



# SINOTRANS LIMITED

Stock Code: 598

Interim Report 2007



Capitalizing on Market Opportunity  
And Realizing Our Long Term Vision

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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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**HONG KONG SHARE REGISTRAR:**

Computershare Hong Kong Investor  
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

Shenzhen Development Bank  
158 Fuxingmennei Street  
Xicheng District  
Beijing 100031  
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  
20th Floor  
Alexandra House  
Chater Road  
Central  
Hong Kong

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	For the six months ended 30 June	
		2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
<b>Continuing operations</b>			
Turnover	3	17,694,578	14,781,121
Other income		47,950	61,132
		<b>17,742,528</b>	14,842,253
Business tax and other surcharges		(149,959)	(141,259)
Transportation and related charges		(14,229,978)	(11,462,208)
Staff costs		(1,034,476)	(906,536)
Depreciation and amortisation		(175,586)	(158,603)
Repairs and maintenance		(62,425)	(57,377)
Fuel		(359,979)	(432,555)
Travel and promotional expenses		(164,520)	(142,064)
Office and communications expenses		(108,011)	(85,625)
Rental expenses		(600,965)	(772,059)
Other operating expenses		(218,708)	(193,417)
Operating profit	4	637,921	490,550
Finance (expenses)/ income, net	5	(8,846)	24,847
		<b>629,075</b>	515,397
Share of profit of associates		6,541	8,380
Profit before taxation		635,616	523,777
Taxation	6	(180,913)	(183,377)
Profit for the period from continuing operations		<b>454,703</b>	340,400
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	17	70,663	73,547
<b>Profit for the period</b>		<b>525,366</b>	413,947



## Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	For the six months ended 30 June	
		2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Attributable to:			
Equity holders of the Company		394,587	321,369
Minority interests		130,779	92,578
		525,366	413,947
Declared interim dividend	7(b)	(127,470)	(127,470)
Earnings per share for continuing operations, basic and diluted	8	RMB0.080	RMB0.063
Earnings per share for discontinued operations, basic and diluted	8	RMB0.013	RMB0.013

The notes on pages 10 to 44 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 2007

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

	Note	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	9	<b>3,301,757</b>	3,042,292
Prepayments for acquisition of land use rights		<b>372,907</b>	277,907
Investment property		<b>11,994</b>	—
Land use rights		<b>767,726</b>	630,927
Intangible assets		<b>82,732</b>	89,076
Investments in associates		<b>208,743</b>	202,093
Held-to-maturity financial assets	10	<b>60,924</b>	62,470
Available-for-sale financial assets		<b>783,200</b>	412,000
Other non-current assets		<b>109,426</b>	95,732
Deferred tax assets		<b>205,619</b>	243,213
		<b>5,905,028</b>	5,055,710
Current assets			
Prepayments, deposits and other current assets		<b>461,435</b>	400,492
Inventories		<b>25,409</b>	29,577
Trade and other receivables	11	<b>6,381,592</b>	5,179,997
Financial assets at fair value through profit or loss		<b>529</b>	344
Restricted cash		<b>41,351</b>	36,336
Term deposits with initial terms of over three months		<b>774,114</b>	870,449
Cash and cash equivalents		<b>4,106,163</b>	4,370,968
		<b>11,790,593</b>	10,888,163
Non-current assets classified as held for sale	17	<b>9,024</b>	9,024
<b>Total assets</b>		<b>17,704,645</b>	15,952,897

## Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

### UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 JUNE 2007

	Note	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital		4,249,002	4,249,002
Reserves		3,597,751	3,176,191
Dividend declared/proposed		127,470	84,980
Equity holders' equity		<b>7,974,223</b>	7,510,173
Minority interests		<b>1,818,295</b>	1,709,280
Total equity		<b>9,792,518</b>	9,219,453
Non-current liabilities			
Borrowings	13	4,500	9,000
Deferred tax liabilities		163,947	142,904
Provisions	14	108,905	128,252
Other liabilities		10,586	10,220
		<b>287,938</b>	290,376
Current liabilities			
Trade payables	12	4,611,648	3,971,768
Other payables, accruals and other current liabilities		718,828	532,954
Receipts in advance from customers		1,066,747	747,974
Deferred income arising from discontinued operations	17	213,726	316,329
Current tax liabilities		242,983	243,551
Borrowings	13	247,122	103,233
Salary and welfare payable		523,135	527,259
		<b>7,624,189</b>	6,443,068
Total liabilities		<b>7,912,127</b>	6,733,444
Total equity and liabilities		<b>17,704,645</b>	15,952,897

The notes on pages 10 to 44 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 2007

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	For the six months ended 30 June	
		2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
<b>Continuing operations</b>			
Net cash inflow from operating activities		376,964	349,600
Net cash used in investing activities	18(a)	(514,593)	(843,982)
Net cash used in financing activities	18(b)	(127,176)	(245,510)
Net decrease in cash and cash equivalents		(264,805)	(739,892)
<b>Discontinued operations</b>			
Net cash inflow from operating activities		—	45,537
Net increase in cash and cash equivalents		—	45,537
<b>Total net decrease in cash and cash equivalents</b>		<b>(264,805)</b>	<b>(694,355)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>4,370,968</b>	<b>5,130,115</b>
<b>Cash and cash equivalents at 30 June</b>		<b>4,106,163</b>	<b>4,435,760</b>

The notes on pages 10 to 44 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 2007

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	For the six months ended 30 June 2007 (Unaudited)						
	Attributable to equity holders of the Company						
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Retained earnings	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2007	4,249,002	1,070,945	396,852	85,107	1,708,267	1,709,280	9,219,453
Fair value gain on available-for-sale financial assets, net of taxation	—	—	—	186,222	—	107,218	293,440
Reversal of deferred tax assets arising from revaluation surplus deductible for income tax purposes (Note 6)	—	(31,779)	—	—	—	—	(31,779)
Net income/(expenses) recognised directly in equity	—	(31,779)	—	186,222	—	107,218	261,661
Profit for the period	—	—	—	—	394,587	130,779	525,366
Total recognised income/(expenses) for the period	—	(31,779)	—	186,222	394,587	237,997	787,027
2006 final dividend	—	—	—	—	(84,980)	—	(84,980)
Dividends declared to minority shareholders	—	—	—	—	—	(134,798)	(134,798)
Contribution from minority interests	—	—	—	—	—	5,816	5,816
Transfer to statutory reserves (Note 7(a))	—	—	38,738	—	(38,738)	—	—
As at 30 June 2007	4,249,002	1,039,166	435,590	271,329	1,979,136	1,818,295	9,792,518
Representing:							
Share capital and reserves	4,249,002	1,039,166	435,590	271,329	1,851,666	1,818,295	9,665,048
2007 declared interim dividend (Note 7(b))	—	—	—	—	127,470	—	127,470
As at 30 June 2007	4,249,002	1,039,166	435,590	271,329	1,979,136	1,818,295	9,792,518

The notes on pages 10 to 44 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 2007

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	For the six months ended 30 June 2006 (Unaudited)						
	Attributable to equity holders of the Company						
	Share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Retained earnings	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2006	4,249,002	1,295,248	225,503	112,751	1,437,004	1,193,478	8,512,986
Profit for the period	—	—	—	—	321,369	92,578	413,947
2005 final dividend	—	—	—	—	(161,462)	—	(161,462)
Acquisition of subsidiaries	—	—	—	—	—	21,465	21,465
Dividends declared to minority shareholders	—	—	—	—	—	(63,164)	(63,164)
Transfer to statutory reserves (Note 7(a))	—	—	142,408	(112,751)	(29,657)	—	—
As at 30 June 2006	4,249,002	1,295,248	367,911	—	1,567,254	1,244,357	8,723,772
Representing:							
Share capital and reserves	4,249,002	1,295,248	367,911	—	1,439,784	1,244,357	8,596,302
2006 declared interim dividend	—	—	—	—	127,470	—	127,470
As at 30 June 2006	4,249,002	1,295,248	367,911	—	1,567,254	1,244,357	8,723,772

The notes on pages 10 to 44 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 2007

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. GROUP REORGANISATION AND PRINCIPAL ACTIVITIES

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"). The initial registered capital of the Company is RMB2,624,087,200, consisting of 2,624,087,200 shares of par value of RMB1.00 per share. The Company and its subsidiaries are hereinafter referred to as the "Group".

In February 2003, the Company completed its global initial public offering ("Global offering"). 1,787,406,000 H shares were offered to the public which comprise 1,624,915,000 new shares issued by the Company and 162,491,000 shares offered by Sinotrans Group Company. As a result, the issued share capital of the Company increased from 2,624,087,200 shares to 4,249,002,200 shares, comprising 2,461,596,200 domestic shares and 1,787,406,000 H shares, representing 57.9% and 42.1% of the issued capital respectively.

The principal activities of the Group include freight forwarding, shipping agency, express services, marine transportation, storage and terminal services, trucking and other services.

This unaudited condensed consolidated interim financial information was approved by the Board of Directors for issue on 28 August 2007.

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information should be read in conjunction with the 2006 annual financial statements.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006. The following new standard, amendment to standard and interpretations are mandatory for financial year ending 31 December 2007 and applicable to the Group:

- Amendment to IAS 1, 'Presentation of Financial Statements — Capital Disclosures', effective for annual periods beginning on or after 1 January 2007. The Group will apply the amendment to IAS 1 in the annual financial statements for the year ending 31 December 2007;
- IFRS 7, 'Financial Instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. The Group will apply IFRS 7 in the annual financial statements for the year ending 31 December 2007; and
- IFRIC Interpretation 10, 'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006. The interpretation has no material impact to the Group.

# Unaudited Condensed Consolidated Interim Financial Information

*For the six months ended 30 June 2007*

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following new interpretations are mandatory for financial year ending 31 December 2007 but not relevant to the Group:

- IFRIC Interpretation 7, 'Applying the Restatement Approach under IFRS 29', effective for annual periods beginning on or after 1 March 2006;
- IFRIC Interpretation 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006; and
- IFRIC Interpretation 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006.

The following new standards and interpretations have been issued but are not effective for 2007 and have not been early adopted. The Group is assessing the impact of these standards and interpretations to the Group's operations:

- IFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009;
- Revised IAS 23, 'Borrowing Costs', effective for annual periods beginning on or after 1 January 2009;
- IFRIC Interpretation 11, 'IFRS 2 — Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007;
- IFRIC Interpretation 12, 'Service Concession Arrangements', effective for annual periods beginning on or after 1 January 2008;
- IFRIC Interpretation 13, 'Customer Loyalty Programmes', effective for annual periods beginning on or after 1 July 2008; and
- IFRIC Interpretation 14, 'IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction', effective for annual periods beginning on or after 1 January 2008.





# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 3. TURNOVER AND SEGMENT INFORMATION (Continued)

### (a) Primary reporting format — business segments (Continued)

Other segment information is as follows:

	For the six months ended 30 June 2007 (Unaudited)								
	Freight forwarding	Shipping agency	Express services	Marine transportation	Storage and terminal services	Other	Discontinued operations	Unallocated	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other information									
Capital expenditure	250,918	949	78,172	7,675	275,248	32,489	—	3,003	648,454
Depreciation	53,305	4,985	37,164	8,687	36,754	17,279	—	7,540	165,714
Amortisation	908	—	3,037	—	—	—	—	5,927	9,872
Provision for/(reversal of) impairment loss of receivables and bad debts written off	7,241	(571)	1,339	1,017	143	60	(2,966)	—	6,263

	For the six months ended 30 June 2006 (Unaudited)								
	Freight forwarding	Shipping agency	Express services	Marine transportation	Storage and terminal services	Other	Discontinued operations	Unallocated	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other information									
Capital expenditure	157,143	6,554	80,113	4,864	181,166	70,559	—	12,219	512,618
Depreciation	55,135	4,805	39,344	2,893	34,519	6,940	—	7,118	150,754
Amortisation	792	—	2,610	—	—	—	—	4,447	7,849
Reversal of impairment loss on property, plant and equipment	(308)	—	—	—	—	—	—	—	(308)
Provision for/(reversal of) impairment loss of receivables and bad debts written off	6,224	1,211	63	158	(1,125)	802	(15,579)	—	(8,246)





## Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

### 3. TURNOVER AND SEGMENT INFORMATION (Continued)

#### (a) Primary reporting format — business segments (Continued)

	As at 31 December 2006 (Audited)							
	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Other RMB'000	Inter-segment elimination RMB'000	Group RMB'000
<b>Assets</b>								
Segment assets	7,448,603	1,277,642	2,602,441	1,232,291	2,003,028	397,948	(805,886)	14,156,067
Investments in associates								202,093
Non-current assets classified as held for sale (Note 17)								9,024
Available-for-sale financial assets								412,000
Unallocated assets								1,173,713
<b>Total assets</b>								<b>15,952,897</b>
<b>Liabilities</b>								
Segment liabilities	3,855,672	860,049	963,198	1,026,742	291,842	108,033	(805,886)	6,299,650
Unallocated liabilities								433,794
<b>Total liabilities</b>								<b>6,733,444</b>

#### (b) Secondary reporting format — geographical segments

The Group's businesses operate in four main geographical areas within the PRC:

- (i) Northern China — Including core strategic locations in Liaoning, Tianjin as well as the operations of Sinotrans Air Transportation Development Co., Ltd. ("Sinoair"), a subsidiary of the Company, in Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and Henan.
- (ii) Eastern China — Including core strategic locations in Jiangsu, Shanghai, Zhejiang, Fujian and Shandong, as well as the operations of Sinoair in Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong.
- (iii) Southern China — Including core strategic locations in Guangdong and Hubei, as well as the operations of Sinoair in Hubei, Hunan, Guangdong, Guangxi, Hainan, Guizhou and Yunnan.
- (iv) Other locations — Including primarily the air freight forwarding and express services operated by Sinoair and certain jointly controlled entities of the Group in locations other than the above.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 3. TURNOVER AND SEGMENT INFORMATION (Continued)

### (b) Secondary reporting format — geographical segments (Continued)

	For the six months ended 30 June 2007 (Unaudited)				
	Turnover — external RMB'000	Turnover — inter- segment RMB'000	Total turnover RMB'000	Segment results RMB'000	Capital expenditure RMB'000
<b>Continuing operations</b>					
Northern China	2,932,405	9,572	2,941,977	50,577	135,486
Eastern China	12,360,706	63,579	12,424,285	439,974	198,983
Southern China	2,198,796	16,166	2,214,962	223,335	183,676
Other locations	202,671	10	202,681	(1,029)	130,309
Inter-segment elimination	—	(89,327)	(89,327)	—	—
	<b>17,694,578</b>	<b>—</b>	<b>17,694,578</b>	<b>712,857</b>	<b>648,454</b>
Unallocated costs				(74,936)	
Operating profit				<b>637,921</b>	
<b>Discontinued operations</b>					
Northern China	—	—	—	773	
Eastern China	—	—	—	871	
Southern China	—	—	—	267	
Other locations	—	—	—	1,055	
	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,966</b>	
Unallocated costs				—	
Operating profit (Note 17)				<b>2,966</b>	

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 3. TURNOVER AND SEGMENT INFORMATION (Continued)

### (b) Secondary reporting format — geographical segments (Continued)

	For the six months ended 30 June 2006 (Unaudited)				
	Turnover — external RMB'000	Turnover — inter- segment RMB'000	Total turnover RMB'000	Segment results RMB'000	Capital expenditure RMB'000
<b>Continuing operations</b>					
Northern China	1,725,949	5,104	1,731,053	33,976	90,150
Eastern China	10,706,625	46,894	10,753,519	304,723	259,286
Southern China	2,134,671	16,539	2,151,210	199,185	148,520
Other locations	213,876	—	213,876	(2,150)	14,662
Inter-segment elimination	—	(68,537)	(68,537)	—	—
	14,781,121	—	14,781,121	535,734	512,618
Unallocated costs				(45,184)	
Operating profit				490,550	
<b>Discontinued operations</b>					
Northern China	—	—	—	819	
Eastern China	—	—	—	13,004	
Southern China	—	—	—	1,756	
	—	—	—	15,579	
Unallocated costs				—	
Operating profit (Note 17)				15,579	

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 3. TURNOVER AND SEGMENT INFORMATION (Continued)

### (b) Secondary reporting format — geographical segments (Continued)

The segment assets as at 30 June 2007 and 31 December 2006 are as follows:

	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
Northern China	<b>4,132,611</b>	3,805,404
Eastern China	<b>8,634,568</b>	7,992,609
Southern China	<b>2,375,930</b>	2,108,485
Other locations	<b>568,617</b>	361,164
Inter-segment elimination	<b>(95,837)</b>	(111,595)
	<b>15,615,889</b>	14,156,067
Investments in associates	<b>208,743</b>	202,093
Non-current assets classified as held for sale (Note 17)	<b>9,024</b>	9,024
Available-for-sale financial assets	<b>783,200</b>	412,000
Unallocated assets	<b>1,087,789</b>	1,173,713
Total assets	<b>17,704,645</b>	15,952,897

## Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

### 4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
<b>Crediting</b>		
Rental income from		
— land and buildings	11,187	8,761
— plant and machinery	133	845
Gain on disposal of property, plant and equipment	1,268	9,478
<b>Charging</b>		
Depreciation		
— owned property, plant and equipment	160,100	146,394
— owned property, plant and equipment leased out under operating leases	5,614	4,360
Loss on disposal of property, plant and equipment	3,509	4,544
Provision for impairment of receivables and bad debts written off	9,229	7,333
Operating leases		
— land use rights	9,531	4,951
— buildings	109,378	94,774
— plant and equipment	482,056	672,334
Amortisation of intangible assets	9,872	7,849

### 5. FINANCE (EXPENSES)/ INCOME, NET

	For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Interest income on bank balances	40,011	42,058
Interest expenses on bank loans	(6,217)	(2,590)
Exchange losses, net	(37,876)	(10,059)
Bank charges	(4,764)	(4,562)
	<b>(8,846)</b>	24,847

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 6. TAXATION

Taxation in the unaudited condensed consolidated income statement represents:

	For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
PRC income tax		
— current	188,946	209,030
— deferred	3,759	(3,623)
	<b>192,705</b>	205,407
Representing:		
PRC income tax from continuing operations	180,913	183,377
PRC income tax from discontinued operations	11,792	22,030

No provision for Hong Kong profits tax has been made as there were no estimated Hong Kong assessable profits for the six-month periods ended 30 June 2007 and 30 June 2006.

Taxation has been provided on the tax laws and regulations applicable to the PRC enterprises.

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.

The provision for PRC current income tax is based on the statutory rate of 33% (2006: 33%) 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 30% (2006: 0% to 30%) based on the relevant PRC tax laws and regulations.

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

Deferred 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 tax is 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 International Financial Reporting Standards ("IFRS"), a deferred tax asset of approximately RMB221,678,000 was recognised and credited into capital reserve in 2003. Such deferred tax asset is charged to taxation 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 2007

## 6. TAXATION (Continued)

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008. As a result of the new CIT Law, the carrying value of deferred tax assets has been written down by RMB31,779,000 and deferred tax liabilities has been decreased by RMB15,040,000, respectively, in the six-month period ended 30 June 2007.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Group will reassess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

## 7. 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 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 2007, approximately RMB38,738,000 (corresponding period in 2006: RMB29,657,000), representing 10% of profit after taxation (corresponding period in 2006: 10%) respectively determined under the PRC accounting standards, have been appropriated to the statutory surplus reserve fund.

In accordance with the Articles of Association of the Company, retained earnings available for distribution by the Company will be deemed to be the lower of the amounts determined in accordance with the PRC accounting standards and the amount determined in accordance with IFRS. As at 30 June 2007, the amount of retained earnings available for distribution was approximately RMB1,370,728,000 (30 June 2006: RMB1,336,307,000), being the amount determined in accordance with the PRC accounting standards.

### (b) Dividend

At the Board of Directors' meeting held on 28 August 2007, the directors declared an interim dividend of RMB0.03 per ordinary share for the six months ended 30 June 2007. The total dividend declared is approximately RMB127,470,000 for 4,249,002,200 shares, being the number of ordinary shares issued and outstanding on 30 June 2007. This declared dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 8. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit by the number of ordinary shares in issue during the six months periods ended 30 June 2007 and 30 June 2006.

	For the six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
<b>Continuing operations</b>		
Profit attributable to equity holders of the Company (RMB '000)	341,215	265,182
Number of ordinary shares in issue (Thousands)	4,249,002	4,249,002
Basic and diluted earnings per share	RMB0.080	RMB0.063
<b>Discontinued operations</b>		
Profit attributable to equity holders of the Company (RMB '000)	53,372	56,187
Number of ordinary shares in issue (Thousands)	4,249,002	4,249,002
Basic and diluted earnings per share	RMB0.013	RMB0.013

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 2007

## 9. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June 2007 (Unaudited)								Total RMB'000
	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	
<b>Cost</b>									
At beginning of the period	1,572,802	121,744	252,056	23,847	952,827	960,476	550,092	250,708	4,684,552
Additions	5,095	2,396	1,708	1,065	50,429	39,639	26,354	278,866	405,552
Acquisition of a jointly controlled entity	55	—	—	—	—	—	—	37,913	37,968
Disposals	(5,185)	(446)	—	(113)	(10,110)	(31,879)	(16,326)	—	(64,059)
Transfer upon completion	128,411	3,452	8,115	—	49,473	48,410	8,146	(246,007)	—
Transfer to investment property	(14,643)	—	—	—	—	—	—	—	(14,643)
At end of the period	1,686,535	127,146	261,879	24,799	1,042,619	1,016,646	568,266	321,480	5,049,370
<b>Accumulated depreciation and impairment losses</b>									
At beginning of the period	(299,030)	(67,861)	(73,223)	(20,598)	(342,747)	(511,395)	(327,406)	—	(1,642,260)
Depreciation for the period	(29,295)	(6,052)	(7,691)	(655)	(42,809)	(42,723)	(36,489)	—	(165,714)
Disposals	4,022	82	—	24	9,092	28,880	15,721	—	57,821
Transfer to investment property	2,540	—	—	—	—	—	—	—	2,540
At end of the period	(321,763)	(73,831)	(80,914)	(21,229)	(376,464)	(525,238)	(348,174)	—	(1,747,613)
<b>Net book value</b>									
At end of the period	1,364,772	53,315	180,965	3,570	666,155	491,408	220,092	321,480	3,301,757
At beginning of the period	1,273,772	53,883	178,833	3,249	610,080	449,081	222,686	250,708	3,042,292

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 9. PROPERTY, PLANT AND EQUIPMENT (Continued)

For the six months ended 30 June 2006 (Unaudited) (Note 24)

	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
<b>Cost</b>									
At beginning of the period	1,196,215	102,286	148,652	23,027	741,966	849,228	487,078	346,102	3,894,554
Additions	43,748	5,662	516	606	72,905	32,979	38,228	141,313	335,957
Acquisition of subsidiaries and a jointly controlled entity	42,411	—	—	—	5,669	3,300	733	24,216	76,329
Disposals	(4,765)	—	—	—	(15,344)	(32,558)	(10,272)	—	(62,939)
Transfer upon completion	161,465	—	49,878	—	54,927	12,242	2,721	(281,233)	—
At end of the period	1,439,074	107,948	199,046	23,633	860,123	865,191	518,488	230,398	4,243,901
<b>Accumulated depreciation and impairment losses</b>									
At beginning of the period	(243,859)	(52,427)	(56,929)	(19,261)	(262,064)	(456,717)	(277,595)	—	(1,368,852)
Depreciation for the period	(23,101)	(11,414)	(6,834)	(712)	(31,771)	(44,168)	(32,754)	—	(150,754)
Disposals	3,615	—	—	—	14,306	26,758	9,002	—	53,681
Reversal of impairment losses for the period	—	—	—	—	—	308	—	—	308
At end of the period	(263,345)	(63,841)	(63,763)	(19,973)	(279,529)	(473,819)	(301,347)	—	(1,465,617)
<b>Net book value</b>									
At end of the period	1,175,729	44,107	135,283	3,660	580,594	391,372	217,141	230,398	2,778,284
At beginning of the period	952,356	49,859	91,723	3,766	479,902	392,511	209,483	346,102	2,525,702

## 10. HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity financial assets as at 30 June 2007 represented term deposits denominated in the US dollar at a bank with maturity of 10 years from 2004. The interest rates are variable with reference to US dollar London InterBank Offered Rate and the weighted average effective annual interest rate as at 30 June 2007 was nil (31 December 2006: nil). The bank has early repayment options under the deposit agreements. The derivatives embedded in these deposits are not separately accounted for because their risks and characteristics are considered to be closely related to the deposits.



# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 11. TRADE AND OTHER RECEIVABLES

	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
Trade receivables, net	<b>5,776,959</b>	4,710,283
Bills receivable	<b>47,732</b>	63,328
Other receivables, net	<b>264,689</b>	240,074
Due from related parties	<b>292,212</b>	166,312
	<b>6,381,592</b>	5,179,997

The carrying amounts of the Group's trade and other receivables approximate their fair values, and are denominated in the following currencies:

	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
RMB	<b>4,250,273</b>	3,453,393
US\$	<b>2,060,962</b>	1,640,228
HK\$	<b>65,849</b>	83,172
Others	<b>4,508</b>	3,204
	<b>6,381,592</b>	5,179,997

	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
Trade receivables	<b>5,861,142</b>	4,786,535
Less: Provision for impairment of receivables	<b>(84,183)</b>	(76,252)
Trade receivables, net	<b>5,776,959</b>	4,710,283

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 11. TRADE AND OTHER RECEIVABLES (Continued)

As at 30 June 2007 and 31 December 2006, the aging analysis of trade receivables is as follows:

	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
Within 6 months	5,682,237	4,644,212
Between 6 and 12 months	97,646	72,975
Between 1 and 2 years	37,909	38,902
Between 2 and 3 years	25,153	15,111
Over 3 years	18,197	15,335
	<b>5,861,142</b>	4,786,535

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.

	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
Other receivables	272,684	248,939
Less: Provision for impairment of receivables	(7,995)	(8,865)
Other receivables, net	<b>264,689</b>	240,074

## 12. TRADE PAYABLES

The carrying amounts of the Group's trade payables approximate their fair values and are denominated in the following currencies:

	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
RMB	3,172,465	2,870,942
US\$	1,357,534	1,018,432
HK\$	74,233	71,865
Others	7,416	10,529
	<b>4,611,648</b>	3,971,768

## Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

### 12. TRADE PAYABLES (Continued)

The normal credit period for trade payables generally ranges from 1 to 3 months. Aging analysis of trade payables at the respective balance sheet dates is as follows:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Within 6 months	4,198,612	3,633,420
Between 6 and 12 months	213,346	139,766
Between 1 and 2 years	101,699	92,612
Between 2 and 3 years	35,287	50,940
Over 3 years	62,704	55,030
	<b>4,611,648</b>	<b>3,971,768</b>

### 13. BORROWINGS

(a) Borrowings represent bank borrowings which are analysed as follows:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Current:		
Bank borrowings denominated in RMB	62,151	90,323
Bank borrowings denominated in US\$	180,471	6,910
Current portion of non-current borrowings denominated in RMB	4,500	6,000
	<b>247,122</b>	<b>103,233</b>
Non-current:		
Bank borrowings denominated in RMB	4,500	9,000
Total borrowings	<b>251,622</b>	<b>112,233</b>
Borrowings:		
Unsecured	141,286	31,923
Secured and guaranteed	110,336	80,310
	<b>251,622</b>	<b>112,233</b>

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 13. BORROWINGS (Continued)

**(a) Borrowings represent bank borrowings which 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	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
At beginning of the period	112,233	80,895
Acquisition of jointly controlled entities	—	39,600
Proceeds from loans	447,821	98,770
Repayments of borrowings	(308,432)	(120,152)
At end of the period	251,622	99,113

**(b) The non-current bank borrowings as at 30 June 2007 were repayable as follows:**

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
1-2 years	4,500	9,000

**(c)** The weighted average effective annual interest rates of the borrowings as at 30 June 2007 were 5.65% (31 December 2006: 5.25%) for bank borrowings denominated in RMB and 5.95% (31 December 2006: 6.15%) for bank borrowings denominated in US\$.

**(d) Securities and guarantees**

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Cash and cash equivalents pledged	4,750	—
Net book value of property, plant and equipment pledged	128,754	180,784
Net book value of land use rights pledged	18,575	11,651
Guarantees provided by companies within the Group	46,885	5,000
Guarantees provided by third parties	1,600	—
Corresponding borrowings	110,336	80,310

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 14. PROVISIONS

	<b>One-off cash housing subsidies</b>	<b>Guarantees</b>	<b>Outstanding claims</b>	<b>Onerous contracts</b>	<b>Foreseeable losses</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2007	36,024	8,178	20,955	54,919	8,176	128,252
Additional provision	—	—	9,170	—	—	9,170
Utilised during the period	(2,063)	—	(1,191)	(17,087)	(8,176)	(28,517)
<b>As at 30 June 2007</b>	<b>33,961</b>	<b>8,178</b>	<b>28,934</b>	<b>37,832</b>	<b>—</b>	<b>108,905</b>
As at 1 January 2006	43,720	8,178	7,740	—	—	59,638
Additional provision	—	—	18,940	—	—	18,940
Utilised during the period	(907)	—	—	—	—	(907)
<b>As at 30 June 2006</b>	<b>42,813</b>	<b>8,178</b>	<b>26,680</b>	<b>—</b>	<b>—</b>	<b>77,671</b>

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.

## 15. 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 balance sheet date, the Company has granted SAR to a total of 5 directors, 1 supervisor and 124 senior employees of the Group. The directors and the supervisor have received 2,740,000 SAR (31 December 2006: 2,740,000 SAR). 124 senior employees of the Group have received 25,030,000 SAR (31 December 2006: 25,030,000 SAR).

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 15. CASH-SETTLED SHARE-BASED PAYMENT (Continued)

Information on outstanding SAR is summarised as follows:

### (a) Determination of fair values

	Date of grant	Expiry date	Exercise price in HK\$ per share	30 June 2007 (Thousands)	31 December 2006 (Thousands)
Tranche I	20 January 2003 (Note (i))	20 January 2013	2.19	23,710	23,710
Tranche II	24 June 2003 (Note (ii))	24 June 2013	2.18	4,060	4,060
				27,770	27,770

(i) The fair value of SAR granted under Tranche I as at 30 June 2007 determined using the Black-Scholes valuation model was HK\$1.69 (31 December 2006: HK\$0.93). The significant inputs into the model were share price of HK\$3.70 as at 30 June 2007 (31 December 2006: HK\$2.81), exercise price shown above, expected life of SAR of 2.78 years (2006: 3.03 years), expected dividend rate of 1.82% (2006: 2.56%) and risk-free interest rate of 4.43% (2006: 3.60%). 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 2007 determined using the Black-Scholes valuation model was HK\$1.72 (31 December 2006: HK\$0.95). The significant inputs into the model were share price of HK\$3.70 as at 30 June 2007 (31 December 2006: HK\$2.81), exercise price shown above, expected life of SAR of 2.99 years (2006: 3.24 years), expected dividend rate of 1.82% (2006: 2.56%) and risk-free interest rate of 4.45% (2006: 3.61%). The expected volatility is estimated based on historical daily share price of the Company.

### (b) Movements in the number of SAR outstanding and their related weighted average exercise prices.

	2007		2006	
	Average exercise price in HK\$ per share	Number of SAR (Thousands)	Average exercise price in HK\$ per share	Number of SAR (Thousands)
At 1 January	2.19	27,770	2.19	27,770
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Lapsed	—	—	—	—
At 30 June	2.19	27,770	2.19	27,770

Out of the 27,770,000 outstanding SAR (30 June 2006: 27,770,000 SAR), 27,770,000 SAR (30 June 2006: 27,770,000 SAR) were exercisable. No SAR has been exercised since the date of grant.



## Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

### 15. CASH-SETTLED SHARE-BASED PAYMENT (Continued)

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

	For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Staff costs charged/(credited)	19,818	(10,847)
	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Salary and welfare payable	45,827	26,009

The intrinsic value of SAR vested at 30 June 2007 is HK\$1.51 per share (31 December 2006: HK\$0.62 per share) for Tranche I and HK\$1.53 per share (31 December 2006: HK\$0.63 per share) for Tranche II respectively.

### 16. ADDITIONAL FINANCIAL INFORMATION ON BALANCE SHEET

As at 30 June 2007, the net current assets of the Group amounted to RMB4,166,404,000 (31 December 2006: RMB4,445,095,000), and the total assets less current liabilities of the Group were approximately RMB10,080,456,000 (31 December 2006: RMB9,509,829,000).

### 17. DISCONTINUED OPERATIONS

A distinguishable component of the Group's express services business has been conducted by the Group through an agreement for international express package delivery services with UPS World Forwarding Inc. ("UPS") and its affiliates, as well as the operation of a jointly controlled entity with UPS (collectively referred to as "UPS Express Business"). On 1 December 2004 and 12 January 2006, the Group entered into a framework agreement and a transition services agreement, respectively, with UPS to transfer the UPS Express Business to UPS over a period until 31 December 2007. The base consideration for this business transfer is US\$100,000,000, subject to certain adjustments depending primarily on the achievement of certain revenue targets of the UPS Express Business and fulfillment of the Group's performance obligations during the transition period. Moreover, additional consideration may be payable by UPS depending on the timing of completion of transfer of identified locations and whether certain property and equipment are to be acquired by UPS. The base consideration covers the following:

- Agreement by the Group not to permit or cause the customers of UPS Express Business to terminate or materially reduce its business with UPS, as well as other locations of UPS Express Business operated by the Group for a period until 31 December 2007;
- Transfer of customer lists and the Group's interest in the jointly controlled entity with UPS to UPS;
- Provision by the Group of customer data transition, regulatory assistance, non-solicitation of employees and employment services to facilitate the transition of the UPS Express Business to UPS;
- Transfer of locations and other assets and rights related to the UPS Express Business to UPS.

The above-mentioned UPS Express Business was conducted by a non wholly-owned subsidiary, Sinoair, as well as certain wholly-owned subsidiaries of the Company. Accordingly, the Company and Sinoair entered into an agreement on 21 December 2004 which provides for the payment of US\$12,090,000 from the above-mentioned base consideration of US\$100,000,000 to those wholly-owned subsidiaries of the Company which have conducted the UPS Express Business. Sinoair will keep the remaining amount.

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 17. DISCONTINUED OPERATIONS (Continued)

In 2005, the Group transferred all the initially identified locations and customer lists to UPS and began to provide related and transition services to UPS. In accordance with the terms of framework agreement, the Group has received US\$50,000,000 as the initial and progress payments out of the total base consideration of US\$100,000,000. In 2006, the Group has received another US\$42,903,000 out of the base consideration. In addition, the Group has received US\$20,497,000 as part of an additional consideration based on the timing of the completion of transfer of the identified locations.

The income from the transfer of business and provision of related and transition services is recognised when the transfer is substantially completed and the services are provided during the transition period based on the estimated fair value of the business and services.

The Group has also estimated an adjustment to the base consideration in the determination of the income from transfer of business and provision of related and transition services. The adjustment is in respect of the uncertainties surrounding the achievement of certain revenue targets and other potential claims under the framework agreement.

An analysis of the profit for the period from discontinued operations is as follows:

	Note	For the six months ended 30 June	
		2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
<b>Discontinued operations</b>			
<b>Income statement</b>			
Turnover		—	—
Reversal of provision for impairment of receivables		2,966	15,579
Operating profit		2,966	15,579
Profit before taxation	3(b)	2,966	15,579
Taxation		(564)	(3,106)
		2,402	12,473
Income from transfer of business and provision of related and transition services		102,603	107,644
Expenses occurred		(23,114)	(27,646)
Tax thereon		(11,228)	(18,924)
After-tax income from transfer of business and provision of related and transition services		68,261	61,074
Profit for the period from discontinued operations	3(a)	70,663	73,547

## Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

### 17. DISCONTINUED OPERATIONS (Continued)

		<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
<b>Balance sheet</b>			
Non-current assets classified as held for sale	<i>3(a)</i>	<b>9,024</b>	9,024
Deferred income arising from discontinued operations		<b>213,726</b>	316,329

### 18. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(a) Major investing activities:

	<b>For the six months ended 30 June</b>	
	<b>2007 RMB'000 (Unaudited)</b>	2006 RMB'000 (Unaudited)
Decrease/ (increase) in term deposits with initial terms of over three months	<b>96,335</b>	(399,675)
Interest income received	<b>39,517</b>	42,058
Net cash inflow/ (outflow) in acquisition of subsidiaries and jointly controlled entities	<b>25,350</b>	(18,706)
Proceeds from disposal of property, plant and equipment	<b>3,997</b>	14,192
Purchase of property, plant and equipment	<b>(384,532)</b>	(303,845)
Prepayments for acquisition of land use rights	<b>(105,382)</b>	(105,532)
Purchase of land use rights	<b>(103,713)</b>	(47,185)
Increase in other non-current assets	<b>(82,529)</b>	(12,754)
Purchase of intangible assets	<b>(3,528)</b>	(9,283)

(b) Major financing activities:

	<b>For the six months ended 30 June</b>	
	<b>2007 RMB'000 (Unaudited)</b>	2006 RMB'000 (Unaudited)
New bank borrowings	<b>447,821</b>	98,770
Repayments of bank borrowings	<b>(308,432)</b>	(120,152)
Dividends to minority shareholders of subsidiaries	<b>(133,502)</b>	(63,164)
Payment of dividends	<b>(133,864)</b>	(161,462)

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 18. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Continued)

### (c) Acquisition of subsidiaries and jointly controlled entities

For the six months ended 30 June 2007

On 31 January 2007, the Group acquired a 50% equity interest in Chengdu Bonded Logistics Investment Company Limited for a cash consideration of RMB50,000,000 which had been prepaid in 2006. The acquisition of this jointly controlled entity is accounted for by the purchase method of accounting.

The acquired business contributed turnover of RMB128,000 and loss of RMB837,000 to the Group for the period from 31 January 2007 to 30 June 2007. If the acquisition had occurred on 1 January 2007, the Group's turnover would have been RMB17,694,578,000 and profit for the period would have been RMB525,220,000. Details of the assets and liabilities acquired are as follows:

	Fair value RMB'000 (Unaudited)	Acquiree's carrying amount RMB'000 (Unaudited)
Assets/liabilities acquired (at 50% interest)		
Property, plant and equipment	37,968	37,968
Land use rights	22,141	21,960
Cash and cash equivalents	25,350	25,350
Other assets	582	582
Other payables	(35,910)	(35,910)
Other liabilities	(23)	(23)
Net identifiable assets acquired	50,108	49,927
Fair value of net identifiable assets acquired	50,108	
Goodwill on acquisition	(108)	
Purchase consideration — cash paid	50,000	
The goodwill is attributable to the synergies expected to arise after the acquisition.		
Net cash inflow in respect of the acquisition is analysed as follows:		
Cash and cash equivalents in the jointly controlled entity acquired (Note(a))	25,350	
Cash inflow on acquisition	25,350	

Note (a) The consideration of RMB50,000,000 was paid in 2006.

## Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

### 18. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) *Acquisition of subsidiaries and jointly controlled entities (Continued)*

For the six months ended 30 June 2006

In 2006, the Group acquired certain equity interests in two companies for a total cash consideration of RMB34,734,000. The acquisitions were accounted for by the purchase method of accounting. Details of the companies acquired are as follows:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration RMB'000
Man Shun Shipping Company Limited	25 January 2006	100%	32,433
Sinotrans Foshan Warehouse and Terminal Company Limited	28 February 2006	For additional 7.08%	2,301

The acquired business totally contributed turnover of RMB9,780,000 and profit after taxation of RMB2,079,000 to the Group for the period from respective acquisition dates to 30 June 2006. If the acquisitions had occurred on 1 January 2006, the Group's turnover would have been RMB14,782,920,000 and profit for the period would have been RMB414,185,000. Details of the assets and liabilities acquired are as follows:

	Fair value RMB'000 (Unaudited)	Acquiree's carrying amount RMB'000 (Unaudited)
Total assets	32,654	19,246
Total liabilities	(5,838)	(3,530)
Net identifiable assets acquired	26,816	15,716
Fair value of net identifiable assets acquired	26,816	
Goodwill on acquisition	7,918	
Total purchase consideration — cash paid	34,734	

The goodwill is attributable to the synergies expected to arise after the acquisitions.

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

Cash and cash equivalents in the subsidiaries acquired and obtained	524
Cash paid	(28,234)
Cash outflow on acquisition	(27,710)

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 18. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Continued)

### (c) Acquisition of subsidiaries and jointly controlled entities (Continued)

For the six months ended 30 June 2006 (Continued)

Moreover, on 1 January 2006, the Group via a wholly-owned subsidiary, Sinotrans Eastern Company Limited, has obtained control of Shanghai Sinotrans Chemical International Logistics Company Limited ("Shanghai Chemical") as a result of the changes to the composition of its board of directors. The Group is now represented by 6 out of 9 directors on the board of Shanghai Chemical (2005: 5 out of 8 directors). Accordingly, the Group has the power to govern the financial and operating policies of Shanghai Chemical as the Group has more than two-thirds of the voting rights on the board of Shanghai Chemical.

Effective from 1 January 2006, the Group has accounted for Shanghai Chemical as a 40%-owned consolidated subsidiary (previously a 40%-owned jointly controlled entity accounted for by proportionate consolidation).

## 19. 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 14. 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 2007, such lawsuits amounted to approximately RMB15,798,000 (31 December 2006: RMB20,645,000).

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 20. CAPITAL COMMITMENTS

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

	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
Authorised and contracted for but not provided for	<b>335,960</b>	620,784
Authorised but not contracted for	<b>1,036,104</b>	515,546
	<b>1,372,064</b>	1,136,330

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

	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
Acquisition of property, plant and equipment	<b>313,246</b>	349,579
Construction commitments	<b>597,927</b>	285,861
Investments in subsidiaries and jointly controlled entities	<b>460,891</b>	500,890
	<b>1,372,064</b>	1,136,330

## 21. 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:

	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
Land and buildings		
— not later than one year	<b>118,724</b>	126,500
— later than one year but not later than five years	<b>174,299</b>	185,364
— later than five years	<b>151,786</b>	162,097
Vessels, containers and other property, plant and equipment		
— not later than one year	<b>832,140</b>	801,167
— later than one year but not later than five years	<b>1,302,323</b>	1,584,612
— later than five years	<b>4,873</b>	22,733
	<b>2,584,145</b>	2,882,473

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 21. OPERATING LEASE COMMITMENTS (Continued)

### (b) The Group as lessor

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

	<b>30 June 2007 RMB'000 (Unaudited)</b>	31 December 2006 RMB'000 (Audited)
Land and buildings		
— not later than one year	<b>13,013</b>	11,066
— later than one year but not later than five years	<b>10,258</b>	10,165
— later than five years	<b>5,507</b>	6,526
Vessels, containers and other property, plant and equipment		
— not later than one year	<b>101,238</b>	123,181
— later than one year but not later than five years	<b>21,630</b>	64,014
	<b>151,646</b>	214,952

## 22. SIGNIFICANT RELATED PARTY TRANSACTIONS

On 26 January 2006, the Group renewed the business service agreement signed on 14 January 2003 with Sinotrans Group Company. The business service agreement regulates the provision of transportation and logistics services and ancillary services by members of our Group to Sinotrans Group Company (including its subsidiaries and associates) and vice versa. The business service agreement contemplates that the relevant members of the Group and Sinotrans Group Company (including its subsidiaries and associates) 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.

The business service agreement also provides for the following:

- Leasing of certain vessels by the Group; and
- Leasing of certain containers by the Group

In addition, on 26 January 2006, the Group entered into a master lease agreement providing for the leasing of certain office premises, warehouses, container yards/freight stations and other properties for a term of 3 years.



## Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

### 22. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

A portion of the Group's business activities is conducted with other 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 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 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 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 condensed consolidated interim financial information, the following is a summary of 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	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
<b>Transactions with Sinotrans Group Company and fellow subsidiaries</b>		
<i>Revenue</i>		
Revenue from provision of services	<b>222,695</b>	239,141
<i>Expenses</i>		
Service fees	<b>(90,263)</b>	(84,018)
Rental expenses for office buildings	<b>(23,322)</b>	(18,647)
Rental expenses for containers	<b>(22,452)</b>	(24,215)
Rental expenses for vessels	<b>(67,065)</b>	(38,341)

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 22. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

In addition to the above, the SinoTrans Group Company has assumed the Group's obligations to make benefits payments to certain of the Group's former employees and retirees and agreed to bear any further one-off cash housing subsidies in excess of the amount of RMB74,560,000 provided for in the financial statements of the Group at the time of the Reorganisation (Note 14).

	For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
<b>Transactions with associates of the Group</b>		
<i>Revenue</i>		
Revenue from provision of services	27,621	840
<i>Expenses</i>		
Service fees	(50,621)	(476)
<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	51,524	54,176
<i>Expenses</i>		
Service fees	(26,636)	(27,440)

As at 30 June 2007, the Group provided RMB24,000,000 guarantees for certain jointly controlled entities (31 December 2006: RMB27,000,000). In addition, in the ordinary course of business, Sinoair has issued various performance and liability guarantees of unspecified amounts to the General Administration of Civil Aviation of China for the benefit of certain jointly controlled entities to enable those entities to obtain the required air freight forwarding operating licenses.

	For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
<b>Transactions with other state-owned enterprises</b>		
<i>Revenue</i>		
Revenue from provision of services	132,663	177,994
Interest income from bank deposits	39,013	40,845
<i>Expenses</i>		
Service fees	(441,182)	(371,157)

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 22. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (b) Balances with related parties

As at 30 June 2007 and 31 December 2006, balances with related parties comprised:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
<b>Balances with Sinotrans Group Company and fellow subsidiaries</b>		
Trade and other receivables	107,314	75,803
Provision for impairment of receivables	(62)	(170)
Prepayment, deposit, and other current assets	5,402	4,564
Trade payables	(69,865)	(59,587)
Other payables, accruals and other current liabilities	(179,916)	(138,042)
Receipt in advance from customers	(31,579)	(14,663)
<b>Balances with jointly controlled entities</b>		
Trade and other receivables	137,569	40,554
Provision for impairment of receivables	(689)	(40)
Prepayment, deposit, and other current assets	751	696
Trade payables	(6,863)	(3,607)
Other payables, accruals and other current liabilities	(609)	(3,091)
Receipt in advance from customers	(134)	(188)
<b>Balances with associates of the Group</b>		
Trade and other receivables	20,127	6,309
Provision for impairment of receivables	(4)	(3)
Trade payables	(14,776)	(15,824)
Receipt in advance from customers	(30)	(44)
<b>Balances with other state-owned enterprises</b>		
Held-to-maturity financial assets	60,924	62,470
Restricted cash	41,351	36,336
Term deposits with initial terms of over three months	651,188	660,201
Cash and cash equivalents	4,003,772	4,050,499
Trade and other receivables	31,097	48,200
Provision for impairment of receivables	(3,140)	(4,341)
Prepayments, deposits and other current assets	4,303	12,949
Trade payables	(50,157)	(51,025)
Other payables, accruals and other current liabilities	(1,402)	(1,213)
Receipt in advance from customers	(15,356)	(12,750)

The credit period of the trade receivables due from related parties generally ranges from 1 to 6 months. The normal credit period for trade payable and amounts due to related parties generally ranges from 1 to 3 months. Other receivables from related parties are generally unsecured, non-interest bearing and repayable on demand. The amounts due to related parties are generally unsecured, non-interest bearing and have no fixed repayment terms. For the six months ended 30 June 2007, the expenses reversed in respect of bad or doubtful debts due from related parties were approximately RMB659,000 (corresponding period in 2006: recognised RMB3,624,000).

# Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

## 22. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

	For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Transactions with other state-owned enterprises	78,002	41,226

### (d) Loans

	For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
<b>Loans from state-owned banks</b>		
At beginning of the period	112,233	78,495
Acquisition of a subsidiary	—	39,600
Proceeds from loans	446,227	98,770
Repayment of loans	(308,229)	(117,752)
At end of the period	250,231	99,113
Interest charged	6,217	2,590
Interest paid	(5,724)	(2,590)

The weighted average effective interest rate of the borrowings was 5.61% per annum as at 30 June 2007 (corresponding period in 2006: 5.51% per annum).

### (e) Key management personnel compensation

	For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Basic salaries, housing allowances and other allowances and benefits in kind	1,610	1,623
Discretionary bonuses	1,444	1,233
Change of fair value on SAR	3,368	(1,781)
Contributions to pension plans	122	90



## Unaudited Condensed Consolidated Interim Financial Information

*For the six months ended 30 June 2007*

### **23. SUBSEQUENT EVENTS**

- (a) On 19 September 2006, Sinoair entered into an agreement with Korean Airline Company Limited, Hana Capital Company Limited and Shinhan Capital Company Limited to set up a new company named Grandstar Cargo International Airlines Company Limited ("Grandstar"), whose operating business mainly comprises air cargo transportation and related services. Such agreement was approved by General Administration of Civil Aviation of China on 25 July 2007. In accordance with the terms of the agreement, Sinoair will pay a cash consideration of US\$33 million for 51% equity interests in Grandstar.
- (b) At the Board of Directors' meeting held on 28 August 2007, the directors declared an interim dividend of RMB0.03 per ordinary share for the six months ended 30 June 2007.

### **24. RECLASSIFICATION OF COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

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

### REVIEW OF OPERATING RESULTS

The overall macroeconomic environment of the PRC in the first half of the year has been favorable. As compared with the corresponding period last year, gross domestic product increased by 11.5%, foreign import and export increased by 23.3%, of which foreign export increased by 27.6%, and containers throughput of scaled ports increased by 24.1%.

Grasping the historical opportunity of the rapid economic development of the PRC and the increasingly active logistics and transportation market, the Group strengthened the effort in resources integration, expanded the service networks, developed new services and products, and innovated the conventional business model. At the same time, by reinforcing the administration in various aspects of investment, finance, sales and human resources, the Group stepped up the innovation in business administration.

For the six months ended 30 June 2007, as compared with the corresponding period last year, the number of containers handled in sea freight forwarding services increased by 26.5%; the business volume handled by air freight forwarding services decreased by 4.7%; the business volume handled by continuing express services increased by 15.9%; the number of containers handled in shipping agency business increased by 23.5%; the shipping volume by marine transportation increased by 7.2%; the number of containers handled in terminal throughput increased by 27.3%, the business volume of containers handled by warehouses increased by 27.6% and the number of containers handled in trucking business increased by 7.8%.

For the six months ended 30 June 2007, the Group achieved turnover of approximately RMB17,694.6 million, representing an increase of 19.7% as compared with the corresponding period in 2006. Profit attributable to equity holders of the Company amounted to RMB394.6 million, representing an increase of 22.8% as compared to the corresponding period in 2006. Earnings per share was RMB0.093 (corresponding period in 2006: RMB0.076).

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

### OPERATING STATISTICS

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

	For the six months ended	
	30 June	
	2007	2006
Freight forwarding		
Sea freight forwarding		
Bulk cargo (in millions of tonnes)	2.6	3.8
Container cargo (in ten thousands of TEUs)	310	245
Air freight forwarding (in millions of kilograms)	181.2	190.2
Rail freight forwarding		
Bulk cargo (in millions of tonnes)	0.2	0.3
Container cargo (in ten thousands of TEUs)	2.3	1.6
Road freight forwarding		
Bulk cargo (in millions of tonnes)	0.07	0.04
Container cargo (in ten thousands of TEUs)	1.6	1.4
Express services		
Continuing operations packages (in millions of units)	8.39	7.24
Shipping agency		
Net registered tonnes (in millions of tonnes)	230.0	191.1
Vessel calls (number of times per vessel)	35,452	32,017
Containers (in millions of TEUs)	5.72	4.63
Storage and terminal services		
Warehouse operating volume		
Bulk cargo (in millions of tonnes)	4.8	4.0
Containers (in millions of TEUs)	3.7	2.9
Terminal throughput		
Bulk cargo (in millions of tonnes)	1.6	1.3
Containers (in ten thousands of TEUs)	124.9	98.1
Marine transportation		
TEUs (units)	784,512	731,715
Other services		
Trucking of bulk cargo (in ten thousands of tonnes)	133.4	50.2
Trucking of containers (in ten thousands of TEUs)	45.5	42.2

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

The table below sets out the unaudited turnover (in million RMB) from continuing operations of 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)			
	2007		2006	
Freight forwarding	<b>13,753.7</b>	<b>76.3%</b>	10,715.0	71.1%
Express services	<b>1,583.7</b>	<b>8.8%</b>	1,446.2	9.6%
Shipping agency	<b>314.3</b>	<b>1.7%</b>	299.0	2.0%
Marine transportation	<b>1,354.8</b>	<b>7.5%</b>	1,803.6	12.0%
Storage and terminal services	<b>665.2</b>	<b>3.7%</b>	536.4	3.6%
Other services	<b>362.1</b>	<b>2.0%</b>	268.2	1.7%

The table below sets forth the segment results (in million RMB) of the continuing operations of the major business segments of the Group and the comparative figures for the corresponding period in 2006. The result of each segment is defined as the turnover of such segment less its direct operating expenses and such figures have not yet deducted the unallocated cost.

	For the six months ended 30 June (Unaudited)	
	2007	2006
Freight forwarding	<b>263.7</b>	207.3
Express services	<b>204.5</b>	212.4
Shipping agency	<b>155.2</b>	131.2
Marine transportation	<b>(77.4)</b>	(138.9)
Storage and terminal services	<b>157.1</b>	114.0
Other services	<b>9.7</b>	9.7



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

## COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

### Continuing Operations

#### *Turnover*

For the six months ended 30 June 2007, the Group's turnover amounted to RMB17,694.6 million, up by 19.7% from RMB14,781.1 million for the corresponding period in 2006, and among which, revenue from freight forwarding increased 28.4%, while revenue from storage and terminal business increased by 24%. The increase was primarily attributable to the Group's vigorous efforts in restructuring business resources and developing new products, centralising marketing activities and developing service networks, as well as taking advantages of economies of scale achieved through proactive market development strategies.

#### *Freight forwarding*

For the six months ended 30 June 2007, turnover from our freight forwarding services amounted to RMB13,753.7 million, grew by 28.4% from RMB10,715.0 million for the corresponding period in 2006.

Turnover from freight forwarding mainly comprised of revenues from containers sea freight forwarding services and air freight forwarding services. The number of containers handled in sea freight forwarding services increased by 26.5% to 3.10 million TEUs in the first half of 2007 from 2.45 million TEUs in the first half of 2006; while the amount of cargo handled by air freight forwarding services declined by 4.7% to 181,200 tonnes in the first half of 2007 from 190,200 tonnes in the first half of 2006.

Revenue growth in freight forwarding in the first half of 2007 was primarily driven by the Group's ability to maintain a relatively fast business development pace through greater effort in marketing during the time of economic growth.

#### *Express Services*

For the six months ended 30 June 2007, turnover for the Group's continuing operations from express services reached RMB1,583.7 million, representing a 9.5% increase from RMB1,446.2 million for the corresponding period in 2006.

For the first half of 2007, the number of documents and parcels handled through the Group's continuing operations of express services was 8.39 million units, a surge of 15.9% from the 7.24 million units handled in the corresponding period in 2006.

Such growth was mainly attributable to the Group's reinforcement of marketability and the expansion of service network, resulting in a sustainable stable growth of business in an active economy.

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

### *Shipping Agency*

For the six months ended 30 June 2007, turnover from the Group's shipping agency reached RMB314.3 million, representing a 5.1% increase from RMB299.0 million for the corresponding period in 2006.

For the first half of 2007, number of containers handled in shipping agency business of the Group was 5.72 million TEUs, representing an increase of 23.5% from 4.63 million TEUs for the corresponding period in 2006. Net registered tonnage of vessels handled by the shipping agency services reached 230.0 million tonnes, a 20.4% increase from 191.10 million tonnes for the corresponding period in 2006. Number of vessel calls managed also grew 10.7% to 35,452, compared with 32,017 for the corresponding period in 2006.

The increase in turnover and business volume was mainly attributable to our active expansion of markets, unified marketing activities, as well as the Group's increasing strategic partnership with shipping companies, gearing up the growth of business volume in this segment.

### *Storage and Terminal Services*

For the six months ended 30 June 2007, the turnover from storage and terminal services amounted to RMB665.2 million, representing a 24% increase from RMB536.4 million for the corresponding period in 2006.

For the first half of 2007, the Group's warehouses handled 4.80 million tonnes of bulk cargo, representing a 20.0% increase from 4.00 million tonnes for the corresponding period in 2006; containers handled grew to 3.70 million TEUs from 2.90 million TEUs for the corresponding period in 2006, an increase of 27.6%; containers handled in terminals grew to 1.249 million TEUs from 0.981 million TEUs for the corresponding period in 2006, an increase of 27.3%. The volume of bulk cargo handled at terminals grew to 1.60 million tonnes from 1.30 million tonnes for the corresponding period in 2006, an increase of 23.1%.

Turnover and business volume growth of storage and terminal services was mainly attributable to the increased investment in business, enhancement of overall operating capability through the addition and extension of some container yards, terminals and logistic warehouses by the Group.

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

### *Marine Transportation*

For the six months ended 30 June 2007, turnover from marine transportation was RMB1,354.8 million, dropped 24.9% from RMB1,803.6 million for the corresponding period in 2006.

For the first half in 2007, number of containers shipped by the Group rose to 784,512 TEUs, up by 7.2% from 731,715 TEUs for the corresponding period in 2006.

Business volume growth and decrease in income were mainly attributable to the Group's adjustment on capacity structure and increment in investment in its capacity in short-distance route while reducing the same in long-distance route accordingly.

### *Other Services*

Turnover from other services (mainly from trucking services) for the six months ended 30 June 2007 amounted to RMB362.1 million, soared by 35.0% from RMB268.2 million for the corresponding period in 2006.

The bulk cargo trucking volume of the Group in the first half of 2007 was 1.334 million tonnes, edged up 165.7% from 0.502 million tonnes in the corresponding period of 2006. Volume of containers recorded 0.455 million TEUs, surged 7.8% from 0.422 million TEUs. Such growth was mainly attributable to the rapid growth of trucking services and the increase of capacity.

### *Transportation and Related Charges*

For the six months ended 30 June 2007, transportation and related charges grew by 24.1% to RMB14,230.0 million, compared with RMB11,462.2 million for the corresponding period in 2006. Such increase was mainly attributed to the growth in business volume.

### *Depreciation and Amortisation*

Depreciation and amortisation amounted to RMB175.5 million for the six months ended 30 June 2007, representing an increase of 10.7% from RMB158.6 million for the corresponding period in 2006, primarily as a result of increases in the Group's property, plant and equipment due to network and business expansion.

### *Operating Costs (excluding transportation and related charges, depreciation and amortisation)*

The Group's operating costs (excluding transportation and related charges, depreciation and amortisation) were RMB2,549.1 million for the six months ended 30 June 2007, a 1.6% decrease from RMB2,589.6 million for the corresponding period in 2006.

The decrease in operating costs (excluding transportation and related charges, depreciation and amortisation) was primarily due to declining rental expenses and fuel expenses.

Decrease in rental expenses was mainly attributable to the drop in vessel call rental resulting from the Group's adjustments on the scale of marine transportation. The fuel expenses in the first half of 2007 reduced by 16.8% compared with the corresponding period in last year due to such decrease in vessels chartered in marine transportation business.

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

### *Operating Profit*

For the six months ended 30 June 2007, the Group's operating profit was RMB637.9 million, representing an increase of 30% from RMB490.6 million for the corresponding period in 2006. For the six months ended 30 June 2007, operating profit as a percentage of total revenue increased to 3.6% from 3.3% for the corresponding period in 2006. For the six months ended 30 June 2007, operating profit as a percentage of net revenue (total revenue less transportation and related charges) increased to 18.2% from 14.5% for the six months ended 30 June 2006, primarily as a result of the increase in the Group's profit in storage and terminal services and freight forwarding business together with the decrease in loss in marine transportation business.

### *Taxation*

For the six months ended 30 June 2007, taxation of the Group amounted to RMB180.9 million, representing a decrease of 1.4% from RMB183.4 million for the corresponding period in 2006. Taxation as a percentage of profit before taxation decreased to 28.5% from 35.0% for the six months ended 30 June 2006.

### *Discontinued Operations*

Revenue of discontinued operations of the Group (UPS related express business) for the six months ended 30 June 2007 was nil (corresponding period in 2006: nil). Operating profit was RMB2.97 million (corresponding period of 2006: RMB15.58 million), representing a decrease of 80.9%. Income from transferring the UPS related express business and the provision of related and transition services for the six months ended 30 June 2007 was RMB102.60 million (corresponding period in 2006: RMB107.64 million).

### **MINORITY INTERESTS**

Minority interests for the six months ended 30 June 2007 amounted to RMB130.80 million, up by 41.3% from RMB92.60 million for the corresponding period in 2006, which was primarily attributable to the increase in minority shareholdings as a result of the share reform of Sinoair, a non-wholly owned subsidiary held by the Group and the increase in profit of Sinoair for the period.

### **PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

Profit after taxation from the Group's continuing operations for the six months ended 30 June 2007 amounted to RMB454.7 million, representing an increase of 33.6% from RMB340.4 million for the same period in 2006.

Profit after taxation from the Group's discontinued operations for the six months ended 30 June 2007 amounted to RMB70.7 million, representing a decrease of 3.9% from RMB73.5 million for the same period in 2006.

The Group's profit attributable to equity holders of the Company for the six months ended 30 June 2007 amounted to RMB394.6 million, representing an increase of 22.8% from RMB321.3 million for the same period in 2006.

## 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:

	For the six months ended 30 June	
	2007 RMB in millions (unaudited)	2006 RMB in millions (unaudited)
<b>Continuing Operations</b>		
Net cash inflow from operating activities	377.0	349.6
Net cash used in investing activities	(514.6)	(844.0)
Net cash used in financing activities	(127.2)	(245.5)
Net decrease in cash and cash equivalents	(264.8)	(739.9)
<b>Discontinued Operations</b>		
Net cash inflow from operating activities	—	45.5
Net increase in cash and cash equivalents	—	45.5
<b>Net decrease in cash and cash equivalents</b>	<b>(264.8)</b>	<b>(694.4)</b>
<b>Cash and cash equivalents at the end of period</b>	<b>4,106.2</b>	<b>4,435.8</b>

### Operating Activities

For the six months ended 30 June 2007, net cash from operating activities amounted to RMB377.0 million, which represented an increase of 7.8% as compared to RMB349.6 million for the corresponding period in 2006. Such increase was mainly a result of the profit attributable to the Company's shareholders, which amounted to RMB341.2 million for the six months ended 30 June 2007 (corresponding period in 2006: RMB265.2 million), and increases of RMB639.9 million in trade payables and RMB318.8 million in receipts in advance from customers for the six months ended 30 June 2007 (corresponding period in 2006: increases of RMB351.0 million and RMB115.6 million respectively), partially offset by an increase of RMB1.2 billion in trade receivables for the six months ended 30 June 2007 (corresponding period in 2006: an increase of RMB401.4 million).

For the six months ended 30 June 2007, the average age of trade receivables was 59 days, as compared to 61 days for the corresponding period in 2006.

### Investing Activities

For the six months ended 30 June 2007, net cash used in investing activities amounted to RMB514.6 million, which mainly comprised of net cash outflows of RMB384.5 million for the addition of properties and equipment, and RMB212.6 million for the acquisition of land use rights and intangible assets. For the six months ended 30 June 2006, net cash used in investing activities amounted to RMB844.0 million, mainly comprising net cash outflows of RMB303.8 million for the addition of properties and equipment, RMB399.7 million in relation to term deposits over three months, RMB162.0 million for the acquisition of land use rights and intangible assets, and RMB25.3 million for the acquisition of subsidiaries, jointly controlled entities and associated companies.

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

### Financing Activities

For the six months ended 30 June 2007, net cash used in financing activities amounted to RMB127.2 million, as compared to the net cash outflow of RMB245.5 million from financing activities for the corresponding period in 2006. For the six months ended 30 June 2007, net cash used in financing activities mainly comprised the repayment of bank borrowings of RMB308.4 million (corresponding period in 2006: RMB120.2 million) and dividend payment of RMB267.4 million (corresponding period in 2006: RMB224.6 million), partially offset by new bank borrowings of RMB447.8 million (corresponding period in 2006: RMB98.8 million).

### Capital Expenditure

For the six months ended 30 June 2007, the Group's capital expenditure amounted to RMB648.5 million, consisting of RMB416.9 million for the addition of fixed assets and RMB231.6 million for the acquisition of intangible assets and land use rights, of which RMB506.7 million was used for the renovation and construction of terminals, warehouses, logistics centers and container yards, RMB90.1 million for the purchase of vehicles, vessels, machineries and equipment, and RMB29.9 million for IT investments and refurbishment and purchase of office equipment.

### CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2007, the Group's contingent liabilities mainly comprised RMB15.8 million in relation to outstanding lawsuits. As at 30 June 2007, the Group provided RMB24.0 million guarantees for certain jointly controlled entities.

### GEARING RATIO

As at 30 June 2007, the gearing ratio of the Group was 55.0% (as at 31 December 2006: 52.9%), which was calculated by dividing the sum of liabilities and minority interests by total assets of the Group as at 30 June 2007.

### 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, held-to-maturity financial assets, restricted deposits and deposits with original maturity over three months. As at 30 June 2007 and 31 December 2006, the maximum exposure to credit risk in the event that other parties failed to perform their obligation under these financial instruments was approximately RMB7.2585 billion and RMB6.1495 billion respectively. Furthermore, the Group made certain prepayments, prepaid expenses and deposits on behalf of its customers, the aggregate of which amounted to RMB461.4 million and RMB400.5 million as at 30 June 2007 and 31 December 2006 respectively.

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

### EMPLOYEES

As of 30 June 2007, the number of employees of the Group was 20,000. Details of employees' remuneration, remuneration policies and staff development were substantially the same as those disclosed in the 2006 Annual Report and without significant changes.

### OUTLOOK AND PROSPECTS

The overall outlook for the second half of the year remains favorable to our future development. In general, the accelerating market demand for transportation and logistics services in the PRC has created numerous business opportunities. However, competition in each of the sea, land and air logistic segments is gradually increasing. As such, the Group is presented with both challenges and opportunities.

To face these challenges, the Group will continue its efforts in optimising resources allocation by promoting integration of business resources, extending our services chain and improving the quality of operation by reinforcing the integration and optimization of our traditional core businesses, enhancing our market competitiveness by increasing our investments in core operational assets and the professional areas such as projects, engineering and exhibitions and expanding our source of profit, as well as strengthening market development, expanding market share and actively promoting the resources consolidation of the PRC's logistics and transportation sector.

The Group believes that by leveraging on its strong capability and resources, adhering to and improving the established development strategies, as well as grasping the opportunities arising from the rapid economic growth of the PRC economy, its businesses will sustain a stable and healthy development and maximize the return for shareholders.

### **Zhao Huxiang**

*Chairman*

Beijing, 28 August 2007

## Interim Dividend

The Board has declared an interim dividend of RMB0.03 per share for the six month ended 30 June 2007. Shareholders at the annual general meeting of the Company for the year 2006 authorised the directors of the Company to decide on matters relating to the declaration, payment and recommendation of the interim dividends for the year 2007.

It is expected that the interim dividend will be paid on or before Wednesday, 14 November 2007 to shareholders whose names appear on the register of members on Thursday, 25 October 2007. The register of members of the Company will be closed from Tuesday, 25 September 2007 to Thursday, 25 October 2007 (both days inclusive), during which no transfers will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Monday, 24 September 2007, for registration.

Pursuant to the articles of association of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi, while dividends payable to the holders of H shares will be paid in Hong Kong dollars. The exchange rate for the dividends to be paid in Hong Kong dollars is the mean of the average exchange rate of Renminbi to Hong Kong dollars published by the People's Bank of China during the calendar week (21 August 2007 to 27 August 2007) prior to the date of declaration of the dividend. During the period, the average exchange rate of Renminbi to Hong Kong dollar was HK\$1.00 = RMB0.970843. Accordingly, the amount of interim dividend for each H share of the Company is HK\$0.030901.





## 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 2007, none of the directors, 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 2007 was as follows:

<b>Nature of shares</b>	<b>Number of shares</b>	<b>% of total issued share capital</b>
Domestic Shares	2,461,596,200	57.93%
H Shares	1,787,406,000	42.07%

## Other Information

### 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 2007, 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 Interest	Short Position	Class of Shares	Percentage of the Company's Total Issued Share Capital	Percentage of the Company's Issued H Share Capital
China National Foreign Trade Transportation (Group) Corporation	2,461,596,200(L)	—	Domestic	57.93%	—
Deutsche Post AG	237,468,000(L)	—	H shares	5.59%	13.30%
Templeton Investment Counsel, LLC	107,656,000(L)	—	H shares	2.53%	6.02%
DWS Invest SICAV	97,932,000(L)	—	H shares	2.30%	5.48%
Oppenheimer Developing Markets Fund	91,900,000(L)	—	H shares	2.16%	5.14%
Government of Singapore Investment Corporation Pte Ltd	89,841,000(L)	—	H shares	2.11%	5.03%

(L) — Long Position

(S) — Short Position

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 2007, 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.

## Other Information

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

There was no purchase, sale or redemption of the securities of the Company by any members of the Group during the six months ended 30 June 2007.

### **SIGNIFICANT RELATED PARTY TRANSACTIONS**

The significant related party transactions undertaken by the Group during the six months ended 30 June 2007 are set out in Note 22 to the unaudited condensed consolidated interim financial information.

### **ACQUISITIONS AND DISPOSALS**

On 31 January 2007, the Group acquired a 50% equity interest in ChengDu Bonded Logistic Investment Company Limited for a cash consideration of RMB50,000,000. Save as disclosed above, there were no material acquisitions and disposals of subsidiaries or jointly controlled entities or associated companies of the Group for the six months ended 30 June 2007.

### **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") as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange of Hong Kong Limited as the code of Corporate Governance Practices of listed companies. 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 2007 except for the deviations as mentioned in the section "Report on Corporate Governance" contained in the Company's annual report for the period ended 31 December 2006

## Other Information

### Board of directors

As at 30 June 2007, the board of directors of the Company comprised of 11 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, Mr. Peter Landsiedel
Independent non-executive directors:	Mr. Sun Shuyi, Mr. Lu Zhengfei, Mr. Miao Yuexin

\* The Company's non-executive director Ken Torok resigned on 29 June 2007.

### 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 interim report 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.



## Other Information

### **Model Code for Securities Transactions by Directors**

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 2007.

### **MAJOR SUBSEQUENT EVENTS**

Details of major subsequent events are set out in Note 23 to the unaudited condensed consolidated interim financial information.