34 million) in relation to outstanding lawsuits. As at 30 June 2009, the amount of guarantees provided by the Group on behalf of benefit of customers was RMB2 million (2008: RMB2 million).

## BORROWINGS

As at 30 June 2009, the Group's total borrowings amounted to RMB3,002.8 million (31 December 2008: RMB2,417.3 million), which comprised bank borrowings of RMB1,322.8 million denominated as to RMB506.9 million in RMB, RMB299.4 million in USD, RMB132.2 million in HK\$, RMB256.1 million in Yen and RMB128.2 million in Euro. Out of the total borrowings, RMB1,070.5 million was repayable within one to two years. The weighted average annual interest rate for the above borrowings was 5.20%. The total borrowings also included a three-year RMB entrusted loan of RMB1,680 million obtained from the ultimate controller company, with a weighted average annual interest rate of 3.55%.

## SECURED AND GUARANTEED BORROWINGS

As at 30 June 2009, the Group pledged restricted cash amounting to approximately RMB130.2 million for borrowings. In addition, as at the same date, the Group also pledged property, plant and equipment (having a net book value of approximately RMB469.4 million) and land use rights (having a net book value of approximately RMB54.69 million) for borrowings.

## GEARING RATIO

As at 30 June 2009, the gearing ratio of the Group was 59.0% (as at 31 December 2008: 60.5%), which was calculated by dividing the sum of liabilities and minority interests by total assets of the Group as at 30 June 2009.

# Management Discussion and Analysis of Results of Operations and Financial Position

## FOREIGN EXCHANGE RATE RISK

Since a substantial portion of the Group's turnover and transportation and related charges is denominated in US dollars, the Group's exposure to foreign exchange risk is mainly related to US dollars. The Group could not assure that future fluctuations in Renminbi against the US dollars and other currencies would not adversely affect its results and financial position (including the ability to declare dividends).

## CREDIT RISK

The Group's exposure to credit risk is represented by the aggregate balance of trade receivables and other receivables, financial assets at fair value through profit and loss, available-for-sale financial assets, restricted deposits and deposits with original maturity over three months. The maximum exposure to credit risk resulting from other parties' non-performance of obligation under financial instruments was represented by their book values.

## EMPLOYEES

As of 30 June 2009, the Group had 21,151 (31 December 2008: 24,084) employees. Details of remuneration policies and staff development were substantially the same as those disclosed in the 2008 Annual Report and without significant changes.

## ACQUISITION AND DISPOSAL

On 20 January 2009, Shandong Sinotrans Lishen Hoisting and Transporting Company Limited, a subsidiary of the Group, acquired assets and operations relating to domestic trucking business from Rugao Benz Transportation Co., Ltd. for a total consideration of RMB58,160,000.

## PROSPECTS AND OUTLOOK

Little optimism holds out for China's foreign trade import and export market in the latter half of the year given continued lethargy in the world economy. The downturn of the logistics market is expected to last for a prolonged period, although the decline might slow down in the second half of the year. At home, economic growth drivers are emerging as the Chinese economy has been stabilising since the second quarter and the domestic market posted strong growth with internal demand providing the driving force. The Group will carry on with various projects according to its annual plans in further implementation of its strategy of "pro-active development, swift adjustment and reinforced management" by leveraging all favourable conditions and positive factors that would help the Group's endeavours in the second half of the year.

The Group will step up with its development to ensure the attainment of its annual targets. We will continue to optimise our marketing models with an emphasis on large-scale customers and projects, while advancing the progress of the transformation of our logistics business with constant improvements to its operating models. The service chain of the freight forwarding business will be further extended to bring our integrated advantages into play. Developments in specialised logistics will continue with a focus on enhancing the level of specialisation and competitiveness. The development of domestic trade logistics and corresponding freight capacities will be expedited as we prepare to solicit major domestic customers. Resource integration will continue to be pursued with greater depth, while our overseas agency network will be further optimised. Management of details will remain an area that commands greater efforts, as is the control of costs and expenses. Improvements will also be made to the full-scale risk control system for extensive implementation.

Last but not least, may I express sincere gratitude to the investors for their concern and support. We pledge to dedicate our full efforts to the healthy and stable development of the Group so that greater value will be delivered to shareholders.

**Zhao Huxiang**

*Chairman*

Beijing, 25 August 2009

## Interim Dividend

During the period, the Board determined not to declare any interim dividend (six months ended 30 June 2008: RMB0.030 per share).

## Other Information

### DIRECTORS' AND SUPERVISORS' INTEREST IN SHARES

Based on the register maintained by the Company as required under Section 352 of the Securities and Futures Ordinance, as at 30 June 2009, none of the directors and supervisors had any interest in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) that is required to be disclosed to the Company and the Stock Exchange of Hong Kong Limited under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which any such director or supervisor is taken or deemed to have under such provisions of the Securities and Futures Ordinance), or as required by the Model Code for Securities Transactions by Directors of Listed Companies for directors of listed companies in dealing in securities.

### SHARE CAPITAL

Share capital of the Company as at 30 June 2009 was as follows:

Nature of shares	Number of Shares	% of Total Issued Share Capital
Domestic Shares	2,461,596,200	57.93%
H Shares	1,787,406,000	42.07%

### SUBSTANTIAL SHAREHOLDERS

Based on the register maintained by the Company as required under Section 336 of the Securities and Futures Ordinance, as at 30 June 2009, so far as was known to the directors of the Company, the following persons (other than a director or supervisor) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange of Hong Kong Limited under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Name	Corporate Interests	Class of Shares	Percentage of the Company's Total Issued Share Capital	Percentage of the Company's Issued H Share Capital
中國外運長航集團有限公司 (Note 1)	2,461,596,200(L)	Domestic	57.93%	—
Deutsche Post AG (Note 2)	237,468,000(L)	H shares	5.59%	13.30%
Franklin Templeton Investments Corp.	196,278,000(L)	H shares	4.62%	10.98%
The Bank of New York Mellon Corporation (Note 3)	180,293,100(L)	H shares	4.24%	10.09%
	105,664,200(P)	H shares	2.49%	5.91%
JPMorgan Chase & Co. (Note 4)	129,565,252(L)	H shares	3.05%	7.25%
	129,138,252(P)	H shares	3.04%	7.22%
Templeton Investment Counsel, LLC	93,443,000(L)	H shares	2.20%	5.23%

\*Notes: (L) — Long Position, (P) — Lending Pool

## Other Information

Note 1: Zhao Huxiang, Zhang Jianwei, Tao Suyun, Li Jianzhang, Yang Yuntao and Liu Jinghua are directors or employees of 中國外運長航集團有限公司 (whose former name is China National Foreign Trade Transportation (Group) Corporation) which is the controlling shareholder of the Company.

Note 2: This includes 201,852,000 Shares held by Deutsche Post Beteiligungen GmbH (“Deutsche GmbH”) and 35,616,000 Shares held by DHL EXEL Supply Chain (Hong Kong) Limited. Deutsche GmbH and DHL EXEL Supply Chain (Hong Kong) Limited are both 100% held by Deutsche Post AG.

Note 3: These Shares are directly held by The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation.

Note 4: This includes 129,138,252 Shares held by JPMorgan Chase Bank, N.A., and 427,000 Shares held by J.P. Morgan Whitefriars Inc.. JPMorgan Chase Bank, N.A. and J.P. Morgan Whitefriars Inc. are both 100% held by JP Morgan Chase & Co.

Save as disclosed above, based on the register maintained by the Company as required under section 336 of the Securities and Futures Ordinance, as at 30 June 2009, so far as was known to the directors of the Company, there were no other person (other than a director or supervisor) who had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

### **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

There was no purchase, sale or redemption of the listed securities of the Company by any members of the Group during the six months ended 30 June 2009.

### **SIGNIFICANT RELATED PARTY TRANSACTIONS**

The significant related party transactions undertaken by the Group during the six months ended 30 June 2009 are set out in Note 24 to the unaudited condensed consolidated interim financial information.

### **CORPORATE GOVERNANCE**

#### **Compliance with the Code on Corporate Governance Practices**

The Company is committed to high standards of corporate governance and has adopted the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) issued by The Stock Exchange of Hong Kong Limited as the code of corporate governance practices of the Company. The Company has complied with all the code provisions in effect as set out in the Code throughout the six months period ended 30 June 2009.

## Other Information

### Board of Directors

As at 30 June 2009, the board of directors of the Company comprised of 10 directors. The members were as follows:

Chairman:	Mr. Zhao Huxiang
Executive directors:	Mr. Zhao Huxiang, Mr. Zhang Jianwei, Ms. Tao Suyun, Mr. Li Jianzhang
Non-executive directors:	Mr. Yang Yuntao, Ms. Liu Jinghua, Mr. Jerry Hsu
Independent non-executive directors:	Mr. Sun Shuyi, Mr. Lu Zhengfei, Mr. Miao Yuexin

\* The Company's non-executive director Peter Landsiedel resigned on 1 May 2009.

\* Mok, Chi Ming Victor was appointed as non-executive director of the company on 29 July 2009.

### Audit Committee

The principal functions of the audit committee include the appointment of external auditors, review and supervision of the Group's financial reporting process and internal controls as well as offering advice and recommendations to the Board of Directors. The current committee members are Mr. Sun Shuyi, Mr. Lu Zhengfei, Mr. Miao Yuexin and Ms. Liu Jinghua, with Mr. Sun Shuyi acting as the chairman of the audit committee.

The unaudited condensed consolidated interim financial information as contained in this announcement has been reviewed by the audit committee.

### Remuneration Committee

The principal functions of the remuneration committee include reviewing the remuneration policies of the Company, assessing the performance of the directors and senior management of the Company and determining policies in respect to their remuneration packages. The current committee members are Mr. Lu Zhengfei, Mr. Sun Shuyi, Mr. Miao Yuexin and Ms. Tao Suyun, with Mr. Lu Zhengfei acting as the chairman of the remuneration committee.

### Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conducting securities transactions by Company's directors.

The directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the period from 1 January to 30 June 2009.