



SINOTRANS LIMITED



ONE STOP | NEVER STOP

INTERIM REPORT 2008

Stock Code : 598



Contents

| | |
|----|--|
| 2 | Corporate Information |
| 3 | Unaudited Condensed Consolidated Interim Financial Information |
| 54 | Management Discussion and Analysis of Results of Operations and Financial Position |
| 66 | Interim Dividend |
| 67 | Other Information |

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
Tel: (86) 10 6229-6667
Fax: (86) 10 6229-6600
Email: ir@sinotrans.com
website: www.sinotrans.com

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

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

AUDITORS:

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

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

LEGAL ADVISERS:

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

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

| | Note | For the six months ended 30 June | |
|--|------|-------------------------------------|--|
| | | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| Continuing operations | | | |
| Revenue | 3 | 20,783,154 | 18,262,688 |
| Other income | | 187,432 | 123,296 |
| Business tax and other surcharges | | (166,383) | (157,244) |
| Transportation and related charges | | (16,822,877) | (14,619,762) |
| Staff costs | | (1,224,694) | (1,082,265) |
| Depreciation and amortisation | | (221,134) | (196,738) |
| Repairs and maintenance | | (76,768) | (68,835) |
| Fuel | | (490,477) | (399,013) |
| Travel and promotional expenses | | (170,896) | (171,125) |
| Office and communication expenses | | (120,864) | (113,502) |
| Rental expenses | | (715,487) | (676,180) |
| Other operating expenses | | (261,633) | (237,728) |
| Operating profit | 4 | 699,373 | 663,592 |
| Gain on disposal of a jointly controlled entity | 17 | 514,070 | — |
| | | 1,213,443 | 663,592 |
| Finance costs, net | 5 | (4,549) | (9,583) |
| | | 1,208,894 | 654,009 |
| Share of profit of associates | | 29,586 | 20,251 |
| Profit before income tax | | 1,238,480 | 674,260 |
| Income tax expense | 6 | (339,328) | (187,243) |
| Profit for the period from continuing operations | | 899,152 | 487,017 |
| Discontinued operations | | | |
| Profit for the period from discontinued operations | | — | 70,663 |
| Profit for the period | | 899,152 | 557,680 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

| | Note | For the six months ended 30 June | |
|--|------|-------------------------------------|--|
| | | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| Attributable to: | | | |
| Equity holders of the Company | | 684,816 | 429,312 |
| Minority interests | | 214,336 | 128,368 |
| | | 899,152 | 557,680 |
| Declared interim dividend | 7(b) | (127,470) | (127,470) |
| Earnings per share for continuing operations attributable to the equity holders of the Company, basic and diluted | 8 | RMB0.161 | RMB0.088 |
| Earnings per share for discontinued operations attributable to the equity holders of the Company, basic and diluted | 8 | — | RMB0.013 |

The notes on pages 10 to 53 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 2008

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

| | Note | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|---|-------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Land use rights | | 1,042,272 | 1,005,341 |
| Prepayments for acquisition of land use rights | | 310,245 | 317,471 |
| Property, plant and equipment | 9 | 4,937,085 | 4,331,384 |
| Investments in associates | 16 | 928,671 | 478,837 |
| Prepaid consideration for acquisition | 16 | — | 550,000 |
| Intangible assets | | 87,840 | 86,476 |
| Available-for-sale financial assets | 10 | 718,654 | 2,210,600 |
| Deferred income tax assets | | 185,537 | 182,849 |
| Held-to-maturity financial assets | | — | 58,437 |
| Other non-current assets | | 56,575 | 58,873 |
| Total non-current assets | | 8,266,879 | 9,280,268 |
| Current assets | | | |
| Prepayments, deposits and other current assets | | 592,772 | 582,511 |
| Inventories | | 37,820 | 31,250 |
| Trade and other receivables | 11 | 6,727,028 | 6,412,031 |
| Financial assets at fair value through profit or loss | | 416 | 1,257 |
| Restricted cash | 13(d) | 1,137,631 | 296,115 |
| Term deposits with initial terms of over three months | | 709,014 | 420,326 |
| Cash and cash equivalents | | 4,671,198 | 4,432,894 |
| Total current assets | | 13,875,879 | 12,176,384 |
| Total assets | | 22,142,758 | 21,456,652 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2008

| | Note | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|---|------|---|---|
| EQUITY | | | |
| Capital and reserves attributable to the equity holders of the Company | | | |
| Share capital | | 4,249,002 | 4,249,002 |
| Reserves | | 4,025,704 | 4,957,699 |
| Dividend declared/proposed | 7(b) | 127,470 | 127,470 |
| | | 8,402,176 | 9,334,171 |
| Minority interests | | 1,898,715 | 2,282,286 |
| Total equity | | 10,300,891 | 11,616,457 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 13 | 35,364 | 42,420 |
| Deferred income tax liabilities | | 251,601 | 506,323 |
| Provisions | 14 | 87,010 | 141,683 |
| Other liabilities | | 4,353 | 7,918 |
| Total non-current liabilities | | 378,328 | 698,344 |
| Current liabilities | | | |
| Trade payables | 12 | 4,654,687 | 4,575,039 |
| Other payables, accruals and other current liabilities | | 2,303,282 | 1,427,085 |
| Receipts in advance from customers | | 1,500,471 | 1,198,433 |
| Current income tax liabilities | | 118,855 | 202,754 |
| Borrowings | 13 | 2,464,278 | 1,312,063 |
| Salary and welfare payable | | 421,966 | 426,477 |
| Total current liabilities | | 11,463,539 | 9,141,851 |
| Total liabilities | | 11,841,867 | 9,840,195 |
| Total equity and liabilities | | 22,142,758 | 21,456,652 |
| Net current assets | | 2,412,340 | 3,034,533 |
| Total assets less current liabilities | | 10,679,219 | 12,314,801 |

The notes on pages 10 to 53 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 2008

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

| | For the six months ended 30 June 2008 (Unaudited) | | | | | | | |
|---|---|-----------------|---------------------------|--------------------------------|------------------|-------------------|--------------------|--------------|
| | Attributable to equity holders of the Company | | | | | | | |
| | Share capital | Capital reserve | Statutory surplus reserve | Investment revaluation reserve | Exchange reserve | Retained earnings | Minority interests | Total equity |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 31 December 2007, as previously reported | 4,249,002 | 987,819 | 220,437 | 943,388 | — | 2,475,911 | 2,478,967 | 11,355,524 |
| Reserves and minority interests arising on the common control combinations (Note 16) | — | 497,998 | — | — | 677 | (41,061) | (196,681) | 260,933 |
| As at 31 December 2007 as restated and 1 January 2008 | 4,249,002 | 1,485,817 | 220,437 | 943,388 | 677 | 2,434,850 | 2,282,286 | 11,616,457 |
| Fair value losses on available-for-sale financial assets, net of taxation | — | — | — | (721,559) | — | — | (415,441) | (1,137,000) |
| Currency translation differences | — | — | — | — | (21,291) | — | — | (21,291) |
| Net expenses recognised directly in equity | — | — | — | (721,559) | (21,291) | — | (415,441) | (1,158,291) |
| Profit for the period | — | — | — | — | — | 684,816 | 214,336 | 899,152 |
| Total recognised income/(expenses) for the period | — | — | — | (721,559) | (21,291) | 684,816 | (201,105) | (259,139) |
| 2007 final dividend | — | — | — | — | — | (127,470) | — | (127,470) |
| Dividends declared to minority shareholders | — | — | — | — | — | — | (157,208) | (157,208) |
| Acquisition of additional equity interests in subsidiaries from minority shareholders | — | 3,309 | — | — | — | — | (25,258) | (21,949) |
| Reserves arising on the common control combinations (Note 16) | — | (749,800) | — | — | — | — | — | (749,800) |
| Transfer to statutory reserve (Note 7(a)) | — | — | 67,204 | — | — | (67,204) | — | — |
| As at 30 June 2008 | 4,249,002 | 739,326 | 287,641 | 221,829 | (20,614) | 2,924,992 | 1,898,715 | 10,300,891 |
| Representing: | | | | | | | | |
| Share capital and reserves | 4,249,002 | 739,326 | 287,641 | 221,829 | (20,614) | 2,797,522 | 1,898,715 | 10,173,421 |
| 2008 interim dividend (Note 7(b)) | — | — | — | — | — | 127,470 | — | 127,470 |
| As at 30 June 2008 | 4,249,002 | 739,326 | 287,641 | 221,829 | (20,614) | 2,924,992 | 1,898,715 | 10,300,891 |

The notes on pages 10 to 53 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 2008

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

| | For the six months ended 30 June 2007 (Unaudited) (Restated, Note 16) | | | | | | | |
|--|---|-----------------|---------------------------|--------------------------------|------------------|-------------------|--------------------|--------------|
| | Attributable to equity holders of the Company | | | | | | | |
| | Share capital | Capital reserve | Statutory surplus reserve | Investment revaluation reserve | Exchange reserve | Retained earnings | Minority interests | Total equity |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2007, as previously reported | 4,249,002 | 1,070,945 | 396,852 | 85,107 | — | 1,708,267 | 1,709,280 | 9,219,453 |
| Reserves and minority interests arising on the common control combinations (Note 16) | — | 467,851 | — | — | 17,366 | (76,429) | (87,009) | 321,779 |
| As at 1 January 2007, as restated | 4,249,002 | 1,538,796 | 396,852 | 85,107 | 17,366 | 1,631,838 | 1,622,271 | 9,541,232 |
| Fair value gains 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) |
| Currency translation differences | — | — | — | — | (18,908) | — | — | (18,908) |
| Net income/(expenses) recognised directly in equity | — | (31,779) | — | 186,222 | (18,908) | — | 107,218 | 242,753 |
| Profit for the period | — | — | — | — | — | 429,312 | 128,368 | 557,680 |
| Total recognised income/(expenses) for the period | — | (31,779) | — | 186,222 | (18,908) | 429,312 | 235,586 | 800,433 |
| 2006 final dividend | — | — | — | — | — | (84,980) | — | (84,980) |
| Dividends declared to minority shareholders | — | — | — | — | — | — | (134,798) | (134,798) |
| Reserves arising on the common control combinations (Note 16) | — | 30,084 | — | — | — | — | — | 30,084 |
| Transfer to statutory reserve (Note 7(a)) | — | — | 38,738 | — | — | (38,738) | — | — |
| As at 30 June 2007, as restated | 4,249,002 | 1,537,101 | 435,590 | 271,329 | (1,542) | 1,937,432 | 1,723,059 | 10,151,971 |
| Representing: | | | | | | | | |
| Share capital and reserves | 4,249,002 | 1,537,101 | 435,590 | 271,329 | (1,542) | 1,809,962 | 1,723,059 | 10,024,501 |
| 2007 interim dividend | — | — | — | — | — | 127,470 | — | 127,470 |
| As at 30 June 2007, as restated | 4,249,002 | 1,537,101 | 435,590 | 271,329 | (1,542) | 1,937,432 | 1,723,059 | 10,151,971 |

The notes on pages 10 to 53 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 2008

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

| | Note | For the six months ended 30 June | |
|---|-------|-------------------------------------|--|
| | | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| Continuing operations | | | |
| Net cash inflow from operating activities | | 651,761 | 431,855 |
| Net cash used in investing activities | 18(a) | (647,036) | (558,020) |
| Net cash generated from/(used in) financing activities | 18(b) | 233,579 | (144,714) |
| Net increase/(decrease) in cash and cash equivalents | | 238,304 | (270,879) |
| Discontinued operations | | | |
| Net increase/(decrease) in cash and cash equivalents | | — | — |
| Total net increase/(decrease) in cash and cash equivalents | | 238,304 | (270,879) |
| Cash and cash equivalents at 1 January | | 4,432,894 | 4,535,285 |
| Cash and cash equivalents at 30 June | | 4,671,198 | 4,264,406 |

The notes on pages 10 to 53 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 2008

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Sinotrans Limited (the "Company") was established in the People's Republic of China (the "PRC") on 20 November 2002 as a joint stock company with limited liability as a result of a group reorganisation of China National Foreign Trade Transportation (Group) Corporation ("Sinotrans Group Company") in preparation for a listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Reorganisation").

The principal activities of the Company and its subsidiaries (together, the "Group") include freight forwarding, shipping agency, express services, marine transportation, storage and terminal services and trucking, air transportation and other services.

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

This unaudited condensed consolidated interim financial information was approved by the Board of Directors for issue on 1 September 2008.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the half-year ended 30 June 2008 has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting". This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the annual financial statements for the year ended 31 December 2007.

The following new interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant to the Group:

- IFRIC Interpretation 11, 'IFRS 2 – Group and treasury share transactions';
- IFRIC Interpretation 12, 'Service concession arrangements'; and
- IFRIC Interpretation 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted. The Group is assessing the impact of these standards, amendments and interpretations to the Group's operations:

- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009;

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

- IAS 23 (revised), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009;
- IFRS 2 (amendment), 'Share-based payment', effective for annual periods beginning on or after 1 January 2009;
- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009;
- IAS 1 (revised), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009;
- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009;
- IFRS 1 and IAS 27 (revised), 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18, 'Revenue', IAS 21, 'The effects of changes in foreign exchange rates', and IAS 36, 'Impairment of assets', effective for annual periods beginning on or after 1 January 2009;
- IFRIC Interpretation 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008;
- IFRIC Interpretation 15, 'Agreements for the construction of real estate', effective for annual periods beginning on or after 1 January 2009;
- IFRIC Interpretation 16, 'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1 October 2008; and
- Improvements to IFRS which include amendments to a number of standards, effective for accounting periods beginning on or after 1 January 2009.

On 1 January 2008, the Group completed its acquisitions from its ultimate holding company, Sinotrans Group Company, for certain companies, assets and businesses, which primarily engage in freight forwarding, shipping agency, storage and terminal services, for an aggregate cash consideration of RMB1,106,030,000. This unaudited condensed consolidated interim financial information has been prepared under merger accounting, as set out in the Accounting Guideline 5, "Merger accounting for common control combinations", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), in relation to the common control combinations between the Group and Sinotrans Group Company referred above. The effects of merger accounting on these common control combinations are set out in note 16.

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

3. SEGMENT INFORMATION

(a) Primary reporting format – business segments

As at 30 June 2008, the Group has 5 main business segments: freight forwarding, shipping agency, express services, marine transportation and storage and terminal services. Other operations of the Group mainly comprise trucking, air transportation and other related support services. None of them is of a sufficient size to be reported separately.

| | For the six months ended 30 June 2008 (Unaudited) | | | | | | | |
|--|---|----------------------------|-----------------------------|----------------------------------|--|------------------|--------------------------------------|-------------------|
| | Freight forwarding RMB'000 | Shipping agency RMB'000 | Express services RMB'000 | Marine transportation RMB'000 | Storage and terminal services RMB'000 | Other RMB'000 | Inter-segment elimination RMB'000 | Group RMB'000 |
| Continuing operations | | | | | | | | |
| Turnover – external | 16,215,208 | 345,232 | 1,713,037 | 1,470,755 | 676,070 | 362,852 | – | 20,783,154 |
| Turnover – inter-segment | 170,116 | 23,477 | 9,486 | 168,947 | 80,439 | 49,045 | (501,510) | – |
| | 16,385,324 | 368,709 | 1,722,523 | 1,639,702 | 756,509 | 411,897 | (501,510) | 20,783,154 |
| Segment results | 279,040 | 158,282 | 207,068 | (34,418) | 167,955 | (32,169) | – | 745,758 |
| Unallocated costs | | | | | | | | (46,385) |
| Operating profit | | | | | | | | 699,373 |
| Gain on disposal of a jointly controlled entity | | | | | | | | 514,070 |
| | | | | | | | | 1,213,443 |
| Finance costs, net | | | | | | | | (4,549) |
| | | | | | | | | 1,208,894 |
| Share of profit of associates | | | | | | | | 29,586 |
| Profit before income tax | | | | | | | | 1,238,480 |
| Income tax expense | | | | | | | | (339,328) |
| Profit for the period from continuing operations | | | | | | | | 899,152 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

3. SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

For the six months ended 30 June 2007 (Unaudited) (Restated, Note 16)

| | 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 |
|--|-------------------------------|----------------------------|-----------------------------|----------------------------------|--|------------------|--------------------------------------|------------------|
| Continuing operations | | | | | | | | |
| Turnover – external | 14,088,192 | 319,135 | 1,587,550 | 1,332,997 | 626,908 | 307,906 | – | 18,262,688 |
| Turnover – inter-segment | 59,346 | 16,065 | 2,934 | 187,242 | 98,306 | 65,546 | (429,439) | – |
| | 14,147,538 | 335,200 | 1,590,484 | 1,520,239 | 725,214 | 373,452 | (429,439) | 18,262,688 |
| Segment results | 270,141 | 157,539 | 205,312 | (73,137) | 165,014 | 9,737 | – | 734,606 |
| Unallocated costs | | | | | | | | (71,014) |
| Operating profit | | | | | | | | 663,592 |
| Finance costs, net | | | | | | | | (9,583) |
| | | | | | | | | 654,009 |
| Share of profit of associates | | | | | | | | 20,251 |
| Profit before income tax | | | | | | | | 674,260 |
| Income tax expense | | | | | | | | (187,243) |
| Profit for the period from continuing operations | | | | | | | | 487,017 |
| Discontinued operations | | | | | | | | |
| Profit for the period from discontinued operations | | | | 70,663 | | | | 70,663 |
| Profit for the period | | | | | | | | 557,680 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

3. SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

Other segment information is as follows:

| | For the six months ended 30 June 2008 (Unaudited) | | | | | | | | Group RMB'000 |
|--|---|----------------------------|-----------------------------|----------------------------------|-------------------------------|--|------------------------|-------|------------------|
| | Freight forwarding RMB'000 | Shipping agency RMB'000 | Express services RMB'000 | Marine transportation RMB'000 | Storage and terminal services | Discontinued Other operations RMB'000 | Unallocated RMB'000 | | |
| | | | | | RMB'000 | | | | |
| Capital expenditure | 279,819 | 4,700 | 30,708 | 22,812 | 269,656 | 68,605 | – | 8,104 | 684,404 |
| Depreciation | 69,047 | 4,929 | 37,977 | 16,921 | 49,953 | 26,491 | – | 7,488 | 212,806 |
| Amortisation | 2,890 | – | – | – | 293 | – | – | 5,145 | 8,328 |
| Operating lease charges on land use rights | 5,337 | – | 556 | – | 6,065 | – | – | – | 11,958 |
| Reversal of provision for impairment losses of property, plant and equipment | (726) | – | – | – | – | – | – | – | (726) |
| Provision for/(reversal of) impairment losses of receivables | 3,034 | 1,097 | 3,546 | 317 | (613) | 23 | – | – | 7,404 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

3. SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

For the six months ended 30 June 2007 (Unaudited) (Restated, Note 16)

| | 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 |
| Capital expenditure | 244,505 | 1,424 | 78,204 | 7,808 | 275,361 | 32,538 | — | 3,003 | 642,843 |
| Depreciation | 56,977 | 5,234 | 37,522 | 17,514 | 44,476 | 17,584 | — | 7,559 | 186,866 |
| Amortisation | 908 | — | 3,037 | — | — | — | — | 5,927 | 9,872 |
| Operating lease charges on land use rights | 4,386 | — | 365 | — | 5,445 | — | — | — | 10,196 |
| Provision for impairment losses on property, plant and equipment | 267 | — | — | — | — | — | — | — | 267 |
| Provision for/(reversal of) impairment losses of receivables | 12,011 | (570) | 1,338 | 1,037 | 933 | 91 | (2,966) | — | 11,874 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

3. SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

The segment assets and liabilities as at 30 June 2008 and 31 December 2007 are as follows:

| | As at 30 June 2008 (Unaudited) | | | | | | | | |
|---|--------------------------------|-----------------|------------------|-----------------------|-------------------------------|---------|-------------------------|---------------------------|-------------------|
| | Freight forwarding | Shipping agency | Express services | Marine transportation | Storage and terminal services | Other | Discontinued operations | Inter-segment elimination | Group |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Assets | | | | | | | | | |
| Segment assets | 10,572,607 | 1,935,635 | 2,779,488 | 1,592,202 | 3,089,156 | 870,287 | — | (922,465) | 19,916,910 |
| Investments in associates | | | | | | | | | 928,671 |
| Available-for-sale financial assets (Note 10) | | | | | | | | | 718,654 |
| Unallocated assets | | | | | | | | | 578,523 |
| Total assets | | | | | | | | | 22,142,758 |
| Liabilities | | | | | | | | | |
| Segment liabilities | 6,189,022 | 1,570,165 | 1,015,137 | 1,086,580 | 478,356 | 409,808 | — | (1,046,239) | 9,702,829 |
| Unallocated liabilities | | | | | | | | | 2,139,038 |
| Total liabilities | | | | | | | | | 11,841,867 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

3. SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

As at 31 December 2007 (Audited) (Restated, Note 16)

| | Freight forwarding | Shipping agency | Express services | Marine transportation | Storage and terminal services | Other | Discontinued operations | Inter-segment elimination | Group |
|---|-----------------------|--------------------|---------------------|--------------------------|-------------------------------------|---------|----------------------------|------------------------------|--------------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Assets | | | | | | | | | |
| Segment assets | 9,147,564 | 1,402,248 | 2,811,917 | 1,551,620 | 2,937,703 | 515,073 | — | (933,577) | 17,432,548 |
| Investments in associates | | | | | | | | | 478,837 |
| Available-for-sale financial assets (Note 10) | | | | | | | | | 2,210,600 |
| Unallocated assets | | | | | | | | | <u>1,334,667</u> |
| Total assets | | | | | | | | | <u>21,456,652</u> |
| Liabilities | | | | | | | | | |
| Segment liabilities | 5,609,544 | 971,424 | 1,045,200 | 1,084,226 | 389,409 | 150,696 | — | (1,075,841) | 8,174,658 |
| Unallocated liabilities | | | | | | | | | <u>1,665,537</u> |
| Total liabilities | | | | | | | | | <u>9,840,195</u> |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

3. SEGMENT INFORMATION (CONTINUED)

(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, Anhui, Jiangxi 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, Hubei, Chongqing and Hong Kong as well as the operations of Sinoair in Hubei, Hunan, Guangdong, Chongqing, Hainan, Guizhou, Hong Kong and Yunnan; and
- (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.

For the six months ended 30 June 2008 (Unaudited)

| | Turnover – | | Total | Segment | Capital |
|---------------------------|-------------------|-----------|-------------------|-----------------|----------------|
| | Turnover – | inter- | turnover | results | expenditure |
| | external | segment | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Northern China | 3,306,251 | 107,341 | 3,413,592 | 23,529 | 212,819 |
| Eastern China | 14,325,663 | 178,023 | 14,503,686 | 494,973 | 243,655 |
| Southern China | 2,792,640 | 39,918 | 2,832,558 | 221,287 | 182,668 |
| Other locations | 358,600 | 18,873 | 377,473 | 5,969 | 45,262 |
| Inter-segment elimination | – | (344,155) | (344,155) | – | – |
| | 20,783,154 | – | 20,783,154 | 745,758 | 684,404 |
| Unallocated costs | | | | (46,385) | |
| Operating profit | | | | 699,373 | |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

3. SEGMENT INFORMATION (CONTINUED)

(b) Secondary reporting format – geographical segments (Continued)

| | For the six months ended 30 June 2007 (Unaudited) (Restated, Note 16) | | | | |
|--------------------------------|---|--|------------------------------|-------------------------------|-----------------------------------|
| | Turnover – external RMB'000 | Turnover – inter-segment RMB'000 | Total turnover RMB'000 | Segment results RMB'000 | Capital expenditure RMB'000 |
| Continuing operations | | | | | |
| Northern China | 2,932,405 | 9,572 | 2,941,977 | 50,577 | 135,486 |
| Eastern China | 12,773,438 | 114,053 | 12,887,491 | 456,045 | 192,577 |
| Southern China | 2,309,778 | 31,312 | 2,341,090 | 227,904 | 183,845 |
| Other locations | 247,067 | 25,152 | 272,219 | 80 | 130,935 |
| Inter-segment elimination | – | (180,089) | (180,089) | – | – |
| | 18,262,688 | – | 18,262,688 | 734,606 | 642,843 |
| Unallocated costs | | | | (71,014) | |
| Operating profit | | | | 663,592 | |
| Discontinued operations | | | | | |
| Northern China | – | – | – | 773 | – |
| Eastern China | – | – | – | 871 | – |
| Southern China | – | – | – | 267 | – |
| Other locations | – | – | – | 1,055 | – |
| Operating profit | – | – | – | 2,966 | – |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

3. SEGMENT INFORMATION (CONTINUED)

(b) Secondary reporting format – geographical segments (Continued)

The segment assets as at 30 June 2008 and 31 December 2007 are as follows:

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note16) |
|---|---|--|
| Northern China | 4,980,250 | 4,530,375 |
| Eastern China | 11,220,871 | 9,406,410 |
| Southern China | 3,141,654 | 2,951,736 |
| Other locations | 743,462 | 694,559 |
| Inter-segment elimination | (169,327) | (150,532) |
| | 19,916,910 | 17,432,548 |
| Investments in associates | 928,671 | 478,837 |
| Available-for-sale financial assets (Note 10) | 718,654 | 2,210,600 |
| Unallocated assets | 578,523 | 1,334,667 |
| Total assets | 22,142,758 | 21,456,652 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

| | For the six months ended 30 June | |
|--|---|--|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| Crediting | | |
| Rental income from | | |
| — buildings | 13,901 | 15,994 |
| — plant and machinery | 92,629 | 60,997 |
| Fair value gains on Share Appreciation Rights (Note 15) | 26,106 | — |
| Gain on disposal of financial assets at fair value through profit or loss | 5,857 | — |
| Gain on disposal of property, plant and equipment | 1,356 | 4,815 |
| Dividend income on available-for-sale financial assets | 5,472 | — |
| Reversal of provision for impairment losses of receivables | 3,237 | 556 |
| Reversal of provision for impairment losses of property, plant and equipment | 726 | — |
| Charging | | |
| Depreciation | | |
| — owned property, plant and equipment | 206,444 | 181,252 |
| — owned property, plant and equipment leased out under operating leases | 6,362 | 5,614 |
| Fair value losses on Share Appreciation Rights (Note 15) | — | 19,818 |
| Losses on disposal of property, plant and equipment | 2,852 | 4,869 |
| Provision for impairment losses of receivables | 10,641 | 15,396 |
| Provision for impairment losses of property, plant and equipment | — | 267 |
| Fair value losses on financial assets at fair value through profit or loss | 305 | — |
| Operating lease charges | | |
| — land use rights | 11,958 | 10,196 |
| — buildings | 126,738 | 118,545 |
| — plant and equipment | 576,791 | 547,439 |
| Amortisation of intangible assets | 8,328 | 9,872 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

5. FINANCE COSTS, NET

| | For the six months ended 30 June | |
|--------------------------------------|-------------------------------------|--|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| Interest income on bank balances | (47,973) | (40,831) |
| Interest expenses on bank borrowings | 39,337 | 8,749 |
| Exchange losses, net | 4,102 | 36,523 |
| Bank charges | 9,083 | 5,142 |
| | 4,549 | 9,583 |

6. INCOME TAXES

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

| | For the six months ended 30 June | |
|---|-------------------------------------|--|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| Current income tax | | |
| — Hong Kong profits tax | 8 | — |
| — PRC income tax expense | 217,730 | 247,536 |
| Deferred PRC income tax | 121,590 | (48,501) |
| | 339,328 | 199,035 |
| Representing: | | |
| Income tax from continuing operations | 339,328 | 187,243 |
| Income tax from discontinued operations | — | 11,792 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

6. INCOME TAXES (CONTINUED)

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

The provision for PRC current income tax is based on the statutory rate of 25% (2007: 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 9% to 20% (2007: 0% to 30%) based on the relevant PRC tax laws and regulations.

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

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

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

Deferred income 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 corporate income tax purposes. Since the Group did not recognise the above asset revaluation surplus in its financial statements prepared in accordance with IFRS, a deferred tax asset of RMB221,678,000 was recognised and credited to capital reserve in 2003. Such deferred income tax asset is charged to income tax expense during each period based on the depreciation and amortisation on the asset revaluation surplus.

On 16 March 2007, the National People's Congress of the PRC 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, deferred income tax assets arising from the above revaluation surplus were decreased by RMB31,779,000 through equity during the six months ended 30 June 2007.

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

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 profit after taxation 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 2008, approximately RMB67,204,000 (corresponding period in 2007: RMB38,738,000), representing 10% of profit after tax (corresponding period in 2007: 10%) determined under the PRC accounting standards, has been appropriated to the statutory surplus reserve fund.

(b) Dividend

The final dividend that related to the year ended 31 December 2007 amounting to RMB127,470,000 was paid during the first half of 2008.

At the Board of Directors' meeting held on 1 September 2008, the directors declared an interim dividend of RMB0.03 per ordinary share for the six months ended 30 June 2008. 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 2008. This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in the year ending 31 December 2008.

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

8. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of shares in issue during the six months periods ended 30 June 2008 and 30 June 2007.

| | For the six months ended 30 June | |
|---|----------------------------------|---|
| | 2008 (Unaudited) | 2007 (Unaudited) (Restated, Note 16) |
| Continuing operations | | |
| Profit attributable to equity holders of the Company (RMB'000) | 684,816 | 375,940 |
| Weighted average number of ordinary shares in issue (thousands) | 4,249,002 | 4,249,002 |
| Basic and diluted earnings per share | RMB0.161 | RMB0.088 |
| Discontinued operations | | |
| Profit attributable to equity holders of the Company (RMB'000) | — | 53,372 |
| Weighted average number of ordinary shares in issue (thousands) | 4,249,002 | 4,249,002 |
| Basic and diluted earnings per share | — | 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 2008

9. PROPERTY, PLANT AND EQUIPMENT

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

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the six months ended 30 June 2007 (Unaudited) (Restated, Note 16)

| | Buildings RMB'000 | Leasehold improvements RMB'000 | Port and rail facilities RMB'000 | Containers RMB'000 | Plant and machinery RMB'000 | Motor vehicles, aircraft and vessels RMB'000 | Furniture and office equipment RMB'000 | Assets under construction RMB'000 | Total RMB'000 |
|---|----------------------|--------------------------------------|---|-----------------------|-----------------------------------|---|---|---|------------------|
| Cost | | | | | | | | | |
| At beginning of period | 1,763,970 | 121,744 | 367,623 | 24,178 | 1,052,501 | 1,243,263 | 561,734 | 306,562 | 5,441,575 |
| Additions | 7,175 | 2,396 | 7,666 | 1,065 | 52,150 | 43,289 | 27,812 | 291,105 | 432,658 |
| Acquisition of a jointly controlled entity | 55 | — | — | — | — | — | — | 37,913 | 37,968 |
| Disposals | (4,937) | (446) | — | (41) | (10,052) | (33,058) | (16,229) | — | (64,763) |
| Transfer upon completion | 141,501 | 3,452 | 8,115 | — | 49,473 | 48,410 | 8,146 | (259,097) | — |
| Exchange differences | (1,434) | — | — | (72) | (223) | (4,319) | (91) | — | (6,139) |
| At end of period | 1,906,330 | 127,146 | 383,404 | 25,130 | 1,143,849 | 1,297,585 | 581,372 | 376,483 | 5,841,299 |
| Accumulated depreciation and impairment losses | | | | | | | | | |
| At beginning of period | (344,656) | (67,861) | (91,342) | (20,787) | (358,332) | (623,995) | (333,858) | — | (1,840,831) |
| Depreciation | (32,968) | (6,052) | (8,912) | (748) | (47,008) | (53,787) | (37,391) | — | (186,866) |
| Disposals | 4,106 | 82 | — | — | 9,061 | 29,220 | 15,669 | — | 58,138 |
| Provision for impairment losses | (267) | — | — | — | — | — | — | — | (267) |
| Exchange differences | 595 | — | — | 24 | 35 | 2,138 | 45 | — | 2,837 |
| At end of period | (373,190) | (73,831) | (100,254) | (21,511) | (396,244) | (646,424) | (355,535) | — | (1,966,989) |
| Net book value | | | | | | | | | |
| At end of period | 1,533,140 | 53,315 | 283,150 | 3,619 | 747,605 | 651,161 | 225,837 | 376,483 | 3,874,310 |
| At beginning of period | 1,419,314 | 53,883 | 276,281 | 3,391 | 694,169 | 619,268 | 227,876 | 306,562 | 3,600,744 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 30 June 2008 | 31 December 2007 |
|-------------------------------------|-------------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| | | (Restated, Note 16) |
| Available-for-sale financial assets | 718,654 | 2,210,600 |

The available-for-sale financial assets include mainly Sinoair's subscription of 80 million ordinary shares of RMB2.80 each in China International Aviation Holdings Company Limited ("Air China") upon its initial public offering of A shares on the Shanghai Stock Exchange at a cash consideration of RMB224,000,000 in August 2006. Air China is incorporated in the PRC whose principal activities are air transportation. As at 30 June 2008, the fair value of the shares in Air China of RMB679,200,000 (31 December 2007: RMB2,195,200,000) represented the market value of the shares as at the balance sheet date.

11. TRADE AND OTHER RECEIVABLES

| | 30 June 2008 | 31 December 2007 |
|--------------------------|-------------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| | | (Restated, Note 16) |
| Trade receivables, net | 6,068,134 | 5,814,552 |
| Bills receivable | 94,062 | 81,840 |
| Other receivables, net | 293,126 | 277,163 |
| Due from related parties | 271,706 | 238,476 |
| | 6,727,028 | 6,412,031 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|---|---|---|
| Trade receivables | 6,143,350 | 5,900,989 |
| Less: Provision for impairment of receivables | (75,216) | (86,437) |
| Trade receivables, net | 6,068,134 | 5,814,552 |

As at 30 June 2008 and 31 December 2007, the aging analysis of trade receivables is as follows:

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|-------------------------|---|---|
| Within 6 months | 5,941,734 | 5,729,187 |
| Between 6 and 12 months | 112,434 | 69,697 |
| Between 1 and 2 years | 58,773 | 67,462 |
| Between 2 and 3 years | 11,952 | 15,326 |
| Over 3 years | 18,457 | 19,317 |
| | 6,143,350 | 5,900,989 |

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

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

12. TRADE PAYABLES

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 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|-------------------------|---|---|
| Within 6 months | 4,144,841 | 4,189,889 |
| Between 6 and 12 months | 211,135 | 153,897 |
| Between 1 and 2 years | 163,210 | 121,729 |
| Between 2 and 3 years | 58,501 | 54,881 |
| Over 3 years | 77,000 | 54,643 |
| | 4,654,687 | 4,575,039 |

13. BORROWINGS

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

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|---|---|---|
| Current: | | |
| Bank borrowings | 2,458,278 | 1,306,063 |
| Current portion of non-current borrowings | 6,000 | 6,000 |
| | 2,464,278 | 1,312,063 |
| Non-current: | | |
| Bank borrowings | 35,364 | 42,420 |
| Total borrowings | 2,499,642 | 1,354,483 |
| Borrowings: | | |
| – Unsecured | 1,329,543 | 1,020,789 |
| – Secured and guaranteed | 1,170,099 | 333,694 |
| | 2,499,642 | 1,354,483 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

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 | |
|--------------------------|----------------------------------|--|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| At beginning of period | 1,354,483 | 174,909 |
| Proceeds from borrowings | 2,073,649 | 447,821 |
| Repayments of borrowings | (928,490) | (316,832) |
| At end of period | 2,499,642 | 305,898 |

- (b) The non-current bank borrowings as at 30 June 2008 and 31 December 2007 were repayable as follows:

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|-----------|---|---|
| 1-2 years | 7,056 | 7,056 |
| 2-5 years | 28,308 | 35,364 |
| | 35,364 | 42,420 |

- (c) The weighted average effective interest rate of the borrowings as at 30 June 2008 is 5.78% (31 December 2007, as restated: 6.07%) per annum.

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

13. BORROWINGS (CONTINUED)

(d) Securities and guarantees

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|---|---|---|
| Restricted cash pledged | 1,062,381 | 245,493 |
| Net book value of property, plant and equipment pledged | 95,654 | 120,005 |
| Net book value of land use rights pledged | 33,356 | 8,612 |
| Guarantees provided by companies within the Group | — | 5,000 |
| Guarantees provided by third parties | 36,653 | 44,476 |
| Corresponding borrowings | | |
| — pledged by restricted cash | 1,084,946 | 235,218 |
| — pledged by property, plant and equipment | 46,000 | 47,000 |
| — pledged by land use rights | 2,500 | 2,000 |
| — guaranteed by companies within the Group | — | 5,000 |
| — guaranteed by third parties | 36,653 | 44,476 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

14. PROVISIONS

| | One-off cash housing subsidies | Guarantees | Outstanding claims | Onerous contracts | Foreseeable losses | Total |
|---|---|-------------------|-------------------------------|------------------------------|-------------------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 31 December 2007 (Restated, Note 16) | 33,841 | 8,200 | 79,464 | 20,178 | — | 141,683 |
| Additional provision | — | — | — | 9,366 | 5,322 | 14,688 |
| Utilised during the period | (992) | — | (53,268) | (15,101) | — | (69,361) |
| As at 30 June 2008 | 32,849 | 8,200 | 26,196 | 14,443 | 5,322 | 87,010 |
| 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) |
| As at 30 June 2007 | 33,961 | 8,178 | 28,934 | 37,832 | — | 108,905 |

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

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

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

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 30 June 2008, the Company has granted SAR to a total of 5 (31 December 2007: 5) directors, 1 (31 December 2007: 1) supervisor and 122 (31 December 2007: 123) senior employees of the Group. The directors and the supervisor have received 2,740,000 SAR (31 December 2007: 2,740,000 SAR). The senior employees of the Group have received 22,644,000 SAR (31 December 2007: 22,804,000 SAR).

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

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 2008 (Thousands) (Unaudited) | 31 December 2007 (Thousands) (Audited) |
|------------|-------------------------------|-----------------|----------------------------------|--|--|
| Tranche I | 20 January 2003 (Note (i)) | 20 January 2013 | 2.19 | 21,324 | 21,484 |
| Tranche II | 24 June 2003 (Note (ii)) | 24 June 2013 | 2.18 | 4,060 | 4,060 |
| | | | | 25,384 | 25,544 |

- (i) The fair value of SAR granted under Tranche I as at 30 June 2008 determined using the Black-Scholes valuation model was Hong Kong Dollar ("HK\$") 0.41 (31 December 2007: HK\$1.48). The significant inputs into the model were share price of HK\$1.92 as at 30 June 2008 (31 December 2007: HK\$3.44), exercise price shown above, expected life of SAR of 2.28 years (2007: 2.53 years), expected dividend rate of 1.89% (31 December 2007: 1.23%) and risk-free interest rate of 2.58% (31 December 2007: 2.69%). 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 2008 determined using the Black-Scholes valuation model was HK\$0.44 (31 December 2007: HK\$1.51). The significant inputs into the model were share price of HK\$1.92 as at 30 June 2008 (31 December 2007: HK\$3.44), exercise price shown above, expected life of SAR of 2.49 years (2007: 2.74 years), expected dividend rate of 1.89% (31 December 2007: 1.23%) and risk-free interest rate of 2.67% (2007: 2.74%). The expected volatility is estimated based on historical daily share price of the Company.
- (iii) The intrinsic value of SAR vested at 30 June 2008 for both Tranche I and II is nil (31 December 2007: HK\$1.25 per share for Tranche I and HK\$1.26 per share for Tranche II).

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

15. CASH-SETTLED SHARE-BASED PAYMENT (CONTINUED)

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

| | For the six months ended 30 June (Unaudited) | | | |
|------------------------|--|---------------------------|--|---------------------------|
| | 2008 | | 2007 | |
| | Average exercise price in HK\$ per share | Number of SAR (Thousands) | Average exercise price in HK\$ per share | Number of SAR (Thousands) |
| At beginning of period | 2.19 | 25,544 | 2.19 | 27,770 |
| Exercised | 2.19 | (160) | — | — |
| At end of period | 2.19 | 25,384 | 2.19 | 27,770 |

All of the outstanding SAR as at 30 June 2008 (31 December 2007: all) were exercisable. 296,000 (31 December 2007: 136,000) SAR have been exercised since the date of grant.

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

| | For the six months ended 30 June | |
|--|---|---|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) |
| (Credited)/charged to operating profit | (26,106) | 19,818 |
| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) |
| Salary and welfare payable | 9,335 | 35,441 |

16. ACQUISITIONS FROM ULTIMATE HOLDING COMPANY

On 1 January 2008, the Group completed its acquisitions from its ultimate holding company, Sinotrans Group Company, for certain companies, assets and businesses, which primarily engage in freight forwarding, shipping agency, storage and terminal services for an aggregate cash consideration of RMB1,106,030,000. As at 31 December 2007, part of the consideration paid by the Company of RMB550,000,000 was recorded as prepaid consideration for acquisition in the balance sheet.

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

16. ACQUISITIONS FROM ULTIMATE HOLDING COMPANY (CONTINUED)

Details of the companies acquired and their respective accounting treatments in this unaudited condensed consolidated interim financial information are as follows:

| Company name | Percentage of equity interests acquired | Cash consideration RMB'000 |
|---|---|----------------------------------|
| (a) Common control combinations using merger accounting | | |
| Sinotrans Shandong Tsingdao International Logistics Company Limited | 100% | 483,120 |
| Sinotrans Anhui Company Limited | 100% | 88,350 |
| Sinotrans Foshan Company Limited | 100% | 65,030 |
| Sinotrans Ruichi Logistics Company Limited | 100% | 51,960 |
| Sinotrans Chongqing Company Limited | 100% | 29,580 |
| Sinotrans (Hong Kong) Logistics Company Limited | 60% | 19,550 |
| Sinotrans Jiangxi Company Limited | 100% | 10,260 |
| Jingmao International Transportation Company Limited | 100% | 1,950 |
| | | 749,800 |
| (b) Acquisition of an associate using purchase accounting | | |
| Shenzhen Haixing Harbour Development Company Limited | 33% | 340,890 |
| (c) Acquisition of additional equity interests in a subsidiary from minority shareholders | | |
| Guangdong Changyun International Freight Forwarding Company Limited | 49% | 15,340 |
| | | 1,106,030 |

This unaudited condensed consolidated interim financial information has been prepared under merger accounting, as set out in the Accounting Guideline 5, "Merger accounting for common control combinations", issued by HKICPA, in relation to the common control combinations between the Group and Sinotrans Group Company referred above. The effects of merger accounting on these common control combinations are as follows:

- (i) the net assets of the combining entities have been consolidated using the existing book values from the controlling parties' perspective;
- (ii) no amount has been recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combinations, to the extent of the continuation of the controlling party or parties' interests; and

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

16. ACQUISITIONS FROM ULTIMATE HOLDING COMPANY (CONTINUED)

- (iii) comparative amounts in the unaudited condensed consolidated interim financial information have been presented using the principles as set out in (i) above as if the entities had been combined at the previous balance sheet date.

Statements of the adjustments to the assets, liabilities and reserves of the Group as at 31 December 2007 and 30 June 2008 as a consequence of the common control combinations are as follows:

As at 31 December 2007

| | The Group, as previously reported RMB'000 | Companies acquired under common control RMB'000 | | Adjustments RMB'000 | The Group, as restated RMB'000 |
|-------------------------------------|--|--|------|------------------------|--------------------------------------|
| ASSETS | | | | | |
| Non-current assets | 8,503,495 | 951,188 | (v) | (174,415) | 9,280,268 |
| Current assets | 11,798,098 | 555,981 | (i) | (177,695) | 12,176,384 |
| Total assets | 20,301,593 | 1,507,169 | | (352,110) | 21,456,652 |
| EQUITY | | | | | |
| Capital and reserves | | | | | |
| Share capital | 4,249,002 | 120,160 | (iv) | (120,160) | 4,249,002 |
| Reserves | 4,500,085 | 337,454 | (iv) | 120,160 | 4,957,699 |
| Proposed final dividend | 127,470 | — | | — | 127,470 |
| | 8,876,557 | 457,614 | | — | 9,334,171 |
| Minority interests | 2,478,967 | 2,530 | (v) | (199,211) | 2,282,286 |
| Total equity | 11,355,524 | 460,144 | | (199,211) | 11,616,457 |
| LIABILITIES | | | | | |
| Non-current liabilities | 650,140 | 48,204 | | — | 698,344 |
| Current liabilities | 8,295,929 | 998,821 | (i) | (152,899) | 9,141,851 |
| Total liabilities | 8,946,069 | 1,047,025 | | (152,899) | 9,840,195 |
| Total equity and liabilities | 20,301,593 | 1,507,169 | | (352,110) | 21,456,652 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

16. ACQUISITIONS FROM ULTIMATE HOLDING COMPANY (CONTINUED)

As at 30 June 2008

| | The Group excluding companies acquired under common control RMB'000 | Companies acquired under common control RMB'000 | | Adjustments RMB'000 | The Group RMB'000 |
|---|--|--|----------|------------------------|----------------------|
| ASSETS | | | | | |
| Non-current assets | 8,106,812 | 1,093,737 | (iii)(v) | (933,670) | 8,266,879 |
| Current assets | 13,557,157 | 642,293 | (i) | (323,571) | 13,875,879 |
| Total assets | 21,663,969 | 1,736,030 | | (1,257,241) | 22,142,758 |
| EQUITY | | | | | |
| Capital and reserves | | | | | |
| – Share capital | 4,249,002 | 120,160 | (iii) | (120,160) | 4,249,002 |
| – Reserves | 4,307,980 | 347,364 | (iii) | (629,640) | 4,025,704 |
| – Interim dividend declared | 127,470 | – | | – | 127,470 |
| Minority interests | 8,684,452 | 467,524 | | (749,800) | 8,402,176 |
| | 2,079,726 | 2,859 | (v) | (183,870) | 1,898,715 |
| Total equity | 10,764,178 | 470,383 | | (933,670) | 10,300,891 |
| LIABILITIES | | | | | |
| Non-current liabilities | 336,850 | 41,478 | | – | 378,328 |
| Current liabilities | 10,562,941 | 1,224,169 | (i) | (323,571) | 11,463,539 |
| Total liabilities | 10,899,791 | 1,265,647 | | (323,571) | 11,841,867 |
| Total equity and liabilities | 21,663,969 | 1,736,030 | | (1,257,241) | 22,142,758 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

16. ACQUISITIONS FROM ULTIMATE HOLDING COMPANY (CONTINUED)

Statements of the adjustments to the net profit or loss of the Group for the six months ended 30 June 2007 and 30 June 2008 as a consequence of the common control combinations are as follows:

For the six months ended 30 June 2007

| | The Group, as previously reported RMB'000 | Companies acquired under common control RMB'000 | | Adjustments RMB'000 | The Group, as restated RMB'000 |
|--|--|--|------|------------------------|--------------------------------------|
| Revenue | 17,694,578 | 672,030 | (ii) | (103,920) | 18,262,688 |
| Profit for the period | 525,366 | 32,314 | | — | 557,680 |
| Attributable to equity holders of the Company | 394,587 | 32,143 | (v) | 2,582 | 429,312 |
| Attributable to the minority interests | 130,779 | 171 | (v) | (2,582) | 128,368 |

For the six months ended 30 June 2008

| | The Group excluding companies acquired under common control RMB'000 | Companies acquired under common control RMB'000 | | Adjustments RMB'000 | The Group RMB'000 |
|--|--|--|------|--------------------------------|------------------------------|
| Revenue | 20,171,292 | 723,328 | (ii) | (111,466) | 20,783,154 |
| Profit for the period | 864,002 | 35,150 | | — | 899,152 |
| Attributable to equity holders of the Company | 649,642 | 34,988 | (v) | 186 | 684,816 |
| Attributable to the minority interests | 214,360 | 162 | (v) | (186) | 214,336 |

Note (i) Adjustments to eliminate the intra-group balances as at 30 June 2008 and 31 December 2007

Note (ii) Adjustments to eliminate the intra-group transactions for the six months ended 30 June 2008 and 30 June 2007

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

16. ACQUISITIONS FROM ULTIMATE HOLDING COMPANY (CONTINUED)

Note (iii) Adjustment to eliminate the investment cost, the share capital and capital reserves of the companies acquired under common control to capital reserve

Note (iv) Adjustment to eliminate the share capital of the companies acquired under common control to capital reserve as at 31 December 2007

Note (v) Adjustments to reduce minority interests as a result of the purchase of minority interests through the common control combinations

No other significant adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

17. DISPOSAL OF A JOINTLY CONTROLLED ENTITY

In April 2008, Sinoair disposed of its entire 50% equity interests in Exel-Sinotrans Freight Forwarding Company Limited ("Exel-Sinotrans") to DHL Exel Supply Chain (Hong Kong) Limited for a total cash consideration of Euro 61,045,000 which was equivalent to RMB658,070,000.

Details of net assets disposed of and gain on disposal of the jointly controlled entity are as follows:

| | RMB'000 |
|---|-----------|
| Total consideration | 658,070 |
| Less: Net assets disposed of — as shown below | (144,000) |
| Gain on disposal | 514,070 |

The details of the net assets disposed of are as follows:

| | RMB'000 |
|--|-----------|
| Trade and other receivables | 288,329 |
| Cash and cash equivalents | 117,533 |
| Property, plant and equipment | 36,310 |
| Land use rights | 4,846 |
| Other non-current assets | 51 |
| Trade payables | (227,034) |
| Other payables, accruals and other current liabilities | (39,103) |
| Salary and welfare payable | (19,662) |
| Receipts in advance from customers | (7,212) |
| Current income tax liabilities | (5,373) |
| Other non-current liabilities | (4,685) |
| Net assets disposed of | 144,000 |
| Total consideration settled in cash | 658,070 |
| Less: Cash and cash equivalents of the jointly controlled entity disposed of | (117,533) |
| Net cash inflow on disposal of the jointly controlled entity | 540,537 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

18. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(a) Major investing activities:

| | For the six months ended 30 June | |
|--|----------------------------------|--|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| Proceeds from disposal of a jointly controlled entity, net of cash disposed of (Note 17) | 540,537 | — |
| Proceeds from disposal of held-to-maturity financial assets | 55,870 | — |
| Proceeds from disposal of property, plant and equipment | 18,856 | 4,604 |
| Interest income received | 47,167 | 40,337 |
| Dividends received from associates | 11,105 | 1,892 |
| Dividends received from available-for-sale financial assets | 5,472 | — |
| Purchase of intangible assets | (9,692) | (3,528) |
| Prepayments for acquisition of land use rights | (13,636) | (105,382) |
| Purchase of land use rights | (17,953) | (108,713) |
| Increase in associates and available-for-sale financial assets | (145,054) | (2,000) |
| Cash outflow of consideration of acquisition | (156,030) | — |
| Net cash inflow in acquisition of subsidiaries and jointly controlled entities | — | 25,350 |
| (Increase)/decrease in term deposits with initial terms of over three months | (288,688) | 96,335 |
| Purchase of property, plant and equipment | (643,123) | (425,220) |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

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

(b) Major financing activities:

| | For the six months ended 30 June | |
|--|-------------------------------------|--|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| New bank borrowings | 2,073,649 | 447,821 |
| Borrowings from ultimate holding company | 200,000 | — |
| Repayments of bank borrowings | (928,490) | (316,832) |
| Increase in restricted cash | (841,516) | (5,015) |
| Dividends to minority shareholders of subsidiaries | (143,575) | (133,502) |
| Payment of dividends | (127,470) | (133,864) |

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 2008, such lawsuits amounted to approximately RMB54,810,000 (31 December 2007: RMB10,851,000).

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

20. CAPITAL COMMITMENTS

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

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|--|---|---|
| Authorised and contracted for but not provided for | 420,938 | 997,295 |
| Authorised but not contracted for | 269,090 | 687,480 |
| | 690,028 | 1,684,775 |

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

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note16) |
|--|---|--|
| Acquisition of property, plant and equipment | 287,303 | 251,546 |
| Construction commitments | 197,072 | 520,180 |
| Investments in subsidiaries, jointly controlled entities and associates | 205,253 | 913,049 |
| Others | 400 | — |
| | 690,028 | 1,684,775 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

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:

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|--|---|---|
| Land and buildings | | |
| – not later than one year | 131,506 | 142,587 |
| – later than one year but not later than five years | 231,323 | 259,286 |
| – later than five years | 266,916 | 286,145 |
| Vessels, containers and other property, plant and equipment | | |
| – not later than one year | 737,960 | 823,042 |
| – later than one year but not later than five years | 713,777 | 1,269,666 |
| – later than five years | 5,741 | 1,420 |
| | 2,087,223 | 2,782,146 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

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:

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|---|---|---|
| Land and buildings | | |
| — not later than one year | 30,179 | 16,078 |
| — later than one year but not later than five years | 23,385 | 18,763 |
| — later than five years | 4,621 | 5,443 |
| Vessels, containers and other property, plant and equipment | | |
| — not later than one year | 155,085 | 74,804 |
| — later than one year but not later than five years | 169,738 | — |
| | 383,008 | 115,088 |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

On 26 January 2006, the Group entered into a business service agreement with Sinotrans Group Company which regulates the provision of transportation and logistics services and ancillary services by members of the Group to Sinotrans Group Company (including its subsidiaries and associates other than the Group) and vice versa. The business service agreement contemplates that the relevant members of the Group and Sinotrans Group Company (including its subsidiaries and associates other than the Group) will enter into contracts for specific services and for the leasing of certain assets as and when necessary, in compliance with the terms of the business service agreement.

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.

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

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

(a) Transactions with related parties

| | For the six months ended 30 June | |
|--|----------------------------------|--|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| Transactions with Sinotrans Group Company and fellow subsidiaries | | |
| <i>Revenue</i> | | |
| Revenue from provision of services | 109,321 | 93,363 |
| <i>Expenses</i> | | |
| Service fees | (92,887) | (94,826) |
| Rental expenses for office buildings | (19,694) | (23,322) |
| Rental expenses for containers | (26,356) | (22,452) |
| Rental expenses for vessels | (37,526) | (67,065) |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

| | For the six months ended 30 June | |
|--|-------------------------------------|--|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| Transactions with associates of the Group | | |
| <i>Revenue</i> | | |
| Revenue from provision of services | 57,220 | 39,146 |
| <i>Expenses</i> | | |
| Service fees | (35,925) | (13,808) |
| Transactions with jointly controlled entities (after elimination of the Group's proportionate interests in those jointly controlled entities) | | |
| <i>Revenue</i> | | |
| Revenue from provision of services | 53,762 | 51,506 |
| <i>Expenses</i> | | |
| Service fees | (46,563) | (52,816) |
| Transactions with other PRC state-owned enterprises | | |
| <i>Revenue</i> | | |
| Revenue from provision of services | 135,382 | 132,809 |
| Interest income from bank deposits | 46,001 | 38,488 |
| <i>Expenses</i> | | |
| Service fees | (708,446) | (441,182) |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

| | 30 June 2008 RMB'000 (Unaudited) | 31 December 2007 RMB'000 (Audited) (Restated, Note 16) |
|--|---|---|
| Balances with Sinotrans Group Company and fellow subsidiaries | | |
| Trade and other receivables | 148,871 | 155,586 |
| Prepayments, deposits, and other current assets | 6,780 | 2,960 |
| Trade payables | (87,064) | (81,286) |
| Other payables, accruals and other current liabilities | (1,358,760) | (734,448) |
| Receipts in advance from customers | (21,889) | (30,786) |
| Balances with jointly controlled entities | | |
| Trade and other receivables | 31,892 | 39,423 |
| Prepayments, deposits, and other current assets | 376 | 544 |
| Trade payables | (8,637) | (5,397) |
| Other payables, accruals and other current liabilities | (897) | (805) |
| Receipts in advance from customers | (1,250) | (1,053) |
| Balances with associates of the Group | | |
| Trade and other receivables | 39,876 | 14,688 |
| Prepayments, deposits, and other current assets | 260 | — |
| Trade payables | (12,812) | (7,980) |
| Receipts in advance from customers | (97) | (26) |
| Other payables, accruals and other current liabilities | — | (602) |
| Balances with other PRC state-owned enterprises | | |
| Held-to-maturity financial assets | — | 58,437 |
| Restricted cash | 1,137,631 | 295,970 |
| Term deposits with initial terms of over three months | 677,285 | 331,791 |
| Cash and cash equivalents | 4,479,230 | 4,178,484 |
| Trade and other receivables | 51,067 | 28,779 |
| Prepayments, deposits and other current assets | 6,554 | 9,717 |
| Trade payables | (55,572) | (64,407) |
| Other payables, accruals and other current liabilities | (1,209) | (1,860) |
| Receipts in advance from customers | (54,576) | (38,984) |

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Purchase of property, plant and equipment

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) |
| Transactions with other PRC state-owned enterprises | 66,670 | 78,002 |

(d) Borrowings

| | For the six months ended 30 June | |
|--|----------------------------------|--|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) (Restated, Note 16) |
| Borrowings from PRC state-owned banks | | |
| At beginning of period | 1,352,427 | 174,909 |
| Proceeds from borrowings | 2,073,649 | 446,227 |
| Repayment of borrowings | (927,723) | (316,629) |
| At end of period | 2,498,353 | 304,507 |
| Interest charged | 39,317 | 8,709 |
| Interest paid | (35,629) | (8,216) |

As at 30 June 2008, the weighted average effective interest rate of the borrowings was 5.78% (31 December 2007, as restated: 6.07%) per annum.

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Key management personnel compensation

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2008 RMB'000 (Unaudited) | 2007 RMB'000 (Unaudited) |
| Basic salaries, housing allowances and other allowances and benefits in kind | 1,593 | 1,610 |
| Discretionary bonuses | 1,372 | 1,444 |
| Change of fair value on SAR | (4,203) | 3,368 |
| Contributions to pension plans | 132 | 122 |

23. SUBSEQUENT EVENTS

- (a) At the shareholders' meeting of Sinoair held on 6 August 2008, it was resolved that the shareholders authorised the board of directors of Sinoair to issue a corporate guarantee in favour of its jointly controlled entity, Grandstar Cargo Co. Ltd., to obtain the borrowings up to United States Dollar ("USD") 74,700,000 from Bank of China Tianjin Branch. The related guarantee contract has not been executed as of 1 September 2008.
- (b) At the Board of Directors' meeting held on 1 September 2008, the directors declared an interim dividend of RMB0.03 per ordinary share for the six months ended 30 June 2008.

Management Discussion and Analysis of Operating Results and Financial Position

REVIEW OF OPERATING RESULTS

Since the beginning of the year, there have been apparent changes in China's macro-economic environment, both internally and externally. There was a significant setback in China's export growth as external demand weakened amid the slowdown in global economic growth in the wake of the U.S. sub-prime crisis. Growth in domestic investments was curbed by tightened macro-economic control measures and the pressure of rising costs, while successive natural disasters also had a negative impact on the economy. As compared with the corresponding period last year, gross domestic product increased by 10.4%, foreign import and export increased by 25.7%, of which foreign export increased by 21.9%, and containers throughput of scaled ports increased by 17.1%.

Amid complex situations in the domestic and international economic environment, the Group adopted a series of specific measures in pro-active response to market changes underpinned by advancements in business and resource integration, improvements in the quality of operations, continued enhancements in direct customer marketing, step-up in the process of business model innovations, development of new business frontiers, build-up of overseas network, as well as management innovations.

For the six months ended 30 June 2008, as compared with the corresponding period last year, the number of containers handled in sea freight forwarding services increased by 6.7%; the business volume handled by air freight forwarding services increased by 2.8%; the business volume handled by continuing express services increased by 31.7%; the number of containers handled in shipping agency business increased by 8.8%; the shipping volume by marine transportation increased by 10.5%; the number of containers handled in terminal throughput increased by 0.7%, the business volume of containers handled by warehouses increased by 8.1% and the number of containers handled in trucking business increased by 3.6%.

For the six months ended 30 June 2008, the Group achieved turnover of approximately RMB20,783.2 million, representing an increase of 13.8% as compared with the corresponding period in 2007. Profit attributable to equity holders of the Company amounted to RMB684.8 million, representing an increase of 59.5% as compared to the corresponding period in 2007. Earnings per share was RMB0.161 (corresponding period in 2007: RMB0.101).

Management Discussion and Analysis of Operating Results 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 |
| | 2008 | (Restated) |
| Freight forwarding | | |
| Sea freight forwarding | | |
| Bulk cargo (in millions of tonnes) | 2.9 | 3.0 |
| Container cargo (in ten thousands of TEUs) | 333 | 312 |
| Air freight forwarding (in millions of kilograms) | 211.9 | 206.1 |
| Rail freight forwarding | | |
| Bulk cargo (in millions of tonnes) | 0.4 | 0.3 |
| Container cargo (in ten thousands of TEUs) | 2.3 | 2.4 |
| Road freight forwarding | | |
| Bulk cargo (in millions of tonnes) | 0.04 | 0.08 |
| Container cargo (in ten thousands of TEUs) | 1.9 | 2.2 |
| Express services (Continuing operations) | | |
| Packages (in millions of units) | 11.17 | 8.48 |
| Shipping agency | | |
| Net registered tonnes (in millions of tonnes) | 276.6 | 239.3 |
| Vessel calls (number of times per vessel) | 38,172 | 37,345 |
| Containers (in millions of TEUs) | 6.29 | 5.78 |
| Storage and terminal services | | |
| Warehouse operating volume | | |
| Bulk cargo (in millions of tonnes) | 5.2 | 5.3 |
| Containers (in millions of TEUs) | 4.0 | 3.7 |
| Terminal throughput | | |
| Bulk cargo (in millions of tonnes) | 1.2 | 1.6 |
| Containers (in ten thousands of TEUs) | 125.8 | 124.9 |
| Marine transportation | | |
| TEUs | 905,306 | 818,911 |
| Other services | | |
| Trucking of bulk cargo (in ten thousands of tonnes) | 88.4 | 133.7 |
| Trucking of containers (in ten thousands of TEUs) | 48.9 | 47.2 |

Management Discussion and Analysis of Operating Results and Financial Position

FINANCIAL STATISTICS

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

| | For the six months ended 30 June | |
|---|---|---|
| | 2008 (Unaudited) (In RMB million except for earnings per share and number of shares) | 2007 (Unaudited) (Restated) (In RMB million except for earnings per share and number of shares) |
| Continuing operations | | |
| Revenue | 20,783.2 | 18,262.7 |
| Other income | 187.4 | 123.3 |
| | 20,970.6 | 18,386.0 |
| Business tax and other surcharges | (166.4) | (157.2) |
| Transportation and related charges | (16,822.9) | (14,619.8) |
| Depreciation and amortisation | (221.1) | (196.7) |
| Cost of operation (excluding transportation and related charges, depreciation and amortisation): | | |
| – Staff costs | (1,224.7) | (1,082.3) |
| – Repairs and maintenance | (76.8) | (68.8) |
| – Fuel | (490.5) | (399.0) |
| – Travel and promotional expenses | (170.9) | (171.1) |
| – Office and communication expenses | (120.9) | (113.5) |
| – Rental expenses | (715.5) | (676.2) |
| – Other operating expenses | (261.5) | (237.8) |
| Operating profit | 699.4 | 663.6 |
| Gain on disposal of a jointly controlled entity | 514.1 | – |
| Financial costs, net | (4.6) | (9.6) |
| Share of profit of associates | 29.6 | 20.3 |
| Profit before income tax | 1,238.5 | 674.3 |
| Income tax expense | (339.3) | (187.3) |

Management Discussion and Analysis of Operating Results and Financial Position

| | For the six months ended 30 June | |
|---|---|---|
| | 2008 (Unaudited) (In RMB million except for earnings per share and number of shares) | 2007 (Unaudited) (Restated) (In RMB million except for earnings per share and number of shares) |
| Profit for the period from continuing operations | 899.2 | 487.0 |
| Discontinued Operations | | |
| Profit for the period from discontinued operations | — | 70.7 |
| Profit for the period | 899.2 | 557.7 |
| Attributable to: | | |
| Equity holders of the Company | 684.8 | 429.3 |
| Minority interests | 214.4 | 128.4 |
| Declared interim dividend | (127.5) | (127.5) |
| Earnings per share for continuing operations, basic and diluted | RMB0.161 | RMB0.088 |
| Earnings per share for discontinued operations, basic and diluted | — | RMB0.013 |
| Number of shares (in millions of shares) | 4,249.0 | 4,249.0 |

Management Discussion and Analysis of Operating Results 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) | | | |
|-------------------------------|--|--------------|-----------------|-------|
| | 2008 | | 2007 (Restated) | |
| Freight forwarding | 16,385.3 | 77.0% | 14,147.5 | 75.7% |
| Express services | 1,722.5 | 8.1% | 1,590.5 | 8.5% |
| Shipping agency | 368.7 | 1.7% | 335.2 | 1.8% |
| Marine transportation | 1,639.7 | 7.7% | 1,520.2 | 8.1% |
| Storage and terminal services | 756.5 | 3.6% | 725.2 | 3.9% |
| Other services | 411.9 | 1.9% | 373.5 | 2.0% |

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 2007. The result of each segment is defined as the turnover of such segment less its direct operating expenses but before the unallocated costs.

| | For the six months ended 30 June (Unaudited) | |
|-------------------------------|--|-----------------|
| | 2008 | 2007 (Restated) |
| Freight forwarding | 279.0 | 270.1 |
| Express services | 207.1 | 205.3 |
| Shipping agency | 158.3 | 157.5 |
| Marine transportation | (34.4) | (73.1) |
| Storage and terminal services | 168.0 | 165.0 |
| Other services | (32.2) | 9.7 |

Management Discussion and Analysis of Operating Results and Financial Position

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Continuing Operations

Turnover

For the six months ended 30 June 2008, the Group's turnover amounted to RMB20,783.2 million, up by 13.8% from RMB18,262.7 million for the corresponding period in 2007. Growth 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 2008, turnover from our freight forwarding services amounted to RMB16,385.3 million, grew by 15.8% from RMB14,147.5 million for the corresponding period in 2007.

Turnover from freight forwarding mainly comprised revenues from containers sea freight forwarding services and air freight forwarding services. The number of containers handled in sea freight forwarding services increased by 6.7% to 3.33 million TEUs in the first half of 2008 from 3.12 million TEUs in the first half of 2007; while the amount of cargo handled by air freight forwarding services increased by 2.8% to 211,900 tonnes in the first half of 2008 from 206,100 tonnes in the first half of 2007.

Revenue growth in freight forwarding in the first half of 2008 was primarily driven by the expanded business volume and increased transportation charges in the marine transportation market.

Express Services

For the six months ended 30 June 2008, turnover for the Group's continuing operations of express services reached RMB1,722.5 million, representing a 8.3% increase from RMB1,590.5 million for the corresponding period in 2007.

For the first half of 2008, the number of documents and parcels handled through the Group's continuing operations of express services was 11.17 million units, a surge of 31.7% from the 8.48 million units handled in the corresponding period in 2007.

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.

Shipping Agency

For the six months ended 30 June 2008, turnover from the Group's shipping agency reached RMB368.7 million, representing a 10.0% increase from RMB335.2 million for the corresponding period in 2007.

Management Discussion and Analysis of Operating Results and Financial Position

For the first half of 2008, number of containers handled in shipping agency business of the Group was 6.29 million TEUs, representing an increase of 8.8% from 5.78 million TEUs for the corresponding period in 2007. Net registered tonnage of vessels handled by the shipping agency services reached 276.60 million tonnes, a 15.6% increase from 239.30 million tonnes for the corresponding period in 2007. Number of vessel calls managed also grew 2.2% to 38,172, compared with 37,345 for the corresponding period in 2007.

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 2008, the turnover from storage and terminal services amounted to RMB756.5 million, representing a 4.3% increase from RMB725.2 million for the corresponding period in 2007.

For the first half of 2008, the Group's warehouses handled 5.20 million tonnes of bulk cargo, representing a 1.9% decrease from 5.30 million tonnes for the corresponding period in 2007; containers handled grew to 4.00 million TEUs from 3.70 million TEUs for the corresponding period in 2007, an increase of 8.1%; containers handled in terminals grew to 1.258 million TEUs from 1.249 million TEUs for the corresponding period in 2007, an increase of 0.7%. The volume of bulk cargo handled at terminals dropped to 1.20 million tonnes from 1.60 million tonnes for the corresponding period in 2007, a decrease of 25.0%.

The significant slowdown in the increase of the turnover and business volume of the warehouse business was mainly attributable to ongoing coastal line re-construction for certain terminals to enhance operating capacity and market changes.

Marine Transportation

For the six months ended 30 June 2008, turnover from marine transportation was RMB1,639.7 million, increased by 7.9% from RMB1,520.2 million for the corresponding period in 2007.

For the first half of 2008, number of containers shipped by the Group rose to 905,306 TEUs, up by 10.5% from 818,911 TEUs for the corresponding period in 2007.

Growth was 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 2008 amounted to RMB411.9 million, increased by 10.3% from RMB373.5 million for the corresponding period in 2007.

The bulk cargo trucking volume of the Group in the first half of 2008 was 0.884 million tonnes, decreased by 33.9% from 1.337 million tonnes in the corresponding period of 2007. Volume of containers recorded 0.489 million TEUs, increased by 3.6% from 0.472 million TEUs. The significant slowdown in growth in the business was mainly attributable to the catastrophic weather in Mainland China at the beginning of the year.

Management Discussion and Analysis of Operating Results and Financial Position

Transportation and Related Charges

For the six months ended 30 June 2008, transportation and related charges grew by 15.1% to RMB16,822.9 million, compared with RMB14,619.8 million for the corresponding period in 2007. Such increase was mainly attributed to the growth in business volume.

Depreciation and Amortisation

Depreciation and amortisation amounted to RMB221.1 million for the six months ended 30 June 2008, representing an increase of 12.4% from RMB196.7 million for the corresponding period in 2007, 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 RMB3,060.8 million for the six months ended 30 June 2008, a 11.4% increase from RMB2,748.7 million for the corresponding period in 2007.

The increase in operating costs (excluding transportation and related charges, depreciation and amortisation) was primarily due to increasing personnel expenses and fuel expenses.

A year-on-year increase of 13.2% in personnel expenses for the first half of 2008 was mainly attributable to the recruitment of staff as a result of the expansion of business network.

Fuel expenses for the first half of 2008 recorded a year-on-year increase of 22.9% due to mainly continuing increase in global fuel price.

Operating Profit

The Group's operating profit was RMB699.4 million for the six months ended 30 June 2008, representing an increase of 5.4% from RMB663.6 million in the corresponding period of 2007. Operating profit for the six months ended 30 June 2008 as a percentage of total revenue decreased to 3.3% from 3.6% for the six months ended 30 June 2007, or to 16.9% from 17.6% as a percentage of net revenue (total revenue less transportation and related charges), reflecting primarily external market conditions.

Income Tax Expense

For the six months ended 30 June 2008, income tax expense of the Group amounted to RMB339.3 million, representing an increase of 81.2% from RMB187.3 million in the corresponding period of 2007. The increase was mainly attributable to income tax payable in respect of gains arising from the disposal of Exel-Sinotrans Freight Forwarding Company Limited ("Exel-Sinotrans"), a jointly controlled entity. Income tax expense as a percentage of profit before income tax expense decreased to 27.4% from 27.8% for the six months ended 30 June 2007.

Management Discussion and Analysis of Operating Results and Financial Position

Discontinued Operations

Discontinued operations of the Group represented the UPS related express business. The non-competition period relating to the UPS business expired on 31 December 2007. UPS related income had been fully dealt with by 31 December 2007 and there was no provision retained for potential indemnity claims as of 31 December 2007.

Minority Interests

Minority interests for the six months ended 30 June 2008 amounted to RMB214.4 million, up by 67.0% from RMB128.4 million for the corresponding period of 2007, reflecting mainly increased profit for the period of Sinoair, a non-wholly-owned subsidiary of the Group, as a result of the disposal gain of Exel-Sinotrans, a jointly controlled entity under Sinoair.

Profit Attributable to Equity Holders of the Company

Profit after income tax from the Group's continuing operations for the six months ended 30 June 2008 amounted to RMB899.2 million, representing an increase of 61.2% from RMB557.7 million for the same period in 2007.

The Group's profit attributable to equity holders of the Company for the six months ended 30 June 2008 amounted to RMB684.8 million, representing an increase of 59.5% from RMB429.3 million for the same period in 2007.

Liquidity and Capital Resources

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

| | For the six months ended | |
|--|---------------------------------|-------------|
| | 30 June | |
| | 2008 | 2007 |
| | RMB in | RMB in |
| | millions | millions |
| | (Unaudited) | (Unaudited) |
| | | (Restated) |
| Net cash inflow from operating activities | 651.8 | 431.9 |
| Net cash used in investing activities | (647.1) | (558.1) |
| Net cash generated from/(used in) financing activities | 233.6 | (144.7) |
| Net increase/(decrease) in cash and cash equivalents | 238.3 | (270.9) |
| Cash and cash equivalents at the end of period | 4,671.2 | 4,264.4 |

Management Discussion and Analysis of Operating Results and Financial Position

Operating Activities

Net cash generated from operating activities for the six months ended 30 June 2008 amounted to RMB651.8 million, up by 50.9% compared with RMB431.9 million for the corresponding period of 2007. The increase in net cash flow from operating activities for 2008 reflected primarily an increase of RMB684.8 million in profit attributable to shareholders of the Company for the six months ended 30 June 2008 (corresponding period in 2007: RMB429.3 million), an increase of RMB337.7 million in trade payables (corresponding period in 2007: increase of RMB685.9 million) and an increase of RMB303.6 million in advanced receipts from customers (corresponding period in 2007: increase of RMB318.8 million), which was partially offset by an increase of RMB588.8 million in trade receivables for the six months ended 30 June 2008 (corresponding period in 2007: increase of RMB1,289.6 million).

For the six months ended 30 June 2008, the average age of trade receivables was 57 days, as compared to 59 days for the corresponding period in 2007.

Investing Activities

For the six months ended 30 June 2008, net cash used in the Group's investing activities of RMB647.1 million primarily comprised RMB643.1 million for the addition of property, plant and equipment, RMB41.281 million for the acquisition of land use rights and intangible assets, RMB145.1 million for the acquisition of associates and an additional RMB288.7 million in term deposits with initial terms of over three months, which was partially offset by an increase of RMB540.5 million in net cash received for the disposal of a jointly controlled entity during the period. For the six months ended 30 June 2007, net cash used in investing activities was RMB558.1 million, comprising primarily of RMB425.2 million for the addition of property, plant and equipment and RMB217.7 million for the acquisition of land use rights and intangible assets.

Financing Activities

Net cash generated from the Group's financing activities amounted to RMB233.6 million for the six months ended 30 June 2008, compared with net cash used in financing activities of RMB144.7 million for the corresponding period of 2007. Net cash generated from the Group's financing activities for the six months ended 30 June 2008 comprised mainly new bank borrowings amounting to RMB2,073.6 million (corresponding period 2007: increase of RMB447.8 million), partially offset by repayments of bank borrowings of RMB928.5 million (corresponding period 2007: RMB316.8 million) and an increase in the restricted cash amounting to RMB841.5 million (corresponding period 2007: increase of RMB5.015 million).

Capital Expenditure

For the six months ended 30 June 2008, the Group's capital expenditure amounted to RMB684.4 million, consisting primarily of RMB643.1 million for acquisition and construction of fixed assets, RMB9.692 million for the acquisition of intangible assets and RMB31.589 million for purchase of land use rights. Out of the above, RMB444.4 million was used for the renovation and construction of terminals, warehouses, logistics centres and container yards, RMB185.3 million for the purchase of vehicles, vessels and machinery equipment and RMB49.50 million for IT investment and refurbishment and purchase of office equipment.

Management Discussion and Analysis of Operating Results and Financial Position

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2008, the Group's contingent liabilities mainly comprised RMB54.81 million (2007: RMB10.85 million) in relation to outstanding lawsuits. As at 30 June 2008, the amount of guarantees the Group issued for the jointly controlled entities was RMB3 million (2007: RMB3 million). In addition, Sinoair issued certain letters of guarantees relating to businesses and responsibilities with no specified amounts to the General Administration of Civil Aviation of China in the ordinary course of business for the purposes of obtaining freight forwarding licenses for certain jointly controlled entities.

SECURED AND GUARANTEED BORROWINGS

As at 30 June 2008, the Group pledged restricted cash amounting to approximately RMB1,062 million for borrowings. In addition, as at the same date, the Group also pledged property, plant and equipment (having a net book value of approximately RMB95.654 million) and land use rights (having a net book value of approximately RMB33.356 million) for borrowings.

GEARING RATIO

As at 30 June 2008, the gearing ratio of the Group was 62.1% (as at 31 December 2007: 56.5%), which was calculated by dividing the sum of liabilities and minority interests by total assets of the Group as at 30 June 2008.

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 cash and cash equivalents and short-term borrowings, 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. The maximum exposure to credit risk in the event that other parties failed to perform their obligation under these financial instruments was represented by their book values.

EMPLOYEES

As at 30 June 2008, the number of employees of the Group was 24,576. Details of employees' remuneration, remuneration policies and staff development were substantially the same as those disclosed in the 2007 Annual Report and without significant changes.

Management Discussion and Analysis of Operating Results and Financial Position

ACQUISITIONS AND DISPOSALS

1. On 1 January 2008, the Group completed its acquisitions from its ultimate holding company, Sinotrans Group Company, for certain companies, assets and businesses, which primarily engage in freight forwarding, shipping agency, storage and terminal services for an aggregate cash consideration of RMB1,106,030,000. The companies acquired include: Sinotrans Chongqing Co., Ltd., Sinotrans Anhui Co., Ltd., Sinotrans Foshan Co., Ltd., Sinotrans Shandong Tsingdao International Logistics Co., Ltd., Sinotrans Jiangxi Co., Ltd., Shenzhen Haixing Harbour Development Co., Ltd., Sinotrans Ruichi Logistics Co., Ltd., Jingmao International Transportation Co., Ltd., Sinotrans (Hong Kong) Logistics Co., Ltd. and Guangdong Changyun International Freight Forwarding Co., Ltd..
2. In April 2008, Sinoair disposed of its entire 50% equity interests in Exel-Sinotrans to DHL Exel Supply Chain (Hong Kong) Limited for a total cash consideration of Euro 61,045,000 which was equivalent to RMB658,070,000.

SUBSEQUENT EVENTS

At the shareholders' meeting of Sinoair held on 6 August 2008, it was resolved that the shareholders authorised the board of directors of Sinoair to issue a corporate guarantee in favour of its jointly controlled entity, Grandstar Cargo Co. Ltd., to obtain the borrowings up to USD74,700,000 from Bank of China Tianjin Branch. The related guarantee contract has not been executed as of 1 September 2008.

OUTLOOK AND PROSPECTS

In the latter half of the year, continued slowdown in foreign trade export growth is expected as China continues to implement tightened macro-economic control measures. Uncertainties will prevail in factors affecting the pick-up or slowdown of economic growth.

As such, the Group will continue to face grim market conditions and more intense competition is expected.

The Group intends to respond to market changes in a pro-active manner by closely monitoring the economic situation and market movements. We will continue to enhance optimisation of our asset structure by advancing business and resource integration, improving the quality of our operations by extending our services chain and reinforcing the integration and optimisation of our traditional core businesses, seeking strong development of our import business with ongoing expansion into new sectors frontiers and enhancing our market competitiveness by fully leveraging our strengths in integrated logistics.

The Group believes that by leveraging on its strong capability and resources, adhering to and improving established development strategies and capitalising on favourable factors with the benefit of in-depth knowledge of the market and timely adjustments, its businesses will sustain stable and healthy development and maximise the return for its shareholders.

Zhao Huxiang
Chairman

Beijing, 1 September 2008

Interim Dividend

The Board has declared an interim dividend of RMB0.03 per share for the six month ended 30 June 2008. The relevant exchange rate, record date and arrangements in relation to the entitlements of holders of H shares to receive the interim dividends for the period ended 30 June 2008 will be separately announced according to the regulatory requirements and the Articles of Association of the Company.

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 2008, 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 2008 was as follows:

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

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 2008, 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 (Note 1) | 2,461,596,200(L) | — | Domestic | 57.93% | — |
| Deutsche Post AG (Note 2) | 237,468,000(L) | — | H shares | 5.59% | 13.30% |
| Franklin Templeton Investments Corp. | 105,275,000(L) | — | H shares | 2.48% | 5.89% |
| JPMorgan Chase & Co. (Note 3) | 90,258,550(L) 86,042,550(P) | — — | H shares H shares | 2.12% 2.03% | 5.05% 4.81% |
| The Bank of New York Mellon Corporation (Note 4) | 89,975,800(L) | — | H shares | 2.12% | 5.03% |

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

Note 1: Zhao Huxiang, Zhang Jianwei, Tao Suyun, Li Jianzhang, Yang Yuntao and Liu Jinghua are directors or employees of China National Foreign Trade Transportation Group which is the controlling shareholder of the Company.

Note 2: This includes 201,852,000 Shares held by Deutsche Post Beteiligungen GmbH ("Deutsche GmbH") and 35,616,000 shares held by Exel Hong Kong Limited ("Exel"). Deutsche GmbH and Exel are both 100% held by Deutsche Post AG.

Note 3: This includes 86,042,550 Shares held by JPMorgan Chase Bank, N.A., 4,161,000 Shares held by J.P. Morgan Whitefriars Inc. and 55,000 Shares held by Bear Stearns International Limited. JPMorgan Chase Bank, N.A., J.P. Morgan Whitefriars Inc. and Bear Stearns International Limited are all 100% held by JP Morgan Chase & Co.

Note 4: These Shares are directly held by The Boston Company Asset Management LLC ("Boston"), and the ultimate holding company of Boston is The Bank of New York Mellon Corporation.

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 2008, 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 AND REDEMPTION OF LISTED 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 2008.

SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions undertaken by the Group during the six months ended 30 June 2008 are set out in Note 22 to the unaudited condensed consolidated interim financial information.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company is committed to high standards of corporate governance and has adopted the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited as the code of Corporate Governance Practices of 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 2008.

Other Information

Board of Directors

As at 30 June 2008, 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 |

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.

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 2008.

MAJOR SUBSEQUENT EVENTS

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