SINOTRANS LIMITED

Stock Code: 598

Extensive Coverage Worldwide Connection

Annual Report 2009

MISSION

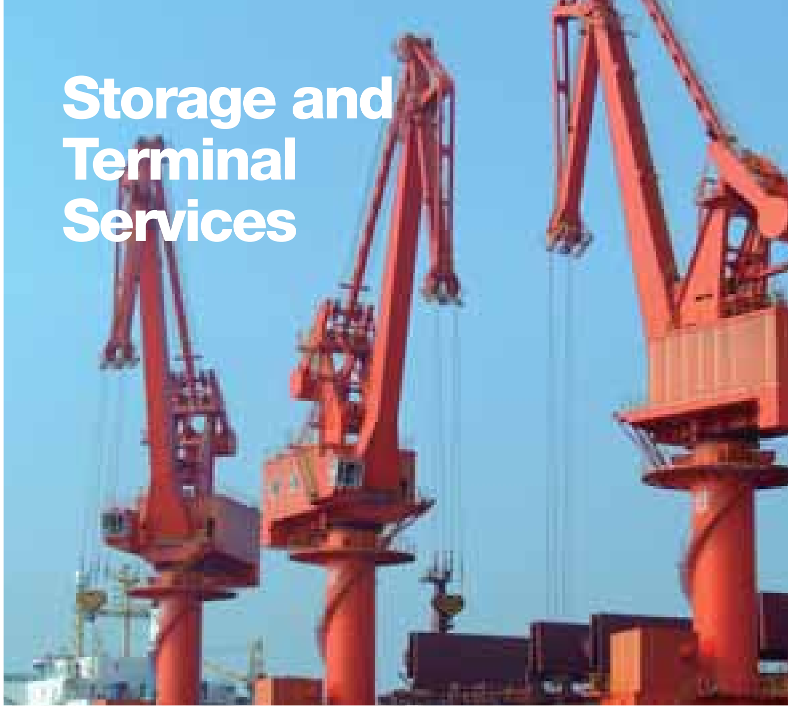
Leveraging on our comprehensive integrated logistics network to offer our customers multifaceted value-added services, empowering them to strengthen operational efficiency and enhance market competitiveness.

Capitalising on our successful operations to create a consolidated platform for all our shareholders, customers and employees to drive and build greater success.

Spearheading the growth in China's logistics industry with our corporate development and our dedication and commitment to "Green Logistics" through our community involvement in environmental protection.

Contents


Freight
Forwarding


Storage and
Terminal
Services


Express
Services


Marine
Transportation


Shipping Agency


Other Services

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

CONTROLLING SHAREHOLDER
中國外運長航集團有限公司 (Formerly known as China National Foreign Trade Transportation (Group) Corporation ("Sinotrans Group Company")) ("SINOTRANS GROUP COMPANY")

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

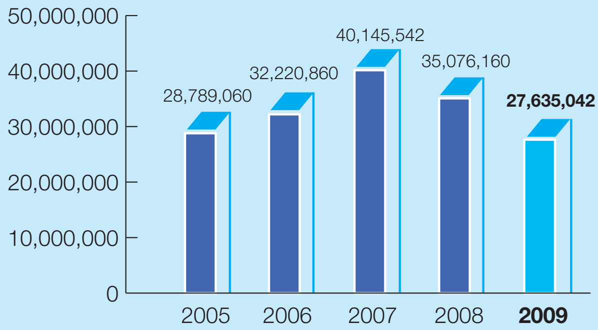
PRC auditors:
PricewaterhouseCoopers
Zhong Tian CPAs Limited Company
11th Floor
PricewaterhouseCoopers Centre
202 Hu Bin Road
Shanghai 200021
People's Republic of China

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

Financial Highlights

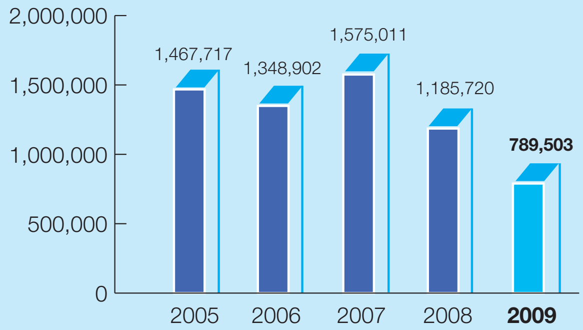
Turnover

RMB'000



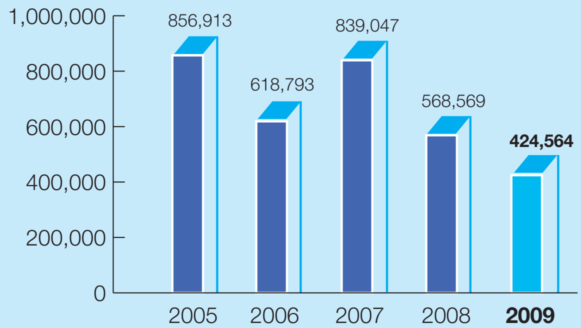
Profit before income tax

RMB'000



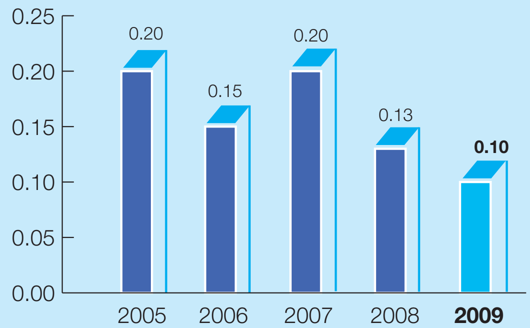
Profit for the year (attributable to equity holders)

RMB'000



Earnings per share, basic and diluted

RMB



As at 31 December	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)		
Total assets	21,201,494	19,068,814	20,262,980	15,952,897	14,736,097
Total liabilities	10,497,163	9,232,046	8,647,528	6,733,444	6,223,111
Minority interests	2,057,690	1,847,436	2,281,281	1,709,280	1,193,478
Equity holders' equity	8,646,641	7,989,332	9,334,171	7,510,173	7,319,508

Note 1: Basic and diluted earnings per share for the five years ended 31 December 2005, 2006, 2007, 2008 and 2009 have been computed by dividing the profit for the year by, respectively, 4,249,002,200 shares, being the weighted average number of shares in issue during the year ended 31 December 2005, 2006, 2007, 2008 and 2009. As there are no potentially dilutive securities, there is no difference between basic and diluted earnings per share.

Note 2: Sinotrans Air Transportation Development Company Limited ("Sinoair" stock code: 600270), one of the Company' subsidiaries, issued shares in its initial public offering on the Shanghai Stock Exchange in 2000. Sinoair received net cash proceeds of approximately RMB955,520,000 from the issuance. Following the issuance of shares to the public, the equity interest held by the Company decreased from 94.13% to 70.36%, while the Group's share of net assets of the subsidiary increased from approximately RMB385,333,000 to approximately RMB988,420,000, resulting in a gain of approximately RMB603,087,000. On 18 October 2006, Sinoair passed a share reform proposal, under which the equity interest held by the Company decreased from 70.36% to 63.46%. The capital reserves attributable to the equity holders of the Company decreased by RMB224,303,000 accordingly.

Note 3: Turnover and profit before income tax include both continuing operations and discontinued operations.

Note 4: The restatement in 2007 was due to the acquisition of certain subsidiaries from ultimate holding company in 2008. Such business combination are refer to as common control combination. The consolidated financial statements have been prepared using the concept of merger accounting.

Note 5: The restates in 2008 and 2007 were due to the change in accounting policies for jointly controlled entities from proportionate consolidation to the equity method. The equity method has been retrospectively applied. The change in accounting policy does not affect the profit and reserves attributable to the equity holders of the Company in the consolidated financial statement for each period presented.

Chairman's Statement

To: the shareholders

I am pleased to present the annual report of Sinotrans Limited (the "Company") for the financial year ended 31 December 2009 for your review.

REVIEW OF OPERATING RESULTS

In 2009, the global financial crisis continued to deteriorate, leading to a worldwide economic recession. Import growth of countries in Europe and America has slowed down. Various measures the Chinese Government implemented to stimulate the economy began to deliver expected results in 2009. Positive changes could be seen in the investment, enterprises and credit sectors. The development trend of China was better than those of other markets. As compared to the corresponding period in 2008, the gross domestic product (GDP) increased by 8.7%, the foreign import and export decreased by 13.9%; comprising a 16.0% decline in export and a 11.2% decline in import. Barring the pricing factor, the actual annual export decreased by 10.5%, while the actual import increased by 1.5%.

Chairman's Statement

In face of the unprecedented financial crisis, the Group adjusted its working plan in 2009 in a timely and decisive manner, identified opportunities in the crisis, strived for development despite the economic downturn; and took an active role in implementing a series of measures. All these initiatives served the purposes of "ensuring growth, keeping control of capital, avoiding risks and solidifying benefits". These measures successfully curbed the downward trend in our business, contributing to the growth of the Company.

In 2009, the Group's business achieved a revenue of approximately RMB27.635 billion, representing a decrease of 21.2% as compared with the corresponding period in 2008; operating profit generated from its business operation increased by 127.8%. Profit distributable to equity holders decreased by 25.3% as compared with the corresponding period in 2008. Earning per share was RMB0.10 (corresponding period in 2008: RMB0.13).

RESOURCE INTEGRATION

We will continue to strengthen cooperation with SINOTRANS GROUP COMPANY to further improve and extend our service network as well as to expand our overseas network, with a view to providing more diversified services to our customers.

We would like to thank our shareholders for their strong backing for us in this regard and trust that we can continue to count on their support.

DIVIDENDS

The Board has proposed to recommend the payment of a final dividend of RMB0.02 per share at the forthcoming annual general meeting to reward shareholders for their continuous support of the Group, taking into account the Company's sound financial position.

SOCIAL RESPONSIBILITY

We believe that active performance of social responsibilities represents an essential quality for any worthy company, which is very important in terms of both the community's future and the sustainable development of the Company.

Since the establishment of the ISO 9000/ISO 14001/OHSAS 18001 quality and EHS management systems in 2007, the Group has formulated procedures for identifying, assessing and controlling environmental factors. Suitability assessment and tracking of relevant laws and regulations on safety and environment has been conducted and controllable environmental factors in the operating activities and relevant services of the Company that might have an impact were fully, adequately and effectively identified, assessed and updated. We have ensured that necessary attention be given to significant environmental factors and effective control be exercised to minimise adverse impact on the environment.

INVESTOR RELATIONS

With a strong emphasis on investor relations, the Group has always sought to ensure effective communications between investors and the management. Latest updates on the Group's business development and operations are released in a timely manner through a variety of means, and accurate information disclosure is being conducted in accordance with corporate governance principles.

I am convinced that effective communications with investors will add value for shareholders by contributing towards better management transparency and higher corporate governance standards.

Chairman's Statement

PROSPECTS

In 2010, the economic situation is still complicated and challenging. From an international perspective, the world's major economies have seen turnaround signs. The world economy and global trade are expected to resume growth as a result. However, the impact of global financial crisis still exists. The foundation of the world economic recovery is not that strong. The road to recovery will surely be a slow, tortuous and complicated one. From a domestic perspective, this year China is expected to continue to implement a proactive fiscal policy and an appropriately loose monetary policy to maintain the continuity and stability of its macroeconomic policies, which will create a much favorable condition for China's economic development. Accordingly, the foundation for economic rebound and recovery will become a solid one with time. Yet, we should be clear about the fact that, the situation of China's economic development this year is still very complicated.

In 2010, a slow recovery is expected to be seen in international freight forwarding and shipping agency market. As the China's policies of expanding its domestic demand and promoting the construction of cities and towns continue to pay off, which increases demand in the domestic logistics and transportation market, thus presenting ample opportunities for further development. This is a year of both challenges and opportunities for the Group. Under the new economic environment, the Group has to seize opportunities, strengthen its marketing efforts, actively expand the domestic logistics market, make good use of business synergies, brand advantages and network advantages, and strive to accomplish and achieve various operational tasks in 2010.

The Group will continue to consolidate its traditional business and spare no effort in introducing innovative service products and new business patterns, further extend its service chain, expand the value-added services of freight forwarding and shipping agency, realize the logisticalization of freight forwarding and shipping agency and effectively improve the capacity of intensive operations of the traditional logistics business. The Group will also strengthen its expansion in the sector of domestic trade and consolidate foreign trade business while endeavouring to develop domestic trade business, so as to further accelerate the pace of restructuring operations and to increase the ratio of domestic trade business in its operating structure. The Group will invest in its core business, create resource advantages, bring the Group's resources and personnel advantages in full play, target at the high-end logistics market, implement a scalable, intensive and professional management with the help of a networking system, further strengthen and expand its integrated logistics services, actively promote the integration of resources, optimize the allocation of resources, and further promote the comprehensive risk management to improve its capability in risk management and control.

Chairman's Statement

APPRECIATION

Finally, I would like to take this opportunity to express our most sincere thanks to the Board of Directors, Board of Supervisors, management and staff. Your strong support and tireless efforts are the source and momentum of the continuous development of the Group. We would like to express our deepest thanks to our business partners and shareholders. Your trust in Sinotrans will continue to inspire us to strive for a long-term and stable value for shareholders, customers and the community.

Zhao Huxiang
Chairman

Beijing, the PRC 23 March 2010

Management Discussion and Analysis of Results of Operations and Financial Position

The following discussion and analysis should be read in conjunction with the consolidated results and the notes thereto of the Company and its subsidiaries (collectively the "Group") detailed in other sections of the annual report of the Company.

BUSINESS OVERVIEW

The Group is a leading logistics service provider in the People's Republic of China ("PRC") whose principal activities include freight forwarding, express services and shipping agency, complemented by ancillary operations in storage and terminal services, marine transportation and other services such as trucking transportation.

The geographical areas covered by the Group's businesses operation include Guangdong, Fujian, Shanghai, Zhejiang, Jiangsu, Hubei, Lianyungang, Shandong, Tianjin and Liaoning, etc., being coastal regions under rapid growth and other strategic locations in the mainland. We also have an extensive domestic service network, as well as a large overseas agency network. Through acquisitions of business networks and assets from the parent company, the geographical coverage of our business has been extended to Anhui, Jiangxi, Sichuan, Chongqing and Hong Kong.

Management Discussion and Analysis of Results of Operations and Financial Position

With comprehensive service networks and the means and capabilities to provide integrated services, the Group has become a leading provider of integrated logistics services in the market.

REVIEW OF OPERATION

In 2009, global economic crisis continued to worsen, and it was the most difficult and challenging year for the Group. Nevertheless, with relentless efforts of our management and all its staff, we have managed to prevent our business from declining during the year and the results were satisfactory.

– We have taken proactive measures in face of the financial crisis and leveraged the opportunities arisen therefore to grow our business. In 2009, in face of such an unprecedented financial crisis, the Group has taken appropriate measures to adjust our business approach in a timely and decisive manner. We have grasped every opportunity in such a challenging environment to develop ourselves, and have taken a series of measures for "maintaining growth, controlling capital expenditures, avoiding risks and consolidating efficiency". Such measures not only successfully helped to prevent our business from declining, but also fostered our business growth.

– We have taken measures to consolidate our traditional businesses and have continued to adjust our strategies in a view to optimizing our business model. Our sales to strategic customers and major customers recorded substantial growth during the year. We also saw significant synergy effects in our business as we continued to optimize our operation model. On the other hand, there was significant development in our import business; while solid progress was seen in our overseas networks and the cargo-space booking platform.

– For our professional logistics business, great efforts have been put into specialisation and intensified operations. We have embarked on promoting the development of our project logistics, contract logistics and chemical logistics businesses, with an aim to building a competitive high-end logistics business in the market, so as to differentiate ourselves by enhancing our competitiveness and to increase the profitability of this business.

– We have been actively exploring opportunities in the domestic market. Satisfactory results can be seen in the development of our domestic logistics market and trade transportation business as we continued to devote great efforts in building our domestic customer base. Moreover, we have worked hard to promote the interactions and synergies between different parts of our operation system, thus facilitating the growth of our domestic trading business horizontally and vertically. The operation scale of our domestic transportation business has gained breakthroughs as well.

– Steady progress in consolidation of resources for implementation of our structural realignments. The Group has successfully completed the consolidation of our container shipping business, and restructuring of Sinotrans Changjiang has shown encouraging results.

– During the year, we have strengthened our fundamental management and adopted the system of refined management. We have also strengthened our cost control measures and enhanced the management and informatization in the operation of our jointly controlled entities.

Management Discussion
and Analysis of Results of Operations and Financial Position

OPERATING STATISTICS

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

	For the year ended 31 December	
	2009	2008 (Restated)
Freight forwarding		
Sea freight forwarding		
Bulk cargo (in millions of tonnes)	**5.8**	6.6
Container cargo (in ten thousands of TEUs)	**573.2**	614.3
Air freight forwarding (in millions of kilograms)	**301.9**	381.3
Rail freight forwarding		
Bulk cargo (in millions of tonnes)	**0.7**	0.8
Container cargo (in ten thousands of TEUs)	**3.2**	5.0
Road freight forwarding		
Bulk cargo (in millions of tonnes)	**0.14**	0.07
Container cargo (in ten thousands of TEUs)	**3.9**	3.8
Express services		
Packages (in millions of units)	**2.42**	8.26
Shipping agency		
Net registered tonnes (in millions of tonnes)	**541.0**	500.5
Vessel calls (number of times per vessel)	**61,896**	70,072
Containers (in millions of TEUs)	**10.11**	11.52
Bulk cargo (in millions of tonnes)	**163.6**	136.5
Storage and terminal services		
Warehouse operating volume		
Bulk cargo (in millions of tonnes)	**9.3**	9.2
Containers (in millions of TEUs)	**7.3**	7.1
Terminal throughput		
Bulk cargo (in millions of tonnes)	**2.4**	2.3
Containers (in ten thousands of TEUs)	**257.9**	249.3
Marine transportation		
TEUs	**1,846,684**	1,809,410
Other services		
Trucking of bulk cargo (in ten thousands of tonnes)	**256.5**	166.6
Trucking of containers (in ten thousands of TEUs)	**74.7**	78.6

Management Discussion and Analysis of Results of Operations and Financial Position

OPERATING RESULTS

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

	For the year ended 31 December	
	2009	2008 (Restated)
	(In RMB million except for earnings per share and number of shares)	(In RMB million except for earnings per share and number of shares)
Revenue	**27,635.0**	35,076.2
Other income	**335.0**	346.4
Business tax and other surcharges	**(253.7)**	(248.5)
Transportation and related charges	**(21,999.8)**	(28,886.3)
Depreciation and amortisation	**(375.5)**	(330.2)
Cost of operation (excluding transportation and related charges, business tax, depreciation and amortisation, and other gains/(losses), net):		
– Staff costs	**(1,853.9)**	(1,849.1)
– Repairs and maintenance	**(136.2)**	(129.8)
– Fuel	**(857.6)**	(1,102.6)
– Travel and promotional expenses	**(238.3)**	(252.1)
– Office and communication expenses	**(152.6)**	(172.0)
– Rental expenses	**(1,306.6)**	(1,523.9)
– Other operating expenses	**(445.2)**	(411.2)
Other gains/(losses), net	**184.5**	(282.0)
Operating profit	**535.1**	234.9
Gain on disposal of a jointly controlled entity	**–**	514.1
Financial costs, net	**(110.4)**	(8.2)
Share of profit of jointly controlled entities	**328.3**	414.7
Share of profit of associates	**36.5**	30.2
Profit before income tax	**789.5**	1,185.7
Income tax expense	**(235.4)**	(347.5)
Profit after income tax	**554.1**	838.2
Profit attributable to shareholders		
Equity holders of the Company	**424.5**	568.6
Minority interests	**129.6**	269.6
Dividends	**84.98**	212.45
Earnings per share attributable to the equity holders of the Company, basic and diluted (RMB)	**0.10**	0.13
Weighted average number of shares during the year (in millions of shares)	**4,249.00**	4,249.00
Number of shares at end of year (in millions of shares)	**4,249.00**	4,249.00

Management Discussion
and Analysis of Results of Operations and Financial Position

The table below sets out turnover from the Group's major business segments before inter-segment elimination and the percentage for the share of total turnover before inter-segment elimination for the years indicated:

	Turnover by business segment (in million RMB) For the year ended 31 December			
	2009		2008 (Restated)	
Freight forwarding	**22,544.0**	**78.1%**	29,352.1	81.3%
Express services	**380.4**	**1.3%**	545.7	1.5%
Shipping agency	**655.9**	**2.3%**	716.1	2.0%
Storage and terminal services	**1,396.4**	**4.8%**	1,325.9	3.7%
Marine transportation	**2,993.0**	**10.4%**	3,424.0	9.5%
Other services	**904.8**	**3.1%**	735.3	2.0%

The table below sets forth the segmental results (in million RMB) of the major business segments of the Group and comparative figures for the corresponding period in 2008. The result of each segment is defined as the operating profit of each segment excluding the effects of the profit and losses on the changes in fair value and corporate expenses. The segmental profit for the year ended 31 December 2008 is restated according to the reports reviewed by management, taken into account the effects from non-operating incomes and expenses that were reported as unallocated cost previously.

	For the year ended 31 December	
	2009	2008 (Restated)
Freight forwarding	**310.7**	360.2
Express services	**(46.5)**	(135.9)
Shipping agency	**255.0**	288.8
Storage and terminal services	**249.2**	266.9
Marine transportation	**(327.4)**	(157.3)
Other services	**38.2**	2.8

Management Discussion and Analysis of Results of Operations and Financial Position

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2009

Turnover

In 2009, the Group's turnover amounted to RMB27,635.0 million, down by 21.2% from RMB35,076.2 million for 2008.

Freight forwarding

Turnover from the Group's freight forwarding services decreased 23.2% to RMB22,544.0 million in 2009, compared to RMB29,352.1 million in 2008.

Volume of sea freight forwarding containers was 5.732 million TEUs in 2009, decreasing 6.7% from 6.143 million TEUs in 2008. Cargo tonnage of air freight forwarding services was 0.3019 million tonnes in 2009, decreasing by 20.8% from 0.3813 million tonnes in 2008.

The decrease in revenue from freight forwarding in 2009 was mainly attributable to the reduction in both business volume and market price. In 2009, the consolidated freight index of exporting container shipping in China recorded a 21.4% year-on-year decrease.

Express Services

Turnover of our express services for 2009 was RMB380.4 million, decreasing by 30.3% from RMB545.7 million in 2008.

Number of documents and packages handled by our express services was 2.42 million units in 2009, representing a decrease of 70.7% from 8.26 million units in 2008.

The decrease in volume of business was more substantial than that of turnover was mainly the result of a significant reduction in business volume of our domestic express services.

The Group's jointly controlled entity engaged in express services generated an investment gain of RMB334 million, representing a decrease of 19.9% from the previous year. The number of documents and packages handled by the jointly controlled entity increased by 17.8% from 14.19 million units in 2008 to 16.72 million units in 2009, among which 13.83 million units belonged to international express services, representing a 2.5% drop from the previous year, while a total of 2.89 million units for domestic express services, our new line of business in 2009, were handled.

Shipping Agency

In 2009, turnover from our shipping agency services was RMB655.9 million, representing a decrease of 8.4% from RMB716.1 million for 2008.

Number of containers handled in shipping agency business of the Group was 10.11 million TEUs in 2009, representing a fall of 12.2% from 11.52 million TEUs in 2008. Volume of bulk cargo handled was 163.6 million tonnes in 2009, representing a rise of 19.9% when compared with 136.5 million tonnes in 2008. Net registered tonnage of vessels handled by the shipping agency services reached 541.0 million tonnes in 2009, representing a 8.1% increase from 500.5 million tonnes in 2008. Number of vessel calls decreased by 11.7% to 61,896 times in 2009, compared with 70,072 times in 2008.

Decreases in turnover of shipping agency business and volume of business in container agency business were mainly due to the general cancellation and consolidation of shipping routes by shipping lines amidst the sluggish market condition. However, in view of the favorable opportunities brought by the significant growth in China's bulk cargo importing business, the Company has focused its marketing efforts in bulk cargo shipping agency business. As a result, our bulk cargo business volume recorded a substantial increase, partly offsetting the effect of the contraction in business volume in the container shipping business.

Management Discussion and Analysis of Results of Operations and Financial Position

Storage and Terminal Services

In 2009, turnover from storage and terminal services amounted to RMB1,396.4 million, representing a 5.3% growth from RMB1,325.9 million in 2008.

The Group's warehouses handled 9.30 million tonnes of bulk cargo in 2009, representing a 1.1% increase from 9.20 million tonnes for the corresponding period in 2008. Containers handled grew to 7.30 million TEUs from 7.10 million TEUs for the corresponding period in 2008, representing an increase of 2.8%. Containers handled through terminals increased 3.4% to 2.579 million TEUs from 2.493 million TEUs for the corresponding period in 2008. The volume of bulk cargo handled at terminals increased 4.3% to 2.40 million tonnes from 2.30 million tonnes for the corresponding period in 2008.

Growth in this business segment was mainly attributable to the Group's keen efforts in developing the domestic trading market, which saw significant increase in business volume of this segment.

Marine Transportation

Turnover from marine services of the Group in 2009 amounted to RMB2,993.0 million, down by 12.6% from RMB3,424.0 million in 2008.

Number of containers shipped by the Group rose to 1.847 million TEUs in 2009, up by 2.1% from 1.809 million TEUs in 2008.

The lower turnover was mainly attributable to significantly lower freight rate in the market during the year.

Other Services

Turnover from other services (mainly from trucking transportation) in 2009 amounted to RMB904.8 million, representing an increase of 23.1% from RMB735.3 million in 2008.

The Group's trucking of bulk cargo in 2009 was 2.565 million tonnes, representing an increase of 54.0% from 1.666 million tonnes in the corresponding period of 2008. Volume of containers was 0.747 million TEUs, representing a drop of 5.0% from 0.786 million TEUs in 2008.

Growth in the turnover and business volume of other services was mainly due to the significant increase in turnover of large cargo transportation business of the Group.

Transportation and Related Charges

Transportation and related charges were down by 23.8% to RMB21,999.8 million in 2009, compared with RMB28,886.3 million in 2008. Such decrease was mainly attributable to a drop in the Group's business volume.

Depreciation and Amortisation

Depreciation and amortisation amounted to RMB375.5 million in 2009, representing an increase of 13.7% from RMB330.2 million in 2008, mainly as a result of our newly acquired assets starting to be put into operation during the year.

Operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges and other gains or losses, net)

The Group's operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges and other gains or losses, net) were RMB4,990.4 million in 2009, representing a 8.3% decrease from RMB5,440.7 million in 2008.

The decrease in operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges, other gains or losses, net) was mainly because our Group has put great efforts in reducing expenses in view of the stringent macro-economic environment, leading to the overall decrease in all cost items.

Management Discussion and Analysis of Results of Operations and Financial Position

Other Gains/(losses), Net

Other gains/(losses) increased to RMB184.5 million in 2009 from-RMB282.0 million in 2008 as a result of the fair value change in derivative financial instruments held by the Group in 2009.

To hedge against the risks of the shipping route operations associated with rising fuel prices and exchange rate fluctuations, the Group held certain forward fuel contracts and forward Japanese Yen/USD exchange contracts. For the year ended 31 December 2009, the fair value of the contracts recorded a gain on book of RMB189.3 million.

During the year ended 31 December 2009, the realised net losses of the above foreign exchange forward contracts amounting to RMB56,665,000 were charged in the consolidated income statement under "finance costs – net". And the realised net losses of the above fuel oil forward contract amounting to RMB20,688,000 were charged in the consolidated income statement under "fuel".

Operating Profit

The Group's operating profit was RMB535.1 million in 2009, representing a growth of 127.8% from RMB234.9 million in 2008. Operating profit as a percentage of total revenue for 2009 increased to 1.9% from 0.7% in 2008, or to 9.0% from 3.6% as a percentage of net revenue (total revenue less transportation and related charges), primarily as a result of the gain from the derivative financial instruments held by the Group.

Income tax expense

In 2009, income tax expense of the Group amounted to RMB235.4 million, representing a decrease of 32.3% from RMB347.5 million in 2008. The decrease was mainly attributable to reduction in profit before income tax expense. Income tax expense as a percentage of profit before income tax expense in 2009 changed marginally to 29.8% from 29.3% for 2008.

PROFIT AFTER INCOME TAX EXPENSE

For the year ended 31 December 2009, the Group recorded profit after income tax expense of RMB554.1 million, representing a decrease of 33.9% when compared to RMB838.2 million in the corresponding period in 2008.

MINORITY INTERESTS

Minority interests for 2009 amounted to RMB129.6 million, down 51.9% from RMB269.6 million for 2008, which was primarily attributable to the profits generated by the disposal of a jointly controlled entity by Sinotrans Air Transportation Development Co., Ltd ("Sinoair") in 2008.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2009 amounted to RMB424.5 million, representing a decrease of 25.3% from RMB568.6 million for the same period in 2008.

Management Discussion and Analysis of Results of Operations and Financial Position

LIQUIDITY AND CAPITAL RESOURCES

Liquidity of the Group is mainly derived from cash flow from its operations.

The following table summarises the Group's cash flows for the each of the two years ended 31 December 2009 and 2008:

	For the year ended 31 December	
	2009	2008 (Restated)
	RMB in millions	RMB in millions
Net cash inflow from operating activities	**645.7**	783.6
Net cash used in investing activities	**(1,031.2)**	(1,292.9)
Net cash generated from financing activities	**811.7**	521.7
Net increase in cash and cash equivalents	**426.2**	12.4
Cash and cash equivalents as at year end	**4,197.0**	3,770.8

Operating Activities

Net cash inflow generated from operating activities for 2009 amounted to RMB645.7 million, down 17.6% compared with RMB783.6 million in 2008. The decrease in net cash flow from operating activities primarily attributable to the Company's recorded profit attributable to shareholders for 2009 of RMB424.5 million (corresponding period in 2008: RMB568.6 million), an increase in current tax liabilities of RMB 270.1 million (corresponding period in 2008: RMB253.9 million), an increase in trade and other receivables of RMB689.3 million (corresponding period in 2008: decrease of RMB696.3 million), an increase in receipt in advance from customers of RMB439.7 million (corresponding period in 2008: decrease of RMB116.7 million), partly offset by an increase in trade and other receivables of RMB905.3 million (corresponding period in 2008: decrease of RMB1,006.6 million), an increase in prepayments, deposits and other current assets of RMB149.7 million (corresponding period in 2008: decrease of RMB84.2 million). Average credit period of trade receivables for 2009 and 2008 were 66 days and 52 days respectively.

Investing Activities

For the year ended 31 December 2009, net cash used in investing activities amounted to RMB1,031.2 million, primarily comprised RMB472.8 million for the addition of property, plant and equipment, RMB144.5 million for the acquisition of land use rights and intangible assets, RMB400 million for payment of the remaining consideration in respect of the acquisition of subsidiaries in 2008, RMB155.1 million paid for additional investments in subsidiaries, associates and jointly controlled entities, RMB504.6 million for acquisition of available-for-sale financial assets, and RMB405.4 million for the repayment of investment proceeds advanced from the ultimate controlling company, which were partially offset by a decrease of RMB636.5 million in term deposits with initial terms of over three months, RMB236.0 million dividends received from the associates and jointly controlled entities, disposal of RMB111.0 million received from associates and jointly controlled entities, and RMB86.8 million interest income received during the year. For the year ended 31 December 2008, net cash used in investing activities was RMB1,292.9 million, mainly comprised of RMB999.4 million for the addition of property, plant and equipment, RMB193.1 million for the acquisition of land use rights and intangible assets, RMB449.9 million for additional investments in subsidiaries, associates and jointly controlled entities, and increase of RMB762.4 million in term deposits with initial terms of over three months, which were partially offset by an increase of RMB540.5 million in net cash received for the disposal of a jointly controlled entity, RMB463.7 million dividends received from its associates and jointly controlled entities, and RMB94.5 million interest income received during the year.

Financing Activities

Net cash generated from the Group's financing activities amounted to RMB811.7 million for 2009, compared with net cash generated from financing activities of RMB521.7 million for 2008.

New bank borrowings in 2009 amounted to RMB734.5 million (2008: RMB3,837.4 million), and new entrusted bank loans from ultimate controlling company was RMB2,500 million (2008: nil), which were partially offset by repayments of bank borrowings of RMB2,318.0 million (2008: RMB3,006.3 million) and dividend payment of RMB112.8 million (2008: RMB342.2 million).

Capital Expenditure

For 2009, the Group's capital expenditure amounted to RMB617.3 million, consisting primarily of RMB472.8 million for acquisition of property, plant and equipment, RMB10.2 million for the acquisition of intangible assets and RMB134.3 million for purchase of land use rights, of which, RMB385.5 million were used for the renovation and construction of terminals, warehouses, logistics centers and container yards, RMB139.2 million for the purchase of vehicles and equipment and RMB40.8 million for IT investment, refurbishment and purchase of office equipment.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2009, contingent liabilities mainly comprised outstanding lawsuits of the Group arising in its ordinary course of business amounting to RMB72.49 million (2008: RMB55.34 million).

As at 31 December 2009, the amount of guarantees provided by the Group in favour of its jointly controlled entities and customers was RMB4 million (2008: the amount of guarantees provided by the Group for its customers was RMB2 million).

BORROWINGS

As at 31 December 2009, the Group's total borrowings amounted to RMB2,987.8 million (31 December 2008: RMB2,071.2 million), which comprised bank borrowings of RMB487.8 million denominated as to RMB137.4 million in RMB, RMB158.5 million in USD, and RMB191.9 million in JPY. Of the total borrowings, RMB20 million were repayable within one to two years. The weighted average annual interest rate for the above borrowings was 5.09%. The total borrowings of the Group also included a three-year RMB entrusted loan of RMB2,500 million obtained from the ultimate controlling company, at a weighted average annual interest rate of 3.48%.

SECURED AND GUARANTEED BORROWINGS

As at 31 December 2009, the Group pledged restricted cash amounting to approximately RMB15.6 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 RMB189.8 million) and land use rights (having a net book value of approximately RMB53.5 million) for borrowings.

Management Discussion and Analysis of Results of Operations and Financial Position

GEARING RATIO

As at 31 December 2009, the gearing ratio of the Group was 59.2% (2008: 58.1%), which was arrived at by dividing the sum of total liabilities and minority interests by total assets of the Group as at 31 December 2009.

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. There is no assurance that future fluctuations in Renminbi against the US dollars and other currencies would not adversely affect the Group's results and its financial position (including the ability to declare dividends).

CREDIT RISK

The extent of the Group's credit risk exposure is represented by the aggregated balances of trade and other receivables, financial assets at fair value through profit or loss, available-for-sale financial assets, restricted cash, term deposits with initial terms of over three months and cash and cash equivalents. The maximum credit risk exposure in the event that other parties fail to perform their obligations under these financial instruments is the carrying values of these financial instruments.

EMPLOYEES

At the end of 2009, the Group had 24,519 (2008: 24,084) employees.

The Company has formed an integrated system comprising the job position regime, the remuneration regime and the performance management regime. The remuneration regime includes long-term incentive schemes. The three regimes have combined to form an effective incentive and check mechanism compatible with the strategic objectives and business characteristics of the Company to support a corporate culture highlighted by the priority of results and performance. Employees are encouraged to improve their capabilities and performance on an ongoing basis, thereby facilitating the Company's healthy and sustainable development. The Group has also increased its efforts in staff training and development with due emphasis on career advancement and planning to assure opportunities for individual growth of employees.

At Sinotrans, we believe that people come first and that employees should be taken good care of. By assuring reasonable allocation of human resources, we endeavour to provide employees with a good working environment as well as opportunities for development, thereby enhancing team spirit and staff creativity to facilitate mutual development of the Company and its employees in harmony.

ACQUISITION AND DISPOSAL

1. On 20 January 2009, Sinotrans Heavy-lift Logistics Company Limited (originally named Shandong Sinotrans Lishen Hoisting and Transporting Company Limited), a subsidiary of the Group, acquired assets and operations relating to domestic trucking business from Rugao Benz Transportation Co., Ltd. for a total consideration after agreed adjustments of RMB64,160,000.

2. On 1 July 2009, Sinoair, a non-wholly-owned subsidiary of the Group, entered into an equity transfer agreement with DHL-Sinotrans International Air Courier Company Limited ("DHL-Sinotrans"), a jointly controlled entity of the Group, to dispose its 100% equity interests in Beijing Sinotrans Express Company Co., LTD to DHL-Sinotrans for a total consideration after agreed adjustments of RMB8,973,000 in cash.

3. On 16 July 2009, the Company and Sinoair disposed of their respective 35% and 12.5% equity interests in Sinotrans Logistics Investment Holding Co., Ltd. to the Sinotrans Group Company for an aggregate consideration of RMB108,806,000.

Management Discussion and Analysis of Results of Operations and Financial Position

OUTLOOK OF BUSINESS DEVELOPMENT

In 2010, the world's trading and shipping market will recover albeit at a slow and tortuous pace. China's economy will show a steady growing trend in general, however, it is important to note that the business environment of the domestic and overseas markets will remain stringent and there are still uncertainties ahead. We have to keep a clear mind in understanding such situation.

2010 is a year of "transformation" to our Group. Such transformation includes: 1. Realignment of the positioning of our operation platform, under which our focus will be shifted from external trade and export markets to attaching equal importance to our domestic and overseas markets. 2. Transformation of our business model, a change from labor-intensive model providing simple services to information and technology driven model providing value-added services. 3. Transformation of management model, a change from service oriented management to decision support oriented management.

In 2010, our guiding principles for business operation are: Progressive, innovative, integration of operation and delicated management, with an aim to resuming growth in the future.

– Formulate new development plans for the Group. In face of the new business environment of the industry, the Group is working to study an integration plan for our logistics business segment.

– Strengthen and foster integration and restructuring of our resources. We will further our efforts in restructuring the Group's companies in the Yangtze River region; moreover, we will speed up integration of resources in the northeast region.

– Continue to consolidate and optimize traditional business. We will endeavor to optimizing the operation model of freight forwarding business; consolidating the shipping agency business; taking advantages of the consolidating function of our cargo-space booking platform and continue to optimize our overseas agency business.

– Accelerate the development of our domestic transportation business. We will further enhance the cooperation with our major customers while exploring new customers. In addition, we will consolidate our business relation with shipping service providers, strengthen the interactions and synergies between our offices in different ports, further promote the synergies between domestic transportation business and other business segments, and foster the formation and development of the shipping platform for domestic trade.

– Continue to speed up our pace of professional development to attain economies of scale. We will foster the development and scale of our project logistics, contract logistics, chemical logistics, and our custodian and supervision business. We will also continue to strengthen our marketing efforts that focused on selective nationwide customers in order to build our market competitiveness.

– Continue to enhance our refined management. We will implement strategic planning in allocation of human resources. Moreover, we will endeavor to execute professional risk management and financial management. We will execute our investment strategies in a progressive yet cautions manner, with focus on our major investments. Informatization in operation will also be our priority for this year.

In 2010, the world economy and global business environment will continue to recover. China's economy will also see steady growth. However, there are still uncertainties in the process of recovery. We will endeavor to seize every development opportunity for our business in 2010. We are confident that steady growth in our operating results will be achieved in the year ahead, and are assured of the fulfillment of our business targets and our objective of creating higher value for our shareholders.

Report on Corporate Governance

Sound corporate governance represents a longstanding objective of the Company. Since its listing in February 2003, the Company has made huge efforts in enhancing its standard of corporate governance with reference to the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Articles of Association of the Company and other relevant laws and regulations, as amended from time to time, and taking into consideration its own attributes and requirements, with a view to safeguarding investors' interests and enhancing its value.

CONTINUOUS IMPROVEMENT ON CORPORATE GOVERNANCE PRACTICES

The Company has reviewed and adopted the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its code on corporate governance practices. The Company has complied with all the code provisions set out throughout the reporting period for 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Company's directors. The directors have confirmed, following specific enquiry by the Company that they have complied with the required standards set out in the Model Code throughout the reporting period for 2009.

BOARD OF DIRECTORS

The Board is accountable to the general meetings under its commitment to pursue the best interests of the Company. Board members collectively and individually accept the responsibility for the management and control of the Company in the interests of shareholders and spare no efforts in the performance of their duties as a director. The Company's independent directors are professionals in the field of accounting, finance and management with extensive experience in accounting or financial management and other professional areas. They act in diligent manner to uphold the interests of the Company and the shareholders by expressing independent opinions and performing independent duties in the review of the Company's connected transactions and significant events, and by providing professional advice on the stable and disciplined operation and long-term development of the Company.

Report on Corporate Governance

As at 31 December 2009, the Board of the Company comprised 11 directors, of whom 4 were executive directors, 4 were non-executive directors and 3 were independent non-executive directors, whose names are as follows:

Chairman: Mr. Zhao Huxiang;

Executive directors: Mr. Zhao Huxiang, Mr. Zhang Jianwei, Ms. Tao Suyun and Mr. Li Jianzhang;

Non-executive directors: Mr. Yang Yuntao, Ms. Liu Jinghua, Mr. Jerry Hsu and Mr.Mok Chi Ming Victor;

Independent non-executive directors: Mr. Sun Shuyi, Mr. Lu Zhengfei and Mr. Miao Yuexin.

The main duties of the Board include determining the operating plans and investment proposals of the Company, convening general meetings and executing the resolutions passed at general meetings, formulating the Company's profit distribution proposals and formulating proposals of amending the Articles of Association of the Company.

The Board delegates the authority of the management of the Company's daily operation to the management, whose scope of authority is set out in the Articles of Association of the Company.

The directors acknowledge that it is their responsibility to prepare the Group's financial statements and warrant that the financial statements are prepared in accordance with the requirements of laws and regulations and applicable accounting standards. The directors also warrant the timely publication of the Group's financial statements.

The Chairman ensures the proper performance of duties by the directors and maintains the effective operation of the Board. He also ensures that all material matters are being brought forth to the directors for discussion as appropriate in a timely manner.

The Company provides sufficient information to the directors in a timely manner to enable understanding of the Company's state of affairs. Appropriate means have been adopted to maintain effective communications with shareholders to ensure that their views are brought to the attention of the Board.

So far as is known to the Company, there are no financial, business, family or other material relationships among the Board members of the Company. Save as disclosed herein, there is no such relationship between the chairman of the Board and president of the Company.

The Company has received from each of the independent non-executive directors a written confirmation of his/her independence to the Company in accordance with the requirements of the Listing Rules. The Company is of the view that all independent non-executive directors are independent of the Company.

Report on Corporate Governance

In order to illustrate its focus on the Company's business management, the Board sets out the attendance of meetings of the Board and its subordinated committees in 2009 in the table below:

	Attendance/No. of meetings		
Director	Directors Board	Audit Committee	Remuneration Committee
Executive directors			
Mr. Zhao Huxiang	5/5[2]		
Mr. Zhang Jianwei	5/5		
Ms. Tao Suyun	5/5		2/2
Mr. Li Jianzhang	5/5[1]		
Independent non-executive directors			
Mr. Sun Shuyi	5/5[2]	4/4[2]	2/2
Mr. Lu Zhengfei	5/5	4/4[1]	2/2
Mr. Miao Yuexin	5/5	4/4	2/2
Non-executive directors			
Mr. Yang Yuntao	5/5[1]		
Ms. Liu Jinghua	4/5	4/4[2]	
Mr. Jerry Hsu	5/5[3]		
Mr. Mok Chi Ming Victor	3/5[1]		
Mr. Peter Landsiedel	1/5[1 4]		

Note: Except for those indicated with a note under the column of attendance, the meetings were attended by the directors in person.

1. One meeting was attended by way of proxy.

2. Two meetings were attended by way of proxy.

3. Four meetings were attended by way of proxy.

4. Mr.Peter Landsiedel resigned after attending the 30th Board meeting of the Company and had not attended any Board meeting thereafter.

The 33rd Board meetings of the Company in 2009 were convened by way of written resolution. The Company has prepared and properly kept detailed minutes for the matters being discussed in Board meetings.

The directors have been reminded that they shall devote sufficient time and effort to the business of the Company and that they shall abstain from voting for the approval of any proposals in which they have material interests.

Report
on Corporate Governance

APPOINTMENT OF DIRECTORS

The directors of the Company are elected at general meetings of the Company. All directors including independent non-executive directors are appointed for a term of office of three years and are eligible for re-election upon the expiry of such term.

Mr. Perter Landsiedel resigned as non-executive director of the Company on 1 May 2009

At the general meeting of the Company held on 11 June 2009, Mr. Zhao Huxiang was reelected as an executive director of the Company for a term of three years with effect from 3 March 2009; Mr. Li Jiangzhang was reelected as an executive director of the Company for a term of three years with effect from 11 June 2009; Ms. Liu Jinghua and Mr. Jerry Hsu were each reelected as an non-executive director of the Company for a term of three years with effect from 11 June 2009.

At the extraordinary general meeting of the Company held on 29 July 2009, Mr. Mok Chi Ming Victor was elected as non-executive director of the Company for a term of three years with effect from 29 July 2009.

CHAIRMAN AND PRESIDENT

During the reporting period, Mr. Zhao Huxiang was the chairman of the Board and Mr. Zhang Jianwei was the President of the Company. The roles of chairman and president are performed by different individuals and each of them has different terms of reference. The Chairman is responsible for the management of the Board's operation, while the President is responsible for the business management of the Company. Details of their respective duties and responsibilities are set out in the Articles of Association of the Company.

COMMITTEES

Board Committees

The Board has established two committees, the Audit Committee and the Remuneration Committee, and their respective main duties are published on the Company's website. The Company has no Nomination Committee.

Audit Committee

The principal terms of reference of the Company's Audit Committee include the review of the Company's financial information, monitoring of the Company's financial reporting system and internal control procedures, recommendations on the appointment of external auditors and monitoring of the independence of the auditor and effectiveness of the audit procedures.

The Audit Committee is chaired by Mr. Sun Shuyi , being independent non-executive directors, and its members are Mr. Lu Zhengfei and Mr. Miao Yuexin, being independent non-executive directors, and Ms. Liu Jinghua, being a non-executive director. Most of them possess professional qualifications and experience in finance.

The Audit Committee held four meetings in 2009. Details of the meetings are as follows:

1. The first meeting of the Audit Committee for the year was convened on 20 March 2009. At the meeting, an analysis on the results and operations of 2008 was presented by the CFO. The Audit Committee discussed the operating results of 2008. The auditors reported on the year-end audit for 2008 and potential issues of concern for 2009. The Audit Committee voted in favor of submitting the audited financial statements for 2008 to the Board for approval.

2. The second meeting of the Audit Committee for the year was convened on 15 July 2009. The results of candidates for auditing firm of the Company for 2009 were passed at the meeting. The Audit Committee discussed the arrangement of interim report 2009 and the implications on the Company of the amendments to international financial reporting standards which came into effect in 2009.

3. The third meeting of the Audit Committee for the year was convened on 19 August 2009. At the meeting, an analysis of the interim operating results of 2009 was presented by the CFO. The Audit Committee discussed the 2009 interim operating results of the Company and conducted analysis in respect of the operations. The auditors reported their review of the 2009 interim period and identified potential issues of concern for the latter half of 2009. The Audit Committee voted in favor of submitting the unaudited interim financial statements for 2009 to the Board for approval.

4. The fourth meeting of the Audit Committee for the year was convened on 2 December 2009. At the meeting, analysis and discussion of the operating results of 2009 for the period from January to October 2009 was conducted by CFO. The auditors reported on the preliminary auditing of 2009, which was fully discussed by the participants.

The Group's annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee is a specialized committee formed under the Board of directors to review the remuneration policy, structure and standards for the directors and senior management of the Company, conduct performance appraisal and determine the remuneration policy in respect of the director and senior management of the Company and be responsible for performance assessment of the directors and senior management, so as to ensure that none of the directors can determine his/her own remuneration packages.

The Remuneration Committee is chaired by Mr. Lu Zhengfei, being independent non-executive directors and its members include Mr. Sun Shuyi and Mr. Miao Yuexin, being independent non-executive directors, and Ms. Tao Suyun, being an executive director.

The Company has formed an integrated and standardised system comprising the job evaluation regime, the performance management regime and the remuneration regime. The remuneration regime has been developed through the implementation of the remuneration scheme in line the Company's development to allow the Company to maintain its competitive strengths in the market while ensuring fair reward for its employees. Such remuneration regime is founded upon on the job evaluation regime, which is underpinned by a floating income system whereby positions are awarded by way of competition and salaries are determined and vary according to positions held, and supported by the integrated performance management regime. Taken together, an effective incentive and check mechanism has been formed to support a remuneration culture highlighted by the priority of results and performance, with an aim to attract, retain and motivate people with the right calibre and realise the mutual enhancements of personal, corporate and shareholders' values.

1. The Remuneration Committee held its first meeting of 2009 on 4 January 2009 by way of written resolution, to approve the proposal that amendments to regulation of performance and payment of remuneration to the directors and senior management of Sinotrans Limited.

2. The Remuneration Committee held its second meeting of 2009 on 20 March 2009, discussed the proposal that amendments and practices of performance appraisal, payment of remuneration for 2008 to the senior management of Company.

Supervisory Committee

The Supervisory Committee is formed by three members, comprising one independent supervisor, one staff-representative supervisor and one shareholder-representative supervisor.

The Supervisory Committee is responsible for supervising the Board and its members as well as the senior management, so as to safeguard the interests of the shareholders of the Company. A meeting of the Supervisory Committee was convened on 20 March 2009 to review the 2008 work report of the Supervisory Committee and the 2008 audited financial statements and the proposal of annual profit assignment, and to review the proposal of the election of the chairman of the Supervisory Committee. By convening meetings of the Supervisory Committee and attending Board meetings, meetings of the Audit Committee and the general meetings, the supervisors examined the Company's financial position and legal compliance of its operations and the performance of duties by its senior management, undertaking various duties in a proactive manner with diligence, prudence and integrity.

With the objective to further reinforce the function of Supervisory Committee, to fully implement the Company's growing strategy and to improve the Company's anti-risk capability, the Supervisory Committee conducted on-site investigation to its subsidiaries during 14-16 December 2009: Sinotrans Eastern Co., Ltd., Sinotrans Container Lines Co., Ltd. and Sinotrans Changjiang Co., Ltd.. The investigation covers the following key topics including operating and managing performance in past fiscal years; major risks and mitigation plan; and next step action plan to enable continuing growth. This investigation activity has achieved the expected results.

INTERNAL AUDIT

The internal audit department of the Company is established to monitor and assess the Company's operating activities and the suitability, compliance and effectiveness of its internal control system pursuant to the instruction of the board of directors, through the application of professional approaches that are independent, objective and systematic.

The internal audit department reports directly to the top management of the Company.

In 2009, the internal audit department undertook various internal audit projects and played an advisory role in the Company's day-to-day operations.

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EXTERNAL AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were engaged as the Company's international and PRC auditors respectively for the year ended 31 December 2009.

For the year ended 31 December 2009, total fee for audit, audit-related and other services amounted to RMB7.8 million. Auditor's remuneration for the year ended 31 December 2009 is set out in Note 10 to the financial statements.

At the annual general meeting held on 23 December 2009, a resolution was passed to re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the Company's international and the PRC auditors respectively and to authorise the Board to fix their remuneration.

There has been no change in the auditors of the Company for the past three financial years.

INTERNAL CONTROL

Through the customised internal control system, the Board oversees the Company's overall financial and operation conditions and legal compliance and manages any risks to avoid substantial losses due to failure in internal control.

The Board has established the following procedures to ensure effective internal control:

- The Company has a well-defined organisational structure with clearly stated duties for each department;

- The Company has established a series of policies, rules and processes in relation to financial management, operation and legal compliance, which are being monitored on a daily basis for ongoing improvements;

- The Company has established a comprehensive accounting management system to provide the management with financial information and indicators required for accurate and adequate assessment of the Company's financial position and operating performance, as well as any disclosable financial information;

- The Company has established an internal audit department, which is responsible for independent examination and assessment of the Company's internal control mechanism and for providing recommendations for further improvement so as to ensure the effective implementation of the approaches and standards formulated by the Board and the management. The scope of an internal audit covers the Company's financial conditions, operations, compliance and risk management. In terms of auditing items, auditing would be focused on the operating entity. In terms of the substance of auditing, the primary task is the auditing of internal controls with in-depth investigations of business processes and management points sections. Special emphasis would be given to key financial management and auditing sections. While reflecting internal control situations through internal auditing, internal control assessment is being conducted through cooperation with other relevant departments. Audit results will be reported to the top management of the Company.

- The Company carries out internal audit and external audit and certification on the suitability, adequacy and effectiveness of its quality management system based on the ISO9001:2000 standard. The audit procedures monitor major items such as finance, operation and compliance based on their respective procedural documents, covering all aspects of the quality management system. The Company has formulated a management manual to conduct suitability assessment and tracking of relevant laws and regulations on safety and environment in accordance with requirements of the ISO 14001/OHSAS 18001 quality and EHS management systems. Controllable environmental factors in the operating activities and relevant services of the Company that might have an impact have been fully, adequately and effectively identified, assessed and updated. Significant environmental factors have been highlighted to ensure that necessary attention would be given to these factors and effective control would be exercised to minimise adverse impact on the environment. The Company has also formulated procedures for identifying, assessing and controlling environmental factors.

- In addition, the Company further enhances its internal control system by providing more training to its management and staff so that they may gain better understanding and knowledge of risk management and internal control systems. The Company set up an all risk management Committee and through an umbrella risk management steering group to enhance the control over operation risks of various business segments of the Company.

- In respect of the monitoring of price-sensitive information, the Company is fully aware of its obligations under the Listing Rules and gives full consideration to the “Guide on Disclosure of Price-sensitive Information” published by the Stock Exchange in handing related matters, disclosing information to the public extensively and on a non-exclusive basis through announcements, the Stock Exchange website and the Company’s website.

GENERAL MEETINGS

The ultimate goal of the Board and senior management of the Company is to maximise shareholders’ value. Under the Articles of Association of the Company, two or more shareholders whose shareholdings represent 10% or more of the shares of the Company are entitled to request an extraordinary general meeting.

Any shareholder who holds 5% or above of the total number of the Company’s shares conferring the right to vote is entitled to put forward new resolutions in writing to the Company.

The Company held nine general meetings in 2009, including six extraordinary general meetings, one annual general meeting and two class meetings.

1. The extraordinary general meeting held on 30 April 2009 was convened to approve the transactions contemplated under the master services agreements entered into between the Company and each of SINOTRANS GROUP COMPANY; Nittsu Sinotrans Logistic Dalian Co.,Ltd.; Grand China Shipping (Yantai) Co.,Ltd.; Sinotrans Guangdong Jiangmen Warehousing & Terminal Co., Ltd. and Jiangmen Foreign Transportation & Enterprises Co.,Ltd.; Qingdao Jinyun Air Cargo Freight Forwarding Co.,Ltd. and Sinotrans Shandong Hongzhi Logistics Co.,Ltd (formerly known as Sinotrans Shandong Hongzhi International Container Transportation Co.,Ltd.) on 4 February 2009 and the relevant annual caps for each of the three years ending 31 December 2009, 2010 and 2011. Moreover, Mr. Jiang Jian was elected as a supervisor of the Company at the meeting.

2. The extraordinary general meeting held on 30 April 2009 was convened to approve the transactions contemplated under the master services agreements entered into between the Company and each of Azuma Shipping Co.,Ltd., Cotecna Inspection S.A. and Jiangsu Fortunate International Freight Co., Ltd. on 24 February 2009 and the relevant annual caps for each of the three years ending 31 December 2009, 2010 and 2011.

3. The annual general meeting held on 11 June 2009 was convened to review and approve the Report of the Board of Directors for the year ended 31 December 2008; to review and approve the report of the Supervisory Committee and the audited accounts of the Company and the auditors' report for the year ended 31 December 2008; to review and approve the profit distribution proposal and final dividend of the Company for the year ended 31 December 2008; to authorize the directors of the Company to decide on matters relating to the declaration, payment and recommendation of interim or special dividends for the year 2009; to re-elect Mr. Zhao Huxiang as an executive director of the Company; to re-elect Mr. Li Jianzhang as an executive director of the Company; to re-elect Ms.Liu Jinghua as a non-executive director of the Company; to re-elect Mr. Jerry Hsu as a non-executive director of the Company; to authorize the board of directors of the Company to determine the remuneration of the Directors; to approve a general mandate to issue additional H Shares and/or Domestic Shares of the Company and to approve a general mandate to repurchase H Shares in the capital of the Company.

4. The H shares class meeting of the Company held on 11 June 2009 was convened to approve a general mandate to repurchase H Shares in the capital of the Company.

5. The Domestic shares class meeting of the Company held on 11 June 2009 was convened to approve a general mandate to repurchase H Shares in the capital of the Company.

6. The extraordinary general meeting held on 11 June 2009 was convened to approve the transactions contemplated under the master services agreements entered into between the Company and each of Nippon Express Co. Ltd, Hanjin Shipping Co. Ltd., Korean Airlines Co. Ltd. and Zim Integrated Shipping Services Ltd. on 9 April 2009, and the relevant annual caps for each of the three years ending 31 December 2009, 2010 and 2011.

7. The extraordinary general meeting held on 29 July 2009 was convened to elect Mr. Mok,Chi Ming Victor as a non-executive director of the Company.

8. The extraordinary general meeting held on 2 September 2009 was convened to approve the transactions contemplated under the master services agreement entered into between the Company and Maersk Hong Kong Limited on 19 June 2009 and the relevant annual caps for each of the three years ending 31 December 2009, 2010 and 2011.

9. The extraordinary general meeting held on 23 December 2009 was convened to approve the re-appointment of PricewaterhouseCoopers as international auditor of the Company and PricewaterhouseCoopers Zhong Tian CPAs Company Limited as the PRC auditor of the Company, to approve the proposal that the Company may send or supply Corporate Communication by means of the Company's own website to H Shareholders and to approve the amendments to Articles of Association of the Company.

Report on Corporate Governance

All resolutions proposed in 2009 for shareholders' approval have been duly passed. The general meeting is extremely important for the Company and all shareholders are encouraged to attend. We will strive to make it an effective channel of communication through which the Board and the investors of the Company may engage in direct dialogue and foster positive relations.

Financial calendar

Announcement of 2009 annual results	23 March 2010
Close of register to determine entitlements for 2009 final dividend	8 May 2010 to 8 June 2010
Payment of 2009 final dividend	on or before 25 June 2010
Annual General Meeting 2009	8 June 2010
Announcement of 2010 interim results	24 August 2010

The Company will publish announcements at the aforesaid dates in accordance with the requirements of relevant regulations. The above dates are subject to change by the Company by way of formal notices.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In accordance with the disclosure requirements under the Listing Rules, any significant events of the Company fall to be disclosed will be published in a timely, accurate and complete manner through newspapers and websites designated by relevant regulatory authorities for information disclosure, so as to safeguard shareholders' rights of information and participation.

The Company places strong emphasis on communications as it believes that ongoing and open communications with investors will enhance their understanding of and confidence in the Company as well as improving its corporate governance standards. The Company has set up a dedicated Investor Relations Department to deal with investor relations. Management of the Company maintains close communications with investors through different channels, such as road shows, conferences and one-on-one meetings, so that investors may have a better understanding of the Company's management philosophy, operating environment and development strategies. As a result, the transparency of the Company will be improved and investors will have more in-depth knowledge of the Company.

The Company's website at www.sinotrans.com provides timely information on investor relations, corporate governance and other latest news of the Company and is updated on a regular basis.

Directors, Supervisors & Senior Management

EXECUTIVE DIRECTOR

Zhao Huxiang, age 55, is an executive director and the chairman of the board of the Company. Mr. Zhao graduated with a MBA degree from University of Louisville, USA, and carries the professional title of "Senior Engineer". He used to work in the Marine Shipping Bureau of the Ministry of Communications, and successively served as Deputy General Manager and General Manager of Hoi Tung Marine Machinery Suppliers Limited, Director and General Manager, Vice Chairman of China Merchants Holdings (International) Limited, and President Assistant, Board Director and Vice President of China Merchants Group. In December 2005, Mr. Zhao became the President of Sinotrans Group Company. From December 2008, Mr. Zhao became the Vice Chairman and president of SINOTRANS GROUP COMPANY. On 3 March 2006, Mr. Zhao was appointed Executive Director and the Chairman of the Company. Mr. Zhao is also a chairman and non-executive director of Sinotrans Shipping Limited, a non-wholly owned subsidiary of SINOTRANS GROUP COMPANY and which is listed on the main board of the Stock Exchange, and the chairman of DHL-Sinotrans. Mr. Zhao was elected as the chairman of China International Freight Forwarders Association in February 2007, and was appointed vice chairman of International Federation of Freight Forwarders Association (FIATA) in October 2007.

Zhang Jianwei, age 53, is an executive director and President of the Company. Mr. Zhang has been employed by Sinotrans Group Company since 1980 with experience in Sinotrans Group Company's Finance Department, Overseas Enterprises Management Department and Chartering Department. Mr. Zhang was seconded to China InterOcean Transport Inc. in the United States in 1988 to serve as assistant president. In 1993, Mr. Zhang became the Deputy General Manager of China National Chartering Corporation and later became its General Manager. In 1996, he was promoted to become the Assistant President of Sinotrans Group Company. Then in 1997, Mr. Zhang became Sinotrans Group Company's executive director and Vice-President. Mr. Zhang was appointed as director of Sinotrans Group Limited by the State-owned Asset Supervision and Administration Commission. From December 2008, Mr. Zhang became the Director of SINOTRANS GROUP COMPANY. Mr. Zhang graduated from University of International Business and Economics in 1980 and obtained his Master of Business Administration degree from China Europe International Business School in 1998. Mr. Zhang is also the Chairman of Sinoair. Mr. Zhang was appointed Executive Director of the Company in November 2002.

Tao Suyun, age 56, is an executive director and Vice-President of the Company. Ms. Tao has worked with Sinotrans Group Company since 1979 and became Deputy General Manager of the Europe Shipping Department in 1986. She was seconded to Sinorick Shipping Agency Co. in Hamburg, Germany from 1989 to 1993 to serve as General Manager. She later returned to work acted as Deputy General Manager and General Manager of Sinotrans Group Company's liner shipping division. In 1995, Ms. Tao was promoted to become Assistant President and served as Sinotrans Group Company's Vice-President in 1997. From January 2009, Ms. Tao became the Vice-President of SINOTRANS GROUP COMPANY. Ms. Tao graduated from University of International Business and Economics in 1979 and obtained her Master of Business Administration degree from China Europe International Business School in 2002. Ms.Tao was appointed Executive Director of the Company in November 2002.

Li Jianzhang, age 54, is an executive director of the Company. During Mr. Li's career, he has worked in various governmental departments. Mr. Li started working at Sinotrans Group Company in May 2001. In July 2001, Mr. Li was promoted to become a director of Sinotrans Group Company. He was appointed as a supervisor of the Company from November 2002 to June 2003. Mr. Li graduated from Beijing Normal University in 1981. Mr. Li was appointed Executive Director of the Company in June 2003.

Directors,
Supervisors & Senior Management

NON-EXECUTIVE DIRECTOR

Yang Yuntao, age 44, is a non-executive director of the Company. Mr. Yang commenced working for Sinotrans Group Company after receiving his bachelor of laws degree from Jilin University School of Law in 1988. He was Deputy General Manager of the Port Administration Department in Sinotrans Group Company in 1995. From 1996, Mr. Yang transferred to be the General Manager of the Legal Affairs Department. He was appointed executive director and Vice-President of Sinotrans (Hong Kong) Holdings Limited in 2002. In January 2008, Mr. Yang became the General Manager of Legal Affairs Department of Sinotrans Group Company. From January 2009, Mr. Yang became the General Manager of Legal Affairs Department of SINOTRANS GROUP COMPANY. Mr. Yang obtained his doctorate degree in Laws degree from University of International Business and Economics in 2006. Mr. Yang was appointed non-executive Director of the Company in January 2003.

Liu Jinghua, age 47, is a non-executive director of the Company. Ms. Liu joined Sinotrans Group Company in 1989 and worked in the Finance Department and Liner Department before she was seconded to DHL-Sinotrans Beijing to be its Finance Manager in 1992. Soon afterwards, she was promoted to be DHL-Sinotrans' National Financial Controller and in 1999 became National HR Manager. Ms. Liu was appointed General Manager of the Finance Department of Sinotrans Group Company in October 2002. From January 2009, Ms. Liu became the General Manager of the Finance Department of SINOTRANS GROUP COMPANY. Ms. Liu graduated from the Central University of Finance and Economics in 1987 and obtained her EMBA in the School of Management of State University of New York at Buffalo in December 2000. Ms. Liu was appointed non-executive Director of the Company in June 2003.

Jerry Hsu*, age 59, is a non-executive director of the Company. Mr. Hsu, the President — Greater China and Korea, DHL Express, manages and develops the six markets of China, Hong Kong, South Korea, Taiwan, Mongolia and North Korea. Mr. Hsu's previous role in DHL Express was the Area Director responsible for Hong Kong, Singapore, Taiwan, South Korea, Mongolia and North Korea, a position he held until September 2002. Prior to joining DHL in January 2001, Mr. Hsu held various senior management positions in DaimlerChrysler Corporation. Mr. Hsu holds BA/MA degree in International Economics and Politics. Mr. Hsu also holds directorships in various companies within the DPWN Group. Mr. Hsu was appointed non-executive Director of the Company in June 2003.

Mok, Chi Ming Victor*, aged 46, is a non-executive director of the Company. Mr. Mok is Executive Vice President — Head of Global Airfreight, DHL Global Forwarding and is in charge of the management and development of its global airfreight business. Prior to this Mr. Mok served as the Senior VP of their Greater China Region. Mr. Mok joined DHL in 1997 and has since worked in various companies within the DHL group. Mr. Mok has over 20 years of experience in the logistics industry. He was the Chairman of Hongkong Association of Freight Forwarding and Logistics Ltd. (HAFFA) during 2002 and 2005, and was appointed as an official member of the Hong Kong Logistics Development Council of the Government of the Hong Kong Special Administrative Region during 2003 and 2005. Mr. Mok became a Chartered Fellow member of the Chartered Institute of Logistics and Transport in 1996 and was elected as the Vice President of the Institute during 2004 and 2005. Mr. Mok is currently appointed by the Government of the Hong Kong Special Administrative Region as a member of Hong Kong Committee for Pacific Economic Cooperation. Mr. Mok obtained a Bachelor degree in Economics and Business Management and a Master degree in Transport Studies from The University of Hong Kong. He also obtained his Master degree of Business Administration from Richard Ivey School of Business, The University of Western Ontario, Canada. Mr. Mok. was appointed non-executive Director of the Company in July 2009.

Directors,
Supervisors & Senior Management

* *Mr. Jerry Hsu and Mr. Mok, Chi Ming Victor are all representatives nominated by our Strategic Investors pursuant to the strategic placing agreements entered into at the time of the Company's listing in February 2003 between the Company and DHL (the "Strategic Investors").*

DHL Worldwide Express BV ("DHL") is a member of the Deutsche Post World Net Group ("DPWN Group") whose business operations are global mail, express delivery, logistics and financial services serving both in Europe and around the world. The DPWN Group's express delivery business operations in China are held through DHL, which formed a 50/50 joint venture with Sinoair in 1986. This joint venture has helped to establish a business relationship between our Group and the DPWN Group.

While, for the purposes of the Listing Rules, each of the Strategic Investors' nominee directors above has interests (by way of minority equity interests or stock options or directorships) in competing businesses (i.e. those of the Strategic Investors, each being a major international company in the transportation and logistics industry), our Company has been and continues to carry on its business independently of and at arms length from, those businesses and through its joint ventures and cooperation arrangements with those Strategic Investors.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Sun Shuyi, age 70, is an independent non-executive director of the Company. Mr. Sun is currently executive vice chairman of China Federation of Industrial Economics and vice executive chairman of China Enterprise Confederation and China Enterprise Director Association (CEC/CEDA). Mr. Sun is also serving as independent non-executive directors for four other companies — Galaxy Fund Management Co., Ltd., Dongfeng Motor Group Co., LTD which is listed on the Hong Kong Stock Exchange and Offshore Oil Engineering Co., Ltd which is listed on the Shanghai Stock Exchange and China Life Insurance Asset Management Co., Ltd. which is listed on the Shanghai Stock Exchange, Hong Kong Stock Exchange and in the U.S.A. Mr. Sun had worked as the deputy director of the office of the Central Leading Group on Finance and Economic Affairs, the Vice Minister of the Ministry of Personnel and the Vice Secretary General of the Central Enterprise Working Committee, a member of the 10th Session of the national committee of CPPCC, etc.. Mr. Sun graduated from the University of Science and Technology of China in 1963. Mr. Sun was appointed independent executive director of the Company in November 2002.

Lu Zhengfei, age 47, is an independent non-executive director of the Company. Mr. Lu holds a doctorate degree in Financial Management. Mr. Lu is the Associate Dean of Guanghua School of Management and the Professor of Accounting in GSM of Peking University. Mr. Lu also holds several academic and social positions such as consulting expert for China Financial Accounting Standards Board of Ministry of Finance, member and director of China Accounting Association. Mr. Lu is also serving as independent non-executive directors for three other companies — PICC, Sino Biopharmaceutical Limited and Sinoma which are listed on the Hong Kong Stock Exchange.Mr. Lu obtained his Master of Arts degree in Accounting and Financial Management in the People's University in 1988, and then obtained his Ph.D. in Financial Management in Nanjing University in 1996. Between 1997 and 1999, Mr. Lu undertook postdoctoral studies in Economy (Accounting) Postdoctoral Station in the People's University. Mr. Lu was appointed independent executive director of the Company in September 2004.

Directors,
Supervisors & Senior Management

Miao Yuexin, age 44, is an independent non-executive director of the Company. Mr. Miao holds a doctorate degree in Financial Management. Mr. Miao is the Director of Sales and Marketing Department of Central University of Finance and Economics and an associate professor. Mr. Miao graduated from Shanxi University of Finance and Economics in 1987 and stayed in the university to teach until 1990. In 1993, he obtained his master degree from Central University of Finance and Economics, majored in domestic economy. From 1993 to 1999, Mr. Miao worked in the Bureau of International Trade of Zengcheng in Guangdong province, acted as the director of the office of enterprises directly under the bureau. During that period, he took part in the introductions and negotiations of several big and medium sized wholly foreign owned and joint venture companies. From 2002, Mr. Miao has been teaching in Sales and Marketing Department of Central University of Finance and Economics. Mr. Miao was appointed independent executive director of the Company in August 2005.

SUPERVISOR

Jiang Jian, age 44, is a supervisor of the Company. Mr. Jiang joined Sinotrans Group Company in 1988, serving in Liaoning Shipping Agency Company. From June 1995 to May 1998, Mr. Jiang acted as Deputy Manager and General Manager of Liaoning Container Shipping Company. Mr. Jiang was appointed Deputy General Manager of Sinotrans Liaoning Company in June 1998. Mr. Jiang was promoted General Manager of Sinotrans Liaoning Company in September 2001 and General Manager of Sintorans Liaoning Limited Company in December 2002. In October 2008, Mr. Jiang was appointed assistant president and General Manager of Human Resources Department of Sinotrans Group Company. From January 2009, Mr. Jiang became the Assistant President and General Manager of Human Resources Department of SINOTRANS GROUP COMPANY. Mr. Jiang graduated from Dalian Maritime University in 1988 and got a doctorate degree from Dalian Maritime University in October 2007. Mr. Jiang was appointed supervisor of the Company in April 2009.

Shen Xiaobin, age 37, is a supervisor of the Company. Mr. Shen joined the Audit Department of China National Foreign Trade Transportation (Group) Corporation in 1995. Mr. Shen was pointed as General Manager of Audit Department of Sinotrans Limited in December 2002. From April 2006 to now, Mr. Shen acted as Vice General Manager of Investment Management Department (Corporate Planning Department). Mr. Shen obtained his MBA degree from Guanghua School of Management of Peking University in 2003. Mr. Shen was appointed supervisor of the Company in June 2008.

Zhang Junkuo, age 49, is an independent supervisor of the Company. Mr. Zhang began his career at the Development Research Center of the State Council where he was engaged in various positions, including, Deputy Director of the Comprehensive Economic Research Department, Deputy Secretary-General of the Academic Committee, Director of the Research Institute of Market Economy, Director of the Research Department of Development Strategy and Regional Economy as well as directing a number of research programmes etc.. During 2001 and 2002, Mr. Zhang was a visiting scholar at the Department of Finance at Loyola University in Chicago as well as a short-term consultant at the World Bank and the Asia Development Bank. Mr. Zhang has published various articles and has also received significant awards such as the Sun Yefang Economics Prize in 1998. Mr. Zhang obtained his Master of Economics degree from Wuhan University in 1985. Mr. Zhang was appointed supervisor of the Company in November 2002.

Directors,
Supervisors & Senior Management

SENIOR MANAGEMENT

Wang Lin, age 51, is a Vice-President of the Company. Mr. Wang started his career with Sinotrans Group Company in 1983 by serving in the Ningbo branch of Sinotrans Zhejiang Company Limited. In 1996, Mr. Wang was promoted to the General Manager of Sinotrans Ningbo Group Company. In 1998, he became the General Manager of Sinotrans Zhejiang Company Limited which merged with Sinotrans Ningbo Company in the same year. In 1999, Mr. Wang became the General Manager of Sinotrans Jiangsu Company. Mr. Wang was appointed Vice-President of the Company and the General Manager of Sinotrans Eastern Company Limited in 2002 and from March 2003, he also acts as Chairman of Sinotrans Eastern Company Limited. Mr. Wang was appointed vice-president of the Company in November 2002.

Zeng De, age 63, is a Vice-President of the Company. Mr. Zeng began his career with Sinotrans Group Company's Guangdong operations in 1976 and was seconded to Hong Kong in 1985 to serve as General Manager of Eternal Way Limited. In 1999, he returned to Guangdong to become the General Manager of Sinotrans Group Company's Guangdong operations. Mr. Zeng was appointed vice-president of the Company in November 2002.

Ouyang Pu, Age 57, is a Vice-President of the Company. Mr. Ouyang joined Sinotrans Group Company in 1986. In 1988, Mr. Ouyang was appointed as the General Manager of China International Exhibition Transportation Company. Then he successively serviced as Deputy General Manager of the Marine Transportation Department II in 1992; Chief Representative of Italy Representative Office of Sinotrans Group Company in 1993; Vice President of China Interocean Transport Inc. in America in 1994; General Manager of Overseas Enterprises Management Department of Sinotrans Group Company in 1998 and General Manager of Sinotrans Beijing Company in 1999. Mr. Ouyang graduated from Beijing Institute of Iron and Steel Technology in 1983, with Bachelor of Engineering degree; from October 2002 to January 2004, Mr. Ouyang studied in senior manager business management class at Tsinghua University. Mr. Ouyang was appointed vice-president of the Company in October 2006.

Wu Dongming, age 46, is a Vice-President of the Company. Mr. Wu began his career in the Sinotrans Group Company in 1986. From 1988 to 1990, he served in TNT Skypak-Sinotrans Company as the National Operation Manager and the General Assistant to General Manager. In 1990, Mr. Wu served as department manager at Sinoair and later became General Manager of Associated International Freight Forwarding Co., Ltd. in 1995. In 1997, Mr. Wu was a pointed the Deputy Managing Director and then the Managing Director of DHL-Sinotrans Air Courier Co., Ltd. Mr. Wu was appointed vice-president of the Company in November 2002.

Yu Jianmin, age 45, is a Vice-President of the Company. Mr. Yu began working in the Liner Department of Sinotrans Group Company in 1990 and was seconded to serve as the Chief Representative at Sinotrans Group Company's Italian representative office in 1993. In 1998, he returned to China to serve as Vice-General Manager of Sinotrans Group Company's Investment Management Department. Since 1999, Mr. Yu served as the General Manager of Sinotrans Group Company's Logistics Development Department. Mr. Yu obtained his master degree from the Dalian Maritime University in 1990. He also obtained his Master of Business Administration degree from the China Europe International Business School in 2002. From November 2002 to September 2008, Mr. Yu was become Assistant President of the Company. Mr. Yu was appointed vice-president of the Company in October 2008.

Directors,
Supervisors & Senior Management

Zhang Kui, age 47, is the Chief Financial Officer of the Company. Ms. Zhang served as Finance Manager in Sinotrans Group Company' Hong Kong Eternal Way Company in 1987, and Ms. Zhang served as Finance Manager and Vice-General Manager in Sinotrans Group Company's Finance Department thereafter. Ms. Zhang began to serve as the Director, the Chief Financial Officer and Company Secretary of Sinoair in 1999, and served as General Manager in Sinotrans Group Company's Auditing Department since 2008. Ms. Zhang graduated from the First Campus of the Renmin University of China in 1985 and obtained her master of Business Administration degree from Asia (Macau) International Open University in 2001. Ms. Zhang was appointed chief financial officer of the Company in November 2009.

Gao Wei, age 44, is the Company Secretary and General Counsel. Mr. Gao began his career in the Legal Department of Sinotrans Group Company in 1993. In 1997, Mr. Gao began working as the Vice-General Manager of the Legal Department of Sinotrans Group Company. In the same year, he became the Deputy Manager in the Restructuring Office of the Sinotrans Group Company and became the Vice-General Manager of Sinotrans Group Company's Enterprise Management Department in 1999. During the same year, Mr. Gao began to serve as the Vice-General Manager of Sinoair and was later promoted to become Sinoair's General Manager in 2001. Mr. Gao obtained his Bachelor of Engineering degree from Beijing University of Science and Technology in 1989, and obtained his Master of Economics degree in the Central University of Finance and Economics in 1993 and his doctorate degree in laws in the University of International Business and Economics in 1999. Mr. Gao obtained Legal Professional Qualification in 1996 and in 2009, Mr. Gao became a Chartered secretary and an associate of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Gao was appointed Company Secretary of the Company in November 2002. Mr. Gao was appointed General Counsel of the Company in January 2010.

Wu Xueming, age 46, is an Assistant President of the Company. Mr. Wu has been employed by Sinotrans Group Company since 1987 with experience in vessel management department, chartering department, human resource department and liner shipping department. Mr. Wu has become general manager of JC SHIPPING Co. Ltd. in 1997. In April 2002, he served as deputy general manager of Sinotrans Marine Co. LTD. In October 2002, he served as general manager of China Marine Shipping Agency Co. Ltd. Mr. Wu graduated from Dalian Fisheries University in 1987, and obtained MBA from Cheung Kong Graduate School of Business in 2005. Mr. Wu was appointed Assistant President of the Company in April 2007.

Liu Minsheng, age 54, is the Chief Information Officer of the Company. Mr. Liu joined Sinotrans Group Company in 1983 in the Human Resources Department. From 1985 on, Mr. Liu had been serving in Sinotrans Group Company's IT Centre and later acted as General Manager until February 1996 when he was appointed as Deputy Director General of China International Electronic Commerce Centre of the Ministry of Foreign Trade and Economic Cooperation of the PRC. In November 1998, Mr. Liu began to work as Deputy Director General of Commercial Network and Sites Development Centre of the National Domestic Trade Bureau of China. In January 2003, Mr. Liu resumed his service in Sinotrans. Mr. Liu has participated in and led many prominent domestic information technology projects and won for times national IT awards. Mr. Liu was appointed chief information officer of the Company in April 2003.

Report of the Directors

The board of directors (the "Board") is pleased to present its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

BUSINESS OPERATIONS AND GEOGRAPHICAL LOCATION OF THE GROUP

The principal activities of the Group are freight forwarding, express services, shipping agency services, storage and terminal services, marine transportation and trucking and other services. There was no material change to the nature of the principal activities of the Group during the year.

An analysis of the Group's operating results for the year by business is set out in Note 6 to the financial statements.

SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

Particulars of the subsidiaries, jointly-controlled entities and associated companies of the Company are set out in Notes 20, 21 and 22 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the financial statements on pages 59 to 164. The summary of results and assets and liabilities of the Group for the preceding five years is set out on page 3.

DIVIDENDS

The Board has recommended the payment of a final dividend of RMB0.02 per share, subject to passing of the resolution authorizing the Board to propose, declare or pay the final dividend for 2009 by shareholders at the Annual General Meeting to be held on Tuesday, 8 June 2010. Please refer to the "Notice of Annual General Meeting" for further details.

It is expected that the final dividend will be paid on or before Friday, 25 June 2010 to shareholders whose names appear on the register of members on Saturday, 8 May 2010.

The register of members of the Company will be closed from Saturday, 8 May 2010 to Tuesday, 8 June 2010 (both days inclusive), during which no transfers will be registered for the purposes of ascertaining entitlements to the Company's 2009 final dividend and attendance at the upcoming Annual General Meeting and class meetings to approve, inter alia, the general mandates to issue and repurchase shares.

In order to qualify for the final dividend, holders of H Shares whose transfers have not been registered are requested to lodge their instruments of transfer together with the relevant share certificates with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 7 May 2010, for registration.

Report of the Directors

Pursuant to the Articles of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (16 March 2010 to 23 March 2010) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.879638. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.022737.

In accordance to the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which took effect on 1 January 2008, the Company is obliged to withhold and pay enterprise income tax at a tax rate of 10% on behalf of non-resident corporate shareholders on its H share register when making payments of final dividend to these shareholders. Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees or trustees or other organizations or bodies shall be deemed as shares held by non-resident corporate shareholders. Such shareholders will receive their dividend net of the enterprise income tax.

BANK LOANS

Details of the bank loans of the Company and the Group are set out in Note 34 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2009, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's turnover and purchases respectively.

For the year ended 31 December 2009, none of the directors, supervisors, their associates and any shareholder (who to the knowledge of the Board owns more than 5% of the share capital of the Company) of the Company had any interests in the five largest customers or the five largest suppliers of the Group.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2009 are disclosed in Note 49 to the financial statements.

Details of some of the said related party transactions, which also constitute connected transactions under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited required to be disclosed in accordance with Chapter 14A of the Listing Rules, are as follows:

Revenue/(expenses)	*Note*	**2009** *RMB'000*
Transactions with Sinotrans Group Company and its subsidiaries	1	
Provision of transportation and logistics services		**153,493**
Receipt of transportation and logistics services		**(242,042)**
Vessel chartering fees		**(75,005)**
Container leasing fees		**(62,931)**
Vehicle rental		**(576)**
Property leasing expenses		**(44,251)**
Machines and equipments expenses		**(833)**
Transactions with Connected Joint Venture Partners	2	
Provision of services		**271,669**
Receipt of services		**(2,030,273)**
Transactions with Connected Non-Wholly-Owned Subsidiaries	3	
Provision of services		**151,053**
Receipt of services		**(36,898)**

Note 1: Transactions with SINOTRANS GROUP COMPANY and its subsidiaries are considered as connected transactions as SINOTRANS GROUP COMPANY is a controlling shareholder of the Company, and its subsidiaries are connected persons of the Company.

Note 2: Transactions with Connected Joint Venture Partners are considered as connected transactions as these joint venture partners are substantial shareholders of the Company's subsidiaries.

Note 3: Transactions with Connected Non-Wholly-Owned subsidiaries are considered as connected transactions as these subsidiaries are associates of the substantial shareholders of the Company or subsidiaries of the Company.

In order to comply with the relevant requirements of the Listing Rules, these connected transactions together with the respective annual caps of connected transactions for each of 2009, 2010 and 2011 have been passed by the Extraordinary General Meetings held on 30 April 2009, 11 June 2009 and 2 September 2009.

The independent non-executive directors of the Group have reviewed the continuing connected transactions and confirmed that the transactions were:

(a) entered into by members of the Group in the ordinary and usual course of its business;

(b) (i) on normal commercial terms; or

(ii) on terms no less favourable to the Company than those available to (or from) independent third parties; or

(iii) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(c) entered into in accordance with the relevant agreements governing them.

The auditor of the Company has reviewed the transactions which are the subject matter of the above announcements and has confirmed to the Company in writing that these transactions:

(a) have been approved by the board of directors of the Company;

(b) are in accordance with the pricing policies of the Company;

(c) have been entered into in accordance with the relevant agreements governing the transactions; and

(d) have not exceeded the cap as disclosed in announcements made in respect of those transactions.

ACQUISITIONS AND DISPOSALS

Details of the acquisitions and disposals of the Group for the year ended 31 December 2009 are set out in pages 8 to 19 of the management discussion and analysis.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 16 to the financial statements.

TAXATION

Details of taxation of the Group as at 31 December 2009 are set out in Note 12 to the financial statements.

Report of the Directors

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the financial statements on page 151 of this Annual Report and Note 40 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2009 amounted to approximately RMB338,762,000.

SHARE CAPITAL STRUCTURE

For the year ended 31 December 2009, there was no change to the share capital structure of the Company, which, as at 31 December 2008, was as follows:

Class of shares	Number of shares	As a % of total issued share capital
Domestic shares	2,461,596,200	57.93%
H shares	1,787,406,000	42.07%

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, so far as the directors of the Company were aware, the interests or short positions of the following persons (other than directors or supervisors) in the shares of the Company which were required to be disclosed to the Company pursuant to the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO'') or the interests or short positions recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Corporate Interests	Class of Shares	Percentage of the Company's Total Issued Share Capital	Percentage of the Company's Issued H Share Capital
中國外運長航集團有限公司 *(Note 1)*	2,461,596,200 (L)	Domestic Shares	57.93%	–
Deutsche Post AG *(Note 2)*	237,468,000 (L)	H Shares	5.59%	13.30%
The Bank of New York Mellon	217,732,032 (L)	H Shares	5.12%	12.18%
Corporation *(Note 3)*	122,492,532 (P)		2.88%	6.85%
Franklin Templeton Investments Corp.	178,567,000 (L)	H Shares	4.20%	9.99%
JPMorgan Chase & Co. *(Note 4)*	146,709,252 (L)	H Shares	3.45%	8.21%
	146,282,252 (P)		3.44%	8.18%
Templeton Investment Counsel, LLC	93,443,000 (L)	H Shares	2.20%	5.23%
Templeton Asset Management Ltd.	91,156,850 (L)	H Shares	2.15%	5.10%

* Note (L) Long Positions, (S) Short Positions, (P) Lending Pool

Note 1: Zhao Huxiang, Zhang Jianwei, Tao Suyun, Li Jianzhang, Yang Yuntao and Liu Jinghua are directors or employees of SINOTRANS GROUP COMPANY which is the controlling shareholder of the Company.

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

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

Note 4: This includes 146,282,252 Shares held by JPMorgan Chase Bank, N.A., and 427,000 Shares held by J.P. Morgan Whitefriars Inc.. JPMorgan Chase Bank, N.A., and J.P. Morgan Whitefriars Inc. are all 100% held by JP Morgan Chase & Co.

Save as disclosed above, based on the register maintained by the Company as required under section 336 of the Securities and Futures Ordinance, as at 31 December 2009, so far as was known to the directors of the Company, there were no other person (other than a director or supervisor) who had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

So far as was known to the directors of the Company, there was no purchase, sale or redemption of H Shares by any member of the Group during the year ended 31 December 2009.

DIRECTORS AND SUPERVISORS

As at 31 December 2009, the directors and supervisors of the Company were as follows:

Name	**Date of Appointment**
Executive directors:	
Zhao Huxiang	3 March 2006
Zhang Jianwei	19 November 2002
Tao Suyun	19 November 2002
Li Jianzhang	18 June 2003
Non-executive directors:	
Yang Yuntao	14 January 2003
Liu Jinghua	18 June 2003
Jerry Hsu	18 June 2003
Mok, Chi Ming Victor	29 July 2009

Report of the Directors

Name	Date of Appointment
Independent non-executive directors:	
Sun Shuyi	19 November 2002
Lu Zhengfei	27 September 2004
Miao Yuexin	30 August 2005
Supervisors:	
Jiang Jian	30 April 2009
Shen Xiaobin	12 June 2008, (for a term of three years with effect from 19 November 2008)
Independent Supervisor:	
Zhang Junkuo	19 November 2002

Pursuant to the Articles of Association of the Company, all directors and supervisors are appointed for a term of office of three years and are eligible for re-election upon expiry of term of office.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes to directors and senior management of the Company were as follows:

The Company's supervisor Ms. Su Yi resigned on 30 April 2009.

Mr. Jiang Jian was elected a supervisor of the Company on 30 April 2009 for a term of three years with effect from 30 April 2009.

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

Mr. Zhao Huxiang and Mr. Li Jianzhang were re-elected as executive directors, Ms.Liu Jinghua and Mr. Jerry Hsu were re-elected as non-executive directors on 11 June 2009.

Mr. Mok, Chi Ming Victor was appointed as non-executive director of the Company on 29 July 2009.

Ms Liu Hongling, Chief Financial Officer ("CFO") of the Company, has reached the statutory age of retirement in September 2009. Ms. Liu retired on 17 November 2009.

Ms. Zhang Kui was appointed as the CFO of the Company on 17 November 2009.

Mr. Gao Wei, Secretary to the Board, was appointed as General Counsel of the Company in January 2010.

Mr. Zeng De, Vice-President of the Company, has reached the statutory age of retirement. Mr. Zeng retired on 10 March 2010.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of directors, supervisors and senior management are set out on pages 30 to 35.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

Each of the executive directors and supervisors (save for Mr. Zhang Junkuo, an independent supervisor) of the Company has entered into a service contract with the Company for a term of three years.

The Company did not enter into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) with any director or supervisor.

Details of the remuneration of the directors and the five highest-paid individuals of the Company are set out in Note 7 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2009, none of the directors, supervisors or their associates had any interests in any shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register kept by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

For the year ended 31 December 2009, none of the directors or supervisors had any material interests in any contract of significance the Company to which the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries was a party.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2009 was the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries a party to any arrangement which would enable the Company's directors or supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Report of the Directors

MATERIAL CONTRACTS WITH SINOTRANS GROUP COMPANY

SINOTRANS GROUP COMPANY is the controlling shareholder of the Company, with which the Company entered into various agreements, so as to regulate the on-going business relationship between the Group and SINOTRANS GROUP COMPANY. These agreements are the Reorganisation Agreement, Business Services Agreement, Master Lease Agreement, Trademark Licence Agreement, Registered User Agreement, Computer Software Licence Agreement and IT Services Agreement.

Reorganisation Agreement

On 14 January 2003, the Company entered into a Reorganization Agreement with Sinotrans Group Company, pursuant to which, Sinotrans Group Company agreed to indemnify the Company against, inter alia, certain liabilities of the Group which may arise as a result of the Reorganization and the Company also agreed to indemnify Sinotrans Group Company against a breach of any provision of the Reorganization Agreement on the part of the Company and its subsidiaries.

Business Services Agreement

On 14 January 2003, the Company entered into a Business Services Agreement with Sinotrans Group Company in order to regulate the terms for the provision of transportation and logistics services and ancillary services by members of the Group to the Sinotrans Group and vice versa. Contracts for specific services and for the leasing of certain assets were also entered into between members of the Group and those of Sinotrans Group Company to govern the terms of services of each individual transaction.

In order to comply with the relevant requirements of the Listing Rules, the Company entered into another Business Services Agreement with SINOTRANS GROUP COMPANY on 4 February 2009 on substantially the same terms as the previous one save for the extension of its contract period to 31 December 2011. The Business Services Agreement was approved by the Extraordinary General Meeting of the Company on 30 April 2009.

Master Lease Agreement

On 14 January 2003, the Company entered into a Master Lease Agreement with Sinotrans Group Company to lease from members of the Sinotrans Group Company certain office premises and other properties required for the day-to-day business operations of the Group. The lease term is twenty years.

Trademark Licence Agreement and Registered User Agreement

On 14 January 2003, in order to continue the use of the trademarks for normal business operations, the Company entered into a Trademark Licence Agreement and a Registered User Agreement with Sinotrans Group Company to lease from it, free of charge, certain trademarks which were not injected into the Group at the time of listing because the same trademarks were used by other members of the Sinotrans Group in relation to businesses which are different from those of the Group. The licence has a term of ten years.

Computer Software Licence Agreement and IT Services Agreement

On 14 January 2003, the Company entered into a Computer Software Licence Agreement with Sinotrans Group Company to lease from it, free of charge, a licence to continue to use various application software used b members of the Group. On the same day, it also entered into an IT Services Agreement with Sinotrans Group Company under which it agreed to provide to members of Sinotrans Group Company information technology/support and technical services which, prior to the Reorganisation, had been provided by the IT Department of Sinotrans Group Company. The contract is valid for one year and, in the event that it is not terminated thirty days prior to its expiry by either party, it shall be renewed automatically for one year.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2009 are set out in Note 45 to the financial statements.

PENSION SCHEMES

Details of the Group's pension schemes for the year ended 31 December 2009 are set out in Notes 3(w) and Note 8 to the financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any particulars of tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of the Company or the laws of the PRC.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the directors acknowledge that, based on publicly available information and to the knowledge of the directors, the Company has sufficient public float as required under the Listing Rules.

Report of the Directors

SIGNIFICANT EVENTS

1. On 20 January 2009, Sinotrans Heavy-lift Logistics Company Limited (originally named Shandong Sinotrans Lishen Hoisting and Transporting Company Limited), a subsidiary of the Group, acquired assets and operations relating to domestic trucking business from Rugao Benz Transportation Co., Ltd. for a total consideration after agreed adjustments of RMB64,160,000.

2. The Company's supervisor Ms. Su Yi resigned on 30 April 2009.

3. Mr. Jiang Jian was elected a supervisor of the Company at the Extraordinary General Meeting on 30 April 2009 for a term of three years with effect from 30 April 2009.

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

5. Mr. Zhao Huxiang and Mr. Li Jianzhang were re-elected as executive directors, Ms. Liu Jinghua and Mr. Jerry Hsu were re-elected as non-executive directors at the annual general meeting on 11 June 2009.

6. On 1 July 2009, Sinoair, a non-wholly-owned subsidiary of the Group, entered into an equity transfer agreement with DHL-Sinotrans, a jointly-controlled entity of the Group, to dispose its 100% equity interests in Beijing Sinotrans Express Company Co., LTD to DHL-Sinotrans for a total consideration after agreed adjustments of RMB8,973,000 in cash.

7. On16 July 2009, the Company and Sinoair disposed of their respective 35% and 12.5% equity interests in Sinotrans Logistics Investment Holding Co., Ltd. to the Sinotrans Group Company for an aggregate consideration of RMB108,806,000,

8. Mr. Mok, Chi Ming Victor was appointed as non-executive director of the Company at the Extraordinary General Meeting on 29 July 2009.

9. Ms. Liu Hongling, Chief Financial Officer ("CFO") of the Company, has reached the statutory age of retirement in September, 2009. Ms. Liu retired on 17 November, 2009.

10. Ms. Zhang Kui was appointed as the CFO of the Company at the 34th board meeting of the Company on 17 November 2009.

11. Mr. Gao Wei, Secretary to the Board, was appointed as General Counsel of the Company in January 2010.

12. Mr. Zeng De, Vice-President of the Company, has reached the statutory age of retirement. Mr. Zeng retired on 10 March, 2010.

Report of the Directors

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Company has reviewed the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules and adopted it as the general rules to the Company's corporate governance, details of which are set out on page 20 to 29, Report on Corporate Governance in the Annual Report.

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry, all directors and supervisors of the Company confirmed that they have complied with the Model Code and its code of conduct regarding directors' securities transactions during the reporting period.

As of 31 December 2009, Mr. Sun Shuyi, Mr. Lu Zhengfei and Mr. Miao Yuexin were the independent non-executive directors of the Company. The Company has received the annual confirmation from each of the independent non-executive directors in respect of their independence and considered that the above independent non-executive directors are independent.

SIGNIFICANT POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in Note 50 to the financial statements.

AUDIT COMMITTEE

The principal functions of the audit committee include the appointment of external auditors, the review and supervision of the Group's financial reporting process and internal controls as well as the offer of advice and recommendations to the Board. As of 31 December 2009, the audit committee comprised of one non-executive director and three independent non-executive directors, namely Mr. Sun Shuyi, Mr. Lu Zhengfei, Mr. Miao Yuexin and Ms. Liu Jinghua with Mr. Sun Shuyi as the chairman of the committee.

The audit committee has reviewed the 2009 financial statements of the Company.

AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were the international and the PRC auditors of the Company respectively for the year ended 31 December 2009.

Report of the Directors

PROCEDURES FOR THE DEMAND OF VOTING BY SHAREHOLDERS

Pursuant to Article 104 of the Company Law of the People's Republic of China, "shareholders attending the general meeting shall have one vote in respect of each share held." All votings of the Company shall be conducted by way of a poll.

By Order of the Board

Zhao Huxiang
Chairman

Beijing, the PRC
23 March 2010

Report
of the Supervisory Committee

Dear Shareholders,

During the year ended 31 December 2009, the Supervisory Committee (the "Committee") performed its duties, undertook various tasks in a proactive and diligent manner in the principle of due care and good faith and supervised the legal compliance of the operations of the Company in a legal and effective manner, so as to ensure that the Company complied with the Company Law of the People's Republic of China, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (''Listing Rules''), the Articles of Association of the Company and other relevant laws and regulations, thereby safeguarding the lawful interests of the Company and the shareholders.

In 2009, the major duties of the Committee are to convene Supervisory Committee meetings, attend Board meetings, Audit Committee meetings, Remuneration Committee meetings and Shareholder's General Meetings, to conduct on-site supervision and inspection over the operations of subsidiaries, to give reasonable recommendations and opinions to the Board in respect of the business operations and development plans of the Company and to effectively supervise that the policies and decisions made by the Board are in compliance with the laws and regulations of the State, the Listing Rules and the Articles of Association of the Company and are in the interest of the shareholders.

The Committee is of the opinion that the Company had a normal and disciplined operation and the directors and the senior management had observed the laws and regulations as well as the Articles of Association of the Company in performing their duties, and that the report of the directors for the year ended 31 December 2009 reflected the true position of the Company. Charged by their accountability to shareholders, the Board and the senior management of the Company have discharged their respective duties in a diligent manner in diligence and with dedication, especially given the background of a transportation logistics industry adversely affected by the aggravating global financial crisis, and have accomplished the mission entrusted by delivering satisfactory operating results and handsome returns to the shareholders through the implementation of a strategy of steady development. The Committee is satisfied with the performance and economic efficiency achieved by the Company for 2009 and is fully confident about the Company's future prospects and development.

The Committee has carefully reviewed the financial statements prepared in accordance with International Financial Reporting Standards as well as the Chinese Accounting Standard for Business Enterprises that the financial statements reflect a true and fair view of the financial position and results of operations of the Company.

In order to safeguard the lawful interests of the Company and the shareholders, the Committee will, as in the past, continue to perform its duties and put a stronger emphasis on supervision to realize a stable, healthy and sustainable development of the Company.

By Order of the Supervisory Committee

Jiang Jian
Chairman of the Supervisory Committee
Beijing, the PRC
18 March, 2010

Notice
of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting (the "Annual General Meeting") of Sinotrans Limited (the "Company") for the year 2009 will be held at No. 1 Meeting Room, 12th Floor, Sinotrans Plaza A, A43, Xizhimen Beidajie, Haidian District, Beijing 100044, the People's Republic of China on Tuesday, 8 June 2010 at 9:30 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To review and approve the report of the board of directors for the year ended 31 December 2009.

2. To review and approve the report of the supervisory committee for the year ended 31 December 2009.

3. To review and consider the audited accounts of the Company and the auditors' report for the year ended 31 December 2009.

4. To review and approve the profit distribution proposal and final dividend of the Company for the year ended 31 December 2009.

5. To authorise the directors of the Company to decide on matters relating to the declaration, payment and recommendation of interim or special dividends for the year 2010.

6. To re-appoint PricewaterhouseCoopers as international auditor of the Company and PricewaterCoopers Zhong Tian CPAs Company Limited as the PRC auditor of the Company for the year 2010, and to authorise the board of directors of the Company to fix their remuneration.

SPECIAL RESOLUTIONS

To consider and, if thought fit, pass with or without amendments, the following resolutions as special resolutions:

7. "**THAT**:

   (a) subject to paragraph 7(c) below and compliance with all applicable laws and regulations of the People's Republic of China, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional H shares ("H Shares") or domestic shares (''Domestic Shares'') in the capital of the Company in each case and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph 7(a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of H Share or domestic share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) in each case by the Directors pursuant to the approval in paragraph 7(a) above shall not exceed 20 per cent. of the aggregate nominal amount of each of the H Share or domestic share capital of the Company in issue in each case as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of next annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the passing of this resolution; or

(iii) the revocation or variation of this resolution by a special resolution of the shareholders of the Company in general meeting."

8. "**THAT**:

(a) subject to (i) paragraph 8(b) below and compliance with all applicable laws and regulations of the People's Republic of China; and (ii) the passing of a special resolution by the holders of H Shares in a class meeting (''H Shares Class Meeting'') and the passing of a special resolution by the holders of Domestic Shares in a class meeting (''Domestic Shares Class Meeting'') to confer the authority to Directors contemplated in this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its H Shares be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of H shares in the capital of the Company to be purchased pursuant to the approval in paragraph 8(a) above shall not exceed 10 percent. of the aggregate nominal amount of the H shares in the capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

''Relevant Period'' means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of next annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the passing of this resolution; or

(iii) the revocation or variation of this resolution by a special resolution of the shareholders of the Company in general meeting."

By order of the Board
Sinotrans Limited
Gao Wei
Company Secretary

Beijing, China
31 March, 2010

Notice of Annual General Meeting

Registered Office
Sinotrans Plaza A
A43, Xizhimen Beidajie
Beijing 100044, China

Notes:

1. The Register of Members of the Company will be closed from Saturday, 8 May 2010 to Tuesday, 8 June 2010, both days inclusive, during which period no share transfers will be registered for the purposes of ascertaining entitlements to the Company's 2009 final dividend ((see notes 5, 6 and 7 below) and attendance at the Annual General Meetingthe, H Shares Class Meeting and the Domestic Shares Class Meeting. To qualify for any of the final dividend, attendance at the Annual General Meeting, the H Shares Class Meeting and/or the Domestic Shares Class Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 7 May 2010, for registration.

2. Shareholders intending to attend the Annual General Meeting shall give written notice of the same to the Company, which shall be lodged at the registered office of the Company on or before 4:30 p.m. on Wednesday, 19 May 2010.

3. Shareholders entitled to attend and vote at the Annual General Meeting are entitled to appoint one or more persons (whether or not a shareholder of the Company) as their proxy to attend and vote on behalf of themselves.

4. In order to be valid, the form of proxy, together with a duly notarised power of attorney or other document of authority, if any, under which the form is signed must be deposited at the registered office of the Company not later than 24 hours before the time for holding the Annual General Meeting.

5. The Board has recommended the payment of a final dividend of RMB0.02 per share, subject to passing of the resolution authorising the Board to propose, declare or pay the final dividend for 2009 by shareholders at the Annual General Meeting to be held on Tuesday, 8 June 2010. It is expected that the final dividend will be paid on or before Friday, 25 June 2010 to shareholders whose names appear on the register of members on Saturday, 8 May 2010.

6. Pursuant to the Articles of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (16 March 2010 to 23 March 2010) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.879638. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.022737.

7. In accordance to the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which took effect on 1 January 2008, the Company is obliged to withhold and pay enterprise income tax at a tax rate of 10% on behalf of non-resident corporate shareholders on its H share register when making payments of final dividend to these shareholders. Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees or trustees or other organizations or bodies shall be deemed as shares held by non-resident corporate shareholders. Such shareholders will receive their dividend net of the enterprise income tax.

8. As at the date of this notice, Zhao Huxiang, Zhang Jianwei, Tao Suyun and Li Jianzhang are executive directors of the Company; Yang Yuntao, Liu Jinghua, Jerry Hsu and Mok Chi Ming Victor are non-executive directors of the Company; and Sun Shuyi, Lu Zhengfei and Miao Yuexin are independent non-executive directors of the Company.

Notice
of H Shares Class Meeting

NOTICE IS HEREBY GIVEN that a class meeting for holders of H shares in the capital of the Company (the "H Shares Class Meeting") of Sinotrans Limited (the "Company") will be held at No. 1 Meeting Room, 12th Floor, Sinotrans Plaza A, A43, Xizhimen Beidajie, Haidian District, Beijing 100044, the People's Republic of China on Tuesday, 8 June 2010 at 10:00 a.m. or immediately after the conclusion of the annual general meeting ("Annual General Meeting") of the Company to be held on the same day at 9:30 a.m. for the following purposes:

SPECIAL RESOLUTION

To consider and, if thought fit, pass with or without amendments, the following resolution as special resolution:

"**THAT**:

(a) subject to (i) paragraph (b) below and compliance with all applicable laws and regulations of the People's Republic of China; and (ii) the passing of a special resolution by the shareholders of the Company at the Annual General Meeting and the passing of a special resolution by the holders of domestic shares in the capital of the Company in a class meeting ("Domestic Shares Class Meeting") to confer the authority to Directors contemplated in this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its H shares in the capital of the Company be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of H shares in the capital of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10 percent. of the aggregate nominal amount of the H shares in the capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of next annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the passing of this resolution; or

(iii) the revocation or variation of this resolution by a special resolution of the shareholders of the Company in general meeting."

By order of the Board
Sinotrans Limited
Gao Wei
Company Secretary

Beijing, China
31 March, 2010

Notice
of H Shares Class Meeting

Registered Office
Sinotrans Plaza A
A43, Xizhimen Beidajie
Beijing 100044, China

Notes:

1. The Register of Members of the Company will be closed from Saturday, 8 May 2010 to Tuesday, 8 June 2010, both days inclusive, during which period no share transfers will be registered for the purposes of ascertaining entitlements to the Company's 2009 final dividend (see notes 5, 6 and 7 below) and attendance at the Annual General Meetingthe, H Shares Class Meeting and the Domestic Shares Class Meeting. To qualify for any of the final dividend, attendance at the Annual General Meeting, the H Shares Class Meeting and/or the Domestic Shares Class Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 7 May 2010, for registration.

2. Shareholders intending to attend the H Shares Class Meeting shall give written notice of the same to the Company, which shall be lodged at the registered office of the Company on or before 4:30 p.m. on Wednesday, 19 May 2010.

3. Shareholders entitled to attend and vote at the H Shares Class Meeting are entitled to appoint one or more persons (whether or not a shareholder of the Company) as their proxy to attend and vote on behalf of themselves.

4. In order to be valid, the form of proxy, together with a duly notarised power of attorney or other document of authority, if any, under which the form is signed must be deposited at the registered office of the Company not later than 24 hours before the time for holding the H Shares Class Meeting.

5. The Board has recommended the payment of a final dividend of RMB0.02 per share, subject to passing of the resolution authorising the Board to propose, declare or pay the final dividend for 2009 by shareholders at the Annual General Meeting to be held on Tuesday, 8 June 2010. It is expected that the final dividend will be paid on or before Friday, 25 June 2010 to shareholders whose names appear on the register of members on Saturday, 8 May 2010.

6. Pursuant to the Articles of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (16 March 2010 to 23 March 2010) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.879638. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.022737.

7. In accordance to the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which took effect on 1 January 2008, the Company is obliged to withhold and pay enterprise income tax at a tax rate of 10% on behalf of non-resident corporate shareholders on its H share register when making payments of final dividend to these shareholders. Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees or trustees or other organizations or bodies shall be deemed as shares held by non-resident corporate shareholders. Such shareholders will receive their dividend net of the enterprise income tax.

8. As at the date of this notice, Zhao Huxiang, Zhang Jianwei, Tao Suyun and Li Jianzhang are executive directors of the Company; Yang Yuntao, Liu Jinghua, Jerry Hsu and Mok Chi Ming Victor are non-executive directors of the Company; and Sun Shuyi, Lu Zhengfei and Miao Yuexin are independent non-executive directors of the Company.

Notice
of Domestic Shares Class Meeting

NOTICE IS HEREBY GIVEN that a class meeting for holders of domestic shares in the capital of the Company (the ''Domestic Shares Class Meeting'') of Sinotrans Limited (the ''Company'') will be held at No. 1 Meeting Room, 12th Floor, Sinotrans Plaza A, A43, Xizhimen Beidajie, Haidian District, Beijing 100044, the People's Republic of China on Tuesday, 8 June 2010 at 10: 30 a.m. or immediately after the conclusion of the class meeting (''H Shares Class Meeting'') for holders of H shares in the capital of the Company to be held on the same day at 10: 00 a.m. for the following purposes:

SPECIAL RESOLUTION

To consider and, if thought fit, pass with or without amendments, the following resolution as special resolution:

"**THAT**:

(a) subject to (i) paragraph (b) below and compliance with all applicable laws and regulations of the People's Republic of China; and (ii) the passing of a special resolution by the shareholders of the Company at the Annual General Meeting and the passing of a special resolution by the holders of H Shares in the capital of the Company in a class meeting ("H Shares Class Meeting") to confer the authority to Directors contemplated in this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its H shares in the capital of the Company be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of H shares in the capital of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10 percent. of the aggregate nominal amount of the H shares in the capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

''Relevant Period'' means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of next annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the passing of this resolution; or

(iii) the revocation or variation of this resolution by a special resolution of the shareholders of the Company in general meeting."

By order of the Board
Sinotrans Limited
Gao Wei
Company Secretary

Beijing, China
31 March, 2010

Notice
of Domestic Shares Class Meeting

Registered Office
Sinotrans Plaza A
A43, Xizhimen Beidajie
Beijing 100044, China

Notes:

1. The Register of Members of the Company will be closed from Saturday, 8 May 2010 to Tuesday, 8 June, 2010, both days inclusive, during which period no share transfers will be registered for the purposes of ascertaining entitlements to the Company's 2009 final dividend (see notes 5, 6 and 7 below) and attendance at the Annual General Meeting, the H Shares Class Meeting and the Domestic Shares Class Meeting. To qualify for any of the final dividend, attendance at the Annual General Meeting, the H Shares Class Meeting and/or the Domestic Shares Class Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 7 May 2010, for registration.

2. Shareholders intending to attend the Domestic Shares Class Meeting shall give written notice of the same to the Company, which shall be lodged at the registered office of the Company on or before 4:30 p.m. on Wednesday, 19 May 2010.

3. Shareholders entitled to attend and vote at the Domestic Shares Class Meeting are entitled to appoint one or more persons (whether or not a shareholder of the Company) as their proxy to attend and vote on behalf of themselves.

4. In order to be valid, the form of proxy, together with a duly notarised power of attorney or other document of authority, if any, under which the form is signed must be deposited at the registered office of the Company not later than 24 hours before the time for holding the Domestic Shares Class Meeting.

5. The Board has recommended the payment of a final dividend of RMB0.02 per share, subject to passing of the resolution authorising the Board to propose, declare or pay the final dividend for 2009 by shareholders at the Annual General Meeting to be held on Tuesday, 8 June 2010. It is expected that the final dividend will be paid on or before Friday, 25 June 2010 to shareholders whose names appear on the register of members on Saturday, 8 May 2010.

6. Pursuant to the Articles of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (16 March 2010 to 23 March 2010) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.879638. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.022737.

7. In accordance to the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which took effect on 1 January 2008, the Company is obliged to withhold and pay enterprise income tax at a tax rate of 10% on behalf of non-resident corporate shareholders on its H share register when making payments of final dividend to these shareholders. Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees or trustees or other organizations or bodies shall be deemed as shares held by non-resident corporate shareholders. Such shareholders will receive their dividend net of the enterprise income tax.

8. As at the date of this notice, Zhao Huxiang, Zhang Jianwei, Tao Suyun and Li Jianzhang are executive directors of the Company; Yang Yuntao, Liu Jinghua, Jerry Hsu and Mok Chi Ming Victor are non-executive directors of the Company; and Sun Shuyi, Lu Zhengfei and Miao Yuexin are independent non-executive directors of the Company.

Independent
Auditor's Report

TO THE SHAREHOLDERS OF
SINOTRANS LIMITED
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Sinotrans Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 164 which comprise the consolidated and company balance sheets as of 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent
Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2010

Consolidated
Income Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (Restated, Note 2(d))
		For the year ended 31 December	
Revenue	6	**27,635,042**	35,076,160
Other income		**334,973**	346,372
Business tax and other surcharges		**(253,712)**	(248,508)
Transportation and related charges		**(21,999,770)**	(28,886,306)
Staff costs	8	**(1,853,915)**	(1,849,060)
Depreciation and amortisation		**(375,487)**	(330,233)
Repairs and maintenance		**(136,225)**	(129,763)
Fuel		**(857,573)**	(1,102,564)
Travel and promotional expenses		**(238,318)**	(252,085)
Office and communication expenses		**(152,584)**	(171,960)
Rental expenses		**(1,306,627)**	(1,523,921)
Other gains/(losses), net	9	**184,516**	(282,034)
Other operating expenses		**(445,182)**	(411,174)
Operating profit	10	**535,138**	234,924
Gain on disposal of a jointly controlled entity		**–**	514,070
		535,138	748,994
Finance costs, net	11	**(110,476)**	(8,222)
		424,662	740,772
Share of profit of jointly controlled entities	21	**328,324**	414,742
Share of profit of associates	22	**36,517**	30,206
Profit before income tax		**789,503**	1,185,720
Income tax expense	12	**(235,354)**	(347,538)
Profit for the year		**554,149**	838,182
Profit attributable to:			
Equity holders of the Company		**424,564**	568,569
Minority interests		**129,585**	269,613
		554,149	838,182
Dividends	14	**84,980**	212,450
Earnings per share for profit attributable to the equity holders of the Company, basic and diluted (RMB)	15	**0.10**	0.13

The notes on pages 69 to 164 are an integral part of these financial statements.

Consolidated
Statement of Comprehensive Income

For the year ended 31 December 2009

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))
Profit for the year	**554,149**	838,182
Other comprehensive income:		
Fair value gains/(losses) on available-for-sale financial assets, net of tax	**424,540**	(1,400,400)
Deferred income tax assets arising from revaluation surplus deductible for income tax purposes	**46,834**	–
Currency translation differences	**1,482**	(22,664)
Other comprehensive income/(expenses) for the year, net of tax	**472,856**	(1,423,064)
Total comprehensive income/(expenses) for the year	**1,027,005**	(584,882)
Attributable to:		
– Equity holders of the Company	**742,300**	(342,812)
– Minority interests	**284,705**	(242,070)
Total comprehensive income for the year	**1,027,005**	(584,882)

The notes on pages 69 to 164 are an integral part of these financial statements.

Consolidated
Balance Sheet

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000 (Restated, Note 2(d))	2007 RMB'000 Restated, (Note 2(d))
ASSETS				
Non-current assets				
Land use rights	18	**1,106,855**	955,800	869,700
Prepayments for acquisition of land use rights	17	**362,763**	388,514	317,471
Property, plant and equipment	16	**4,213,047**	4,060,944	3,416,307
Investments in jointly controlled entities	21	**1,798,942**	1,634,846	1,626,936
Investments in associates	22	**825,602**	911,530	478,837
Deferred income tax assets	12	**241,526**	185,446	182,240
Intangible assets	19	**100,328**	77,340	77,898
Available-for-sale financial assets	25	**1,438,111**	367,454	2,210,600
Prepaid consideration for acquisition from ultimate holding company		**–**	–	550,000
Held-to-maturity financial assets		**–**	–	58,437
Other non-current assets		**61,448**	82,360	51,862
		10,148,622	8,664,234	9,840,288
Current assets				
Prepayments, deposits and other current assets	26	**581,169**	433,957	518,130
Inventories	27	**30,420**	30,070	25,411
Trade and other receivables	28	**5,489,000**	4,580,412	5,495,614
Financial assets at fair value through profit or loss	30	**5,357**	414	707
Restricted cash	31	**239,283**	441,782	239,681
Term deposits with initial terms of over three months	32	**510,656**	1,147,175	384,771
Cash and cash equivalents	33	**4,196,987**	3,770,770	3,758,378
		11,052,872	10,404,580	10,422,692
Total assets		**21,201,494**	19,068,814	20,262,980
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	39	**4,249,002**	4,249,002	4,249,002
Reserves	40	**4,312,659**	3,655,350	4,957,699
Proposed final dividend	14	**84,980**	84,980	127,470
		8,646,641	7,989,332	9,334,171
Minority interests		**2,057,690**	1,847,436	2,281,281
Total equity		**10,704,331**	9,836,768	11,615,452

Consolidated
Balance Sheet

As at 31 December 2009

	Note	2009	2008	2007
		As at 31 December		
	Note	***RMB'000***	*RMB'000* (Restated, Note 2(d))	*RMB'000* Restated, (Note 2(d))
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	12	**244,102**	127,419	497,393
Provisions	35	**149,330**	104,874	141,683
Borrowings	34	**2,552,000**	27,000	–
Other non-current liabilities		**164**	103	1,971
		2,945,596	259,396	641,047
Current liabilities				
Trade payables	36	**3,900,202**	3,230,575	3,894,037
Other payables, accruals and other current liabilities	37	**1,169,051**	1,946,668	1,232,825
Receipts in advance from customers	38	**1,497,521**	1,059,577	1,176,324
Current income tax liabilities		**87,448**	90,769	185,307
Borrowings	34	**435,765**	2,044,241	1,240,083
Derivative financial instruments	29	**122,606**	311,907	–
Salary and welfare payables		**338,974**	288,913	277,905
		7,551,567	8,972,650	8,006,481
Total liabilities		**10,497,163**	9,232,046	8,647,528
Total equity and liabilities		**21,201,494**	19,068,814	20,262,980
Net current assets		**3,501,305**	1,431,930	2,416,211
Total assets less current liabilities		**13,649,927**	10,096,164	12,256,499

The notes on pages 69 to 164 are an integral part of these financial statements.

Zhao Huxiang
Chairman

Zhang Jianwei
Director

Balance Sheet

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	20	**4,999,752**	3,885,462
Investments in jointly controlled entities	21	**10,150**	10,150
Investments in associates	22	**85,385**	155,069
Property, plant and equipment	16	**39,727**	63,872
Intangible assets	19	**40,813**	24,689
Other non-current assets		**66**	938
		5,175,893	4,140,180
Current assets			
Prepayments, deposits and other current assets	26	**16,645**	66,977
Inventories		**3,898**	–
Trade and other receivables	28	**4,955,368**	5,307,253
Financial assets at fair value through profit or loss	30	**5,216**	–
Restricted cash	31	**800**	800
Cash and cash equivalents	33	**464,104**	506,504
		5,446,031	5,881,534
Total assets		**10,621,924**	10,021,714
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	39	**4,249,002**	4,249,002
Reserves	40	**1,947,395**	1,596,904
Proposed final dividends	14	**84,980**	84,980
Total equity		**6,281,377**	5,930,886

Balance
Sheet

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Provisions	35	**1,800**	6,160
Borrowings	34	**2,500,000**	–
		2,501,800	6,160
Current liabilities			
Trade payables	36	**133,897**	113,069
Other payables, accruals and other current liabilities	37	**1,328,257**	2,484,936
Borrowings	34	**272,524**	1,402,232
Derivative financial instruments	29	**–**	11,893
Salary and welfare payable		**104,069**	72,538
		1,838,747	4,084,668
Total liabilities		**4,340,547**	4,090,828
Total equity and liabilities		**10,621,924**	10,021,714
Net current assets		**3,607,284**	1,796,866
Total assets less current liabilities		**8,783,177**	5,937,046

The notes on pages 69 to 164 are an integral part of this financial statement.

Zhao Huxiang
Chairman

Zhang Jianwei
Director

Consolidated
Statement of Changes in Equity

As at and for the year ended 31 December 2009

	As at and for the year ended 31 December 2009								
	Attributable to equity holders of the Company								
	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2009, as restated	4,249,002	738,730	225,151	54,671	(21,987)	2,743,765	7,989,332	1,847,436	9,836,768
Comprehensive income									
Profit for the year	–	–	–	–	–	424,564	424,564	129,585	554,149
Other comprehensive income									
Fair value gains on available–for–sale financial assets, net of tax	–	–	–	269,420	–	–	269,420	155,120	424,540
Deferred income tax assets arising from revaluation surplus deductible for income tax purposes (Note 12 (b)(i))	–	46,834	–	–	–	–	46,834	–	46,834
Currency translation differences	–	–	–	–	1,482	–	1,482	–	1,482
Total other comprehensive income	–	46,834	–	269,420	1,482	–	317,736	155,120	472,856
Total comprehensive income	–	46,834	–	269,420	1,482	424,564	742,300	284,705	1,027,005
Transactions with owners									
Dividends paid	–	–	–	–	–	(84,980)	(84,980)	–	(84,980)
Dividends declared to minority shareholders	–	–	–	–	–	–	–	(78,916)	(78,916)
Capital injection from minority shareholders of a subsidiary	–	–	–	–	–	–	–	5,446	5,446
Acquisition of additional equity interests in subsidiaries from minority shareholders	–	(11)	–	–	–	–	(11)	(981)	(992)
Total transactions with owners	–	(11)	–	–	–	(84,980)	(84,991)	(74,451)	(159,442)
Transfer to statutory reserve (Note 40)	–	–	42,369	–	–	(42,369)	–	–	–
As at 31 December 2009	4,249,002	785,553	267,520	324,091	(20,505)	3,040,980	8,646,641	2,057,690	10,704,331
Representing:									
Share capital and reserves	4,249,002	785,553	267,520	324,091	(20,505)	2,956,000	8,561,661	2,057,690	10,619,351
2009 proposed final dividends (Note 14)	–	–	–	–	–	84,980	84,980	–	84,980
As at 31 December 2009	4,249,002	785,553	267,520	324,091	(20,505)	3,040,980	8,646,641	2,057,690	10,704,331

Consolidated
Statement of Changes in Equity

As at and for the year ended 31 December 2009

	As at and for the year ended 31 December 2008 (Restated, Note 2(d))								
	Attributable to equity holders of the Company								
	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2008	4,249,002	1,485,817	220,437	943,388	677	2,434,850	9,334,171	2,281,281	11,615,452
Comprehensive income									
Profit for the year	–	–	–	–	–	568,569	568,569	269,613	838,182
Other comprehensive income									
Fair value losses on available-for-sale financial assets, net of tax	–	–	–	(888,717)	–	–	(888,717)	(511,683)	(1,400,400)
Currency translation differences	–	–	–	–	(22,664)	–	(22,664)	–	(22,664)
Total other comprehensive income	–	–	–	(888,717)	(22,664)	–	(911,381)	(511,683)	(1,423,064)
Total comprehensive income	–	–	–	(888,717)	(22,664)	568,569	(342,812)	(242,070)	(584,882)
Transactions with owners									
Dividends paid	–	–	–	–	–	(254,940)	(254,940)	–	(254,940)
Dividends declared to minority shareholders	–	–	–	–	–	–	–	(162,710)	(162,710)
Capital injection from minority shareholders of a subsidiary	–	–	–	–	–	–	–	981	981
Acquisition of additional equity interests in subsidiaries from minority shareholders	–	2,713	–	–	–	–	2,713	(30,046)	(27,333)
Reserves arising on the common control combinations	–	(749,800)	–	–	–	–	(749,800)	–	(749,800)
Total transactions with owners	–	(747,087)	–	–	–	(254,940)	(1,002,027)	(191,775)	(1,193,802)
Transfer to statutory reserve (Note 40)	–	–	4,714	–	–	(4,714)	–	–	–
As at 31 December 2008	4,249,002	738,730	225,151	54,671	(21,987)	2,743,765	7,989,332	1,847,436	9,836,768
Representing:									
Share capital and reserves	4,249,002	738,730	225,151	54,671	(21,987)	2,658,785	7,904,352	1,847,436	9,751,788
2008 proposed final dividends (Note 14)	–	–	–	–	–	84,980	84,980	–	84,980
As at 31 December 2008	4,249,002	738,730	225,151	54,671	(21,987)	2,743,765	7,989,332	1,847,436	9,836,768

The notes on pages 69 to 164 are an integral part of these consolidated financial statements.

Consolidated
Statement of Cash Flow

For the year ended 31 December 2009

	Note	For the year ended 31 December 2009 RMB'000	2008 RMB'000 (Restated, Note 2(d))
Cash flows from operating activities			
Cash generated from operations	42	**1,036,055**	1,192,605
Interest paid		**(117,555)**	(60,530)
Income tax paid		**(272,751)**	(348,456)
Net cash generated from operating activities		**645,749**	783,619
Cash flows from investing activities			
Net cash outflow in acquisition of a subsidiary	43	**(25,160)**	–
Purchase of jointly controlled entities		**(115,935)**	(166,375)
Cash paid for acquisition of associates		**(14,027)**	(127,506)
Net cash outflow on disposal of a subsidiary	44	**(20,551)**	–
Net cash inflow on disposal of a jointly controlled entity		**–**	540,537
Proceeds from disposal of associates		**111,036**	–
Proceeds from disposal of held-to-maturity financial assets		**–**	55,870
Purchase of property, plant and equipment		**(472,786)**	(999,443)
Proceeds from disposal of property, plant and equipment		**57,317**	32,237
Purchase of intangible assets		**(10,160)**	(15,245)
Purchase of land use rights		**(55,314)**	(77,353)
Cash prepaid for acquisition of land use rights		**(79,007)**	(100,505)
Purchase of other non-current assets		**(53,986)**	(29,566)
Decrease/(increase) in term deposits with initial terms of over three months		**636,519**	(762,404)
Interest income received		**86,754**	94,489
Dividends received from associates		**33,124**	32,071
Dividends received from jointly controlled entities		**202,906**	431,657
Proceeds from disposal of financial assets at fair value through profit or loss		**464**	543
Purchase of financial assets at fair value through profit or loss		**(4,597)**	–
Payment of consideration for acquisition from ultimate holding company		**(400,000)**	(156,030)
Purchase of available-for-sale financial assets		**(504,604)**	(24,054)
Settlement of investment cost paid by ultimate holding company on behalf of the Group		**(405,439)**	–
Dividend income on available-for-sale financial assets		**3,226**	5,472
Acquisition of additional equity interests in subsidiaries from minority shareholders		**(992)**	(27,314)
Net cash used in investing activities		**(1,031,212)**	(1,292,919)

Consolidated
Statement of Cash Flow

For the year ended 31 December 2009

	Note	For the year ended 31 December 2009 RMB'000	2008 RMB'000 (Restated, Note 2(d))
Cash flows from financing activities			
New bank borrowings		**734,548**	3,837,434
Repayments of bank borrowings		**(2,318,025)**	(3,006,276)
Borrowings from ultimate holding company		**–**	233,810
Repayments to ultimate holding company		**(200,000)**	–
Entrusted loans payable to SINOTRANS GROUP COMPANY		**2,500,000**	–
Dividends paid to the Company's shareholders		**(35,748)**	(181,093)
Contributions from minority shareholders in subsidiaries		**5,446**	981
Dividends paid to minority shareholders in subsidiaries		**(77,040)**	(161,063)
Increase/(decrease) in restricted cash		**202,499**	(202,101)
Net cash generated from financing activities		**811,680**	521,692
Net increase in cash and cash equivalents		**426,217**	12,392
Cash and cash equivalents as at 1 January, as restated		**3,770,770**	3,758,378
Cash and cash equivalents as at 31 December	33	**4,196,987**	3,770,770

The notes on pages 69 to 164 are an integral part of these financial statements.

Notes
to the Consolidated Financial Statements

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 the listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Reorganisation"). In 2009, the former Sinotrans Group Company changed its name to 中國外運長航集團有限公司 ("SINOTRANS GROUP COMPANY") after it merged with China Changjiang National Shipping (Group) Corporation.

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

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2010.

2 Basis of preparation

The consolidated financial statements of Sinotrans Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRS as of 1 January 2009:

- IFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group (Continued)

- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group has previously adopted such treatment. As a result, IAS 23 (Revised) does not have a material impact on the Group's and Company's financial statements.

- IFRS 8, 'Operating segments' (effective 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have early adopted by the Group

- IAS 24 (Revised), 'Related party disclosures' (effective 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

  – the name of the government and the nature of their relationship; and

  – the nature and amount of any individually-significant transactions; and

  – the extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. The Group early adopt for the government-related entity exemption.

2 Basis of preparation (Continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- IAS 7 (amendment), 'Classification of expenditures on unrecognised assets', (effective from 1 January 2010). Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The Group and Company will apply IAS 7 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- IAS 17 (amendment), 'Classification of leases of land and buildings', (effective from 1 January 2010). Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17. The Group and Company will apply IAS 17 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- IAS 18 (amendment), 'Determining whether an entity is acting as a principal or as an agent'. Additional guidance added to the appendix to IAS 18 Revenue regarding the determination as to whether an entity is acting as a principal or an agent. The Group and Company will apply IAS 18 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.

- IAS 32 (amendment), 'Classification of rights issue', (effective from 1 January 2010). Rights issues are now required to be classified as equity if they are issued for a fixed amount of cash regardless of the currency in which the exercise price is denominated, provided they are offered on a pro rata basis to all owners of the same class of equity. Entities will no longer classify rights issues, for which the exercise price is denominated in a foreign currency, as derivative liabilities with fair value changes being recorded in profit or loss. Rather, entities will be able to classify these rights in equity with no re-measurement. The scope of the amendment is narrow and does not extend to foreign-currency-denominated convertible bonds. For these instruments, the embedded option to acquire the issuer's equity will continue to be accounted for as a derivative liability with fair value changes recorded in profit or loss. It is not expected to have a material impact on the Group's or Company's financial statements.

2 Basis of preparation (Continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group (Continued)

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them (Continued):

- IAS 36 (amendment), 'Unit of accounting for goodwill impairment test', (effective from 1 January 2010). Amendment to clarify that the largest cash-generating unit ("CGUs") (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of IFRS 8). The Group and Company will apply IAS 36 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- IAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in April/May 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's or Company's financial statements.

- IAS 39 (amendment), 'Eligible hedge items', (effective from 1 July 2009). The amendment makes two significant changes.

  - It prohibits designating inflation as a hedgeable component of a fixed rate debt. Inflation is not separately identifiable and reliably measurable as a risk or a portion of a financial instrument, unless it is a contractually specified portion of the cash flows of a recognised inflation-linked bond whose other cash flows are unaffected by the inflation portion.

  - It prohibits including time value in a one-sided hedged risk when designating options as hedges. An entity may only designate the change in the intrinsic value of an option as the hedging instrument of a one-sided risk arising from a forecast transaction in a hedging relationship. A one-sided risk is that changes in cash flows or fair value of a hedged item is above or below a specified price or other variable.

  It is not expected to have a material impact on the Group's or Company's financial statements.

- IFRS 2 (amendments), 'group cash-settled share-based payment transactions' (effective from 1 January 2010). In addition to incorporating IFRIC-Int 8, 'Scope of IFRS 2', and IFRIC-Int 11, 'IFRS 2 - group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

2 Basis of preparation (Continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group (Continued)

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them (Continued):

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale'. The amendment is part of the IASB's annual improvements project published in April/May 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group and Company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- IFRS 9, "financial instruments", (effective from 1 January 2013). The standard addresses classification and measurement of financial assets and is available for early adoption immediately. The major changes to existing guidance in IAS 39 are outlined below.

  - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  - An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

  - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

  It is not expected to have a material impact on the Group's or Company's financial statements.

- IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement', (effective from 1 January 2010). Some entities that are subject to a minimum funding requirement have elected to prepay their pension contributions. The prepaid contributions are recovered through lower minimum funding requirements in future years. The previous version of IFRIC 14 did not permit the recognition of an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was an unintended consequence of the interpretation, which has been amended to require that an asset is recognised in these circumstances. It is not expected to have a material impact on the Group's or Company's financial statements.

2 Basis of preparation (Continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group (Continued)

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them (Continued):

- IFRIC 16 'Hedges of a net investment in a foreign operation', (effective from 1 July 2009). The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. It is not expected to have a material impact on the Group's or Company's financial statements.

- IFRIC 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April/May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- IFRIC 19 'Extinguishing financial liabilities with equity instruments', (effective from 1 July 2010). The interpretation clarifies the accounting by the debtor when the debtor renegotiates the terms of its debt with the result that the liability is extinguished through issuing its own equity instruments to the creditor (i.e. a "debt for equity swap"). A gain or loss recognised in profit or loss is the difference between the fair value of the equity instruments issued and the carrying amount of the financial liability. If the fair value of the equity instruments cannot be reliably measured then the fair value of the existing financial liability is used to measure the gain or loss. The amount of the gain or loss should be separately disclosed on the face of the statement of comprehensive income or in the notes. This interpretation applies to all debtors that enter into debt for equity swap transactions in full or partial settlement of a financial liability. The Group and Company will apply IFRIC 19 from 1 January 2011. It is not expected to have a material impact on the Group's or Company's financial statements.

(d) Change in accounting policies for jointly controlled entities

In 2009, the Group has changed the accounting policy for jointly controlled entities from proportionate consolidation to the equity method in order to comply with relevant Chinese Accounting Standards and Interpretations ("CAS") issued by the Ministry of Finance of the PRC, as proportionate consolidation is no longer allowed. In order to maintain comparability of the financial information prepared in accordance with CAS and IFRS, the directors has changed the accounting policy for jointly controlled entities under IFRS as well and equity method has been retrospectively applied and financial statements of comparable periods have been restated. The change in accounting policy does not affect the profit and reserves attributable to the equity holders of the Company in the consolidated financial statement for each period presented.

2 Basis of preparation (Continued)

(d) Change in accounting policies for jointly controlled entities (Continued)

Change in accounting policies for jointly controlled entities on the Group's financial positions for 2007 is as follows:

The Group	**As at 31 December 2007, as previously reported** *RMB'000*	**Change in accounting policies** *RMB'000*	**As at 31 December 2007, as restated** *RMB'000*
Investments in jointly controlled entities	–	1,626,936	1,626,936
Other non-current assets	9,280,268	(1,066,916)	8,213,352
Current assets	12,176,384	(1,753,692)	10,422,692
Total assets	21,456,652	(1,193,672)	20,262,980
Non-current liabilities	698,344	(57,297)	641,047
Current liabilities	9,141,851	(1,135,370)	8,006,481
Total liabilities	9,840,195	(1,192,667)	8,647,528
Equity attributable to the equity holders of the Company	9,334,171	–	9,334,171
Minority interests	2,282,286	(1,005)	2,281,281
Total equity	11,616,457	(1,005)	11,615,452

2 Basis of preparation (Continued)

(d) Change in accounting policies for jointly controlled entities (Continued)

Change in accounting policies for jointly controlled entities on the Group's financial positions and operating results for 2008 are as follows:

The Group	**As at 31 December 2008, as previously reported** *RMB'000*	**Change in accounting policies** *RMB'000*	**As at 31 December 2008, as restated** *RMB'000*
Investments in jointly controlled entities	–	1,634,846	1,634,846
Other non-current assets	8,448,202	(1,418,814)	7,029,388
Current assets	11,777,779	(1,373,199)	10,404,580
Total assets	20,225,981	(1,157,167)	19,068,814
Non-current liabilities	562,801	(303,405)	259,396
Current liabilities	9,825,239	(852,589)	8,972,650
Total liabilities	10,388,040	(1,155,994)	9,232,046
Equity attributable to the equity holders of the Company	7,989,332	–	7,989,332
Minority interests	1,848,609	(1,173)	1,847,436
Total equity	9,837,941	(1,173)	9,836,768

	For the year ended 31 December 2008, as previously reported *RMB'000*	**Change in accounting policies** *RMB'000*	**For the year ended 31 December 2008 , as restated** *RMB'000*
Revenue	41,019,100	(5,942,940)	35,076,160
Profit before income tax	1,310,309	(124,589)	1,185,720
Profit for the year, attributable to equity holders of the Company	568,569	–	568,569

2 Basis of preparation (Continued)

(d) Change in accounting policies for jointly controlled entities (Continued)

Change in accounting policies for jointly controlled entities on the Group's financial positions and operating results for 2009 are as follows:

The Group	**As at 31 December 2009, proportionate consolidation** *RMB'000*	**Change in accounting policies** *RMB'000*	**As at 31 December 2009, equity method** *RMB'000*
Investments in jointly controlled entities	–	1,798,942	1,798,942
Other non-current assets	9,901,655	(1,551,975)	8,349,680
Current assets	12,653,343	(1,600,471)	11,052,872
Total assets	22,554,998	(1,353,504)	21,201,494
Non-current liabilities	3,214,440	(268,844)	2,945,596
Current liabilities	8,634,374	(1,082,807)	7,551,567
Total liabilities	11,848,814	(1,351,651)	10,497,163
Equity attributable to the equity holders of the Company	8,646,641	–	8,646,641
Minority interests	2,059,543	(1,853)	2,057,690
Total equity	10,706,184	(1,853)	10,704,331

	For the year ended 31 December 2009, proportionate consolidation *RMB'000*	**Change in accounting policies** *RMB'000*	**For the year ended 31 December 2009, equity method** *RMB'000*
Revenue	31,941,590	(4,306,548)	27,635,042
Profit before income tax	900,791	(111,288)	789,503
Profit for the year, attributable to equity holders of the Company	424,564	–	424,564

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These polices have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries, except for common control combinations by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 3(h)(i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Such business combinations are referred to as common control combinations which fall outside the scope of IFRS 3 "Business combinations". The Group adopts merger accounting for common control combinations.

3 Summary of significant accounting policies (Continued)

(b) Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gain or losses on disposals to minority are also recorded in equity.

3 Summary of significant accounting policies (Continued)

(c) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established among the participating venturers and whereby the Group together with the other venturers undertake an economic activity that is subject to joint control and none of the venturers has unilateral control over the economic activity.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on disposals of investments in jointly controlled entities are determined by comparing proceeds with carrying amount and are included in operating profit.

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

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss (Note 3(h)(i)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on disposals of investments in associates are determined by comparing proceeds with carrying amount and are included in operating profit.

3 Summary of significant accounting policies (Continued)

(d) Associates (Continued)

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(e) Revenue recognition

Revenue comprises the fair value of charges for the sale of services in the ordinary course of the Group's activities net of disbursements made on behalf of customers. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues are recognised on the following bases:

(i) Freight forwarding

Revenue is recognised when the freight forwarding services are rendered, which generally coincides with the date of departure for outward freight and the date of arrival for inward freight. Where the Group effectively acts as a principal in arranging transportation of goods for customers or an agent for the customers, revenue recognised generally includes the carrier's charges to the Group.

(ii) Shipping agency

Revenue from shipping agency services is recognised upon completion of services, which generally coincides with the date of departure of the relevant vessel from port.

(iii) Express services

Revenue from express services is recognised upon delivery of the relevant document or package.

(iv) Marine transportation

Freight revenues from the operation of the international shipping business are recognised on a percentage of completion basis, which are determined on the time proportion method of each individual vessel voyage. Revenue from feeder services is recognised upon completion of services.

(v) Storage and terminal services

Revenue from the provision of storage and terminal services is recognised when the services are rendered.

(vi) Trucking

Revenue from the provision of trucking services is recognised when the services are rendered.

3 Summary of significant accounting policies (Continued)

(e) Revenue recognition (Continued)

(vii) Rental income

Rental income under operating leases of warehouse and depots is recognised over the lease term on a straight-line basis.

(viii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(ix) Dividend income

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

Advance payments and deposits received from customers prior to the provision of services and recognition of the related revenues are presented as current liabilities.

(f) Land use rights

Land use rights are the rights to use the land on which various warehouses, container storage areas and buildings are situated for periods varying from 10 to 50 years. The payments made for the land use rights are amortised as operating lease charges over the period of the rights in the income statement on a straight-line basis. When there is impairment, the impairment is expensed in the consolidated income statement.

(g) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost comprises purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Depreciation is calculated on a straight-line basis to write off the cost of assets less accumulated impairment losses to their residual values over their estimated useful lives as follows:

3 Summary of significant accounting policies (Continued)

(g) Property, plant and equipment (Continued)

Buildings	20-50 years
Leasehold improvements	Over the shorter of the remaining term of the leases or the estimated useful lives
Port and rail facilities	20-40 years
Containers	8-15 years
Plant and machinery	5-10 years
Motor vehicles and vessels	5-10 years
Furniture and office equipment	3-6 years

Assets under construction represent buildings under construction and plant and equipment pending installation, and are stated at cost. Costs include construction and acquisition costs, and interest charges arising from borrowings used to finance the qualifying assets during the period of construction or installation and testing. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Recoverable amount is determined based on estimated discounted future cash flows of the CGU at the lowest level to which the asset belongs. The recoverable amount is the higher of value in use and net selling price.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated income statement.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisition of jointly controlled entities is included in "investments in jointly controlled entities". Goodwill on acquisition of associates is included in "investments in associates" and is tested for impairment as part of the respective overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment. If the cost of acquisition is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised immediately in the consolidated income statement.

3 Summary of significant accounting policies (Continued)

(h) Intangible assets (Continued)

(ii) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;

– management intends to complete the software product and use or sell it;

– there is an ability to use or sell the software product;

– it can be demonstrated how the software product will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

– the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 5 years.

(i) Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, jointly controlled entities or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entities or associates in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3 Summary of significant accounting policies (Continued)

(j) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(k) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Trading derivatives are classified as current assets or liabilities.

(ii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise 'trade and other receivables', 'restricted cash', 'term deposits with initial terms of over three months' and 'cash and cash equivalents' in the consolidated balance sheet.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date.

3 Summary of significant accounting policies (Continued)

(k) Financial assets (Continued)

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

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated income statement within “other gains/(losses), net”, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group’s right to receive payments is established.

Changes in the fair value of monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

Interests on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

3 Summary of significant accounting policies (Continued)

(l) Offsetting financial instruments

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

(m) Impairment of financial assets

(i) Assets carried at amortised cost

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

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio;
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

3 Summary of significant accounting policies (Continued)

(m) Impairment of financial assets (Continued)

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(n) Operating leases

(i) A group company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(ii) A group company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(o) Inventories

Supplies, consumables and spare parts are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(p) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3 Summary of significant accounting policies (Continued)

(q) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(r) Share capital

Ordinary domestic and H shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(s) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(t) Borrowings

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

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

(u) Borrowing costs

Interest costs on borrowings incurred to finance the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed as incurred.

(v) Current and deferred income tax

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

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

3 Summary of significant accounting policies (Continued)

(v) Current and deferred income tax (Continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The principal temporary differences arise from asset revaluation surplus during the Reorganisation deductible for the PRC enterprise income tax purposes, gain on deemed disposal of interest in a subsidiary, provision for one-off cash housing subsidies, depreciation on property, plant and equipment, provision for impairment of receivables, provision for litigation claims, salary payable which are not deductible for current income tax and tax value of losses carried forward. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised 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, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(w) Employee benefits

(i) Pension obligations

The full-time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these defined contribution plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are recognised as employee benefit expenses when they are due.

(ii) Termination and early retirement benefits

Employee termination and early retirement benefits are recognised in the period in which the Group entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms.

3 Summary of significant accounting policies (Continued)

(w) Employee benefits (Continued)

(iii) Housing benefits

The Group sold staff quarters to its employees, subject to a number of eligibility requirements, at preferential prices. When staff quarters were identified as being subject to sale under these arrangements, the carrying value of the staff quarters was written down to the net recoverable amount. Upon sale, any difference between sales proceeds and the carrying amount of the staff quarters was charged to the consolidated income statement.

Based on the relevant detailed local government regulations promulgated, certain entities within the Group have adopted cash housing subsidy plans. In accordance with these plans, for those eligible employees who had not been allocated with quarters at all or who had not been allocated with quarters up to the prescribed standards before the discounted quarters sale plans were terminated, the Group is required to pay them one-off cash housing subsidies based on their years of service, positions and other criteria. These cash housing subsidies were charged to the consolidated income statement in the year in which it was determined that the payment of such subsidies is probable and the amounts can be reasonably estimated. In respect of certain entities which have not adopted any cash housing subsidiary plans, based on the available information and best estimate, the Group estimated the required provision for these cash housing subsidies.

Pursuant to the Reorganisation, the ultimate holding company agreed to bear any further one-off cash housing subsidies in excess of the amount provided for in the consolidated financial statements of the Group of RMB74,560,000 at the time of the Reorganisation. Employees joining the Group after the incorporation of the Company are not entitled to any one-off cash housing subsidies (Note 35).

In addition, all full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(iv) Long term bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Cash-settled share-based payment (the Share Appreciation Rights ("SAR") Plan)

The Group enters into cash-settled share-based payment transactions with certain directors, supervisors and senior employees.

Employee services received in exchange for cash-settled share-based payments are recognised at the fair value of the liability incurred and are expensed when consumed. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the consolidated income statement (Note 41).

3 Summary of significant accounting policies (Continued)

(x) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(y) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'Finance costs, net'.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss in the consolidated income statement. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the 'investment revaluation reserve' in equity.

3 Summary of significant accounting policies (Continued)

(y) Foreign currency translation (Continued)

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(z) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3 Summary of significant accounting policies (Continued)

(aa) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividend is approved by the Company's shareholders.

Profit distributions and dividends proposed or declared after the balance sheet date are disclosed as a post balance sheet date event and are not recognised as a liability at the balance sheet date.

(ab) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as that makes strategic decisions.

(ac) Related party transactions

Related parties include SINOTRANS GROUP COMPANY and its subsidiaries; other entities and corporations in which the Company is able to control or exercise significant influence in making financial and operating decisions, and key management personnel of the Company and SINOTRANS GROUP COMPANY as well as their close family members.

The Group is part of a larger group of companies under SINOTRANS GROUP COMPANY and has extensive transactions and relationships with members of SINOTRANS GROUP COMPANY and its subsidiaries. Because of these relationships, it is possible that the terms of the transactions between the Group and members of SINOTRANS GROUP COMPANY and its subsidiaries are not the same as those that would result from transactions with or among other related parties or wholly unrelated parties.

(ad) Financial guarantee contracts

Financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group regards financial guarantee contracts as insurance contracts and has used accounting applicable to insurance contracts to financial guarantee contracts. The Group may elect to account for financial guarantee contracts as insurance contracts. This election is made on a contract by contract basis, but the election for each contract is irrevocable. Where financial guarantee contracts are classified as insurance contracts, they are recongnised and measured as insurance liabilities.

Financial guarantee contracts which are not classified as insurance contracts are initially summarized at fair value and subsequently measured (unless they are designated as at fair value through profit or loss) at the higher of (i) the amount determined in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", and (ii) the amount initially recongnised less, when appropriate, cumulative amortisation recognised over the life of the guarantee on a straight-line basis.

4 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the unpredictability of financial markets, optimising the level of financial risks the Group can bear, and minimising any potential adverse effects on the financial performance of the Group.

Financial risk management is carried out by the Group's finance department, following the overall directions determined by the Board of Directors. The finance department identifies and evaluates financial risks in close co-operation with the Group's operating units and makes decisions on portfolio of currencies and term of deposits. The Board of Directors provides directions on overall risk management and makes key decisions on matters which may give rise to significant financial risks.

(i) Foreign exchange risk

The Group has a portion of its turnover and transportation and related charges denominated in United States Dollars ("US$"). Therefore, the Group is exposed to foreign exchange risk primarily with respect to the US$ arising from future commercial transactions.

The Group's exposure to foreign exchange risk relates principally to its trade and other receivables, cash and cash equivalents, borrowings and trade payables denominated in foreign currencies, mainly US$. Analyses of these assets and liabilities by currency are disclosed in Note 28, Note 33, Note 34 and Note 36 respectively. As at 31 December 2009, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, profit before income tax attributable to equity holders of the Group for the year would have increase/ decrease by approximately RMB54,691,000.

Also, the Group is exposed to foreign exchange risk arising from its structured foreign exchange forward contracts under which the Group are contracted to sell Japanese Yen ("JPY") and buy US$ as disclosed in Note 29.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

The Group has monitored the performance of the equity securities and reported regularly to the Board of Directors. As at 31 December 2009, with all other variables held constant, if the average market price of equity securities goes by 10% higher/lower, the reserve attributable to equity holders of the Group will have no material impact.

The Group is also exposed to fuel oil price risk because fuel oil forward contract held by the Group are classified on the consolidated balance sheet as at fair value through profit or loss as disclosed in Note 29.

(iii) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its term deposits with initial terms of over three months and borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risks; borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group maintains a mixed portfolio of borrowings subject to variable and fixed interest rates. And if necessary, the Group also regularly analyses its interest rate exposure by considering alternative financing, etc. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management of the Group did not consider it necessary to use interest rate swaps to hedge its exposure to interest rate risk.

With all other variables held constant, if the interest rate had increased/decreased by 100 basis-points, the corresponding increase/decrease in net finance costs would have no material impact on the profit and reserve attributable to equity holders of the Group.

(iv) Credit risk

The aggregate carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and term deposits with initial terms of over three months represent the Group's maximum exposure to credit risk in relation to financial assets.

Substantially all of the Group's cash and cash equivalents, term deposit with initial terms of over three months and restricted cash are held in major financial institutions located in the PRC, which management believes are of high credit quality and expects no high credit risks in this aspect. These financial institutions mainly comprised Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Bank of Communication, China Merchants Bank and certain foreign banks such as Hong Kong and Shanghai Banking Corporation Limited.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

In general, the Group does not require collaterals from trade debtors, while the Group has policies in place to ensure that services are rendered to customers with appropriate credit history, and management of the Group monitors its credit risks on an ongoing basis by reviewing the debtors' aging to minimise its exposure to credit risk. Credit terms are normally given to customers according to their credit quality individually. The credit period of the Group's and the Company's trade and other receivables generally ranges from 1 to 6 months. The Group has transactions with a large number of customers, both locally and internationally dispersed, so the Directors consider that the Group does not have a significant concentration of credit risk.

(v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of its business, the Group ensures that it maintains flexibility by keeping sufficient cash generated from operations to meet its liquidity requirements.

The maturity analysis of borrowings is disclosed in Note 34. Generally there is no uniform credit period granted by the suppliers but the related trade payables are normally expected to be settled within three months after rendering of services.

Management monitors rolling forecasts of the Group's liquidity reserve comprises cash and cash equivalents (Note 33) on the basis of expected cash flow. This is generally carried out at the operating companies' level in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The table below analyses the Group's and the Company's financial liabilities and financial instruments based on the remaining period from the balance sheet date to the contractual maturity date. The spot rate as at balance sheet date is used for the cash flow calculation in relation to the amounts settled with foreign currencies. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

The Group	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*
As at 31 December 2009				
Borrowings	**526,037**	**1,603,551**	**1,040,487**	**–**
Derivative financial instruments				
– gross settled				
– Outflow	**600,614**	**480,967**	**–**	**–**
– Inflow	**(548,829)**	**(439,578)**	**–**	**–**
Trade and other payables*	**5,069,253**	**–**	**–**	**–**
As at 31 December 2008				
Borrowings	2,099,134	2,090	31,180	–
Derivative financial instruments				
– net settled	59,051	–	–	–
Derivative financial instruments				
– gross settled				
– Outflow	750,036	615,504	492,890	–
– Inflow	(668,949)	(549,343)	(439,990)	–
Trade and other payables*	5,177,243	–	–	–

The Company	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*
As at 31 December 2009				
Borrowings	**356,332**	**1,579,681**	**1,006,268**	**–**
Trade and other payables*	**1,462,154**	**–**	**–**	**–**
As at 31 December 2008				
Borrowings	1,437,147	–	–	–
Trade and other payables*	2,598,005	–	–	–

* The above trade and other payables comprise mainly trade payables, other payables, accruals and other current liabilities.

The Company does not expose to any individual significant financial risk in 2008 and 2009.

4 Financial risk management (Continued)

(b) Fair value estimation

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Total** *RMB'000*
Assets			
Financial assets at fair value through profit or loss			
– Trading securities	**5,357**	**–**	**5,357**
Available-for-sale financial assets			
– Equity securities	**1,289,053**	**–**	**1,289,053**
	1,294,410	**–**	**1,294,410**
Liabilities			
Financial liabilities at fair value through profit or loss			
– Trading derivatives	**–**	**122,606**	**122,606**
	–	**122,606**	**122,606**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

4 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of maintaining the net debt cash position according to the operating segment and profitability of each major subsidiary. The net debt cash position is calculated as total cash and cash equivalents as shown in the consolidated balance sheet less total borrowings.

	As at 31 December	
	2009	2008
	RMB's000	RMB'000
		(Restated, Note 2(d))
Cash and cash equivalent	**4,196,987**	3,770,770
Less: total borrowings	**(2,987,765)**	(2,071,241)
Net cash position	**1,209,222**	1,699,529

5 Critical accounting estimates and judgements

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

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

(a) Recognition of revenue and cost of marine transportation

Freight revenues and the related costs from the operation of the international shipping business are recognised on a percentage of completion basis, which are determined on the time proportion method of each individual vessel voyage. Estimates of revenue and cost are required in respect of voyages not completed at balance sheet date or for which the final invoices are not yet available.

(b) Estimated impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables in accordance with the accounting policy stated in Note 3(m). Such provision for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original term of receivables. Management reassesses the provision by each balance sheet date.

(c) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. For the structured foreign exchange forward contracts and the structured fuel oil forward contract, the Group uses its judgement to select certain methods and make assumptions that mainly based on the conditions existing at each balance sheet dates. There are many interdependent parameters and variables such as the forward rates and volatilities input into the model used as the valuation techniques. These parameters affect the valuation of the derivative and the Group's results significantly.

6 Segment information

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

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

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

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

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

6 Segment information (Continued)

	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and Terminal services RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Group RMB'000
For the year ended 31 December 2009								
Revenue – external	22,336,519	556,198	376,343	2,326,709	1,261,810	777,463	–	27,635,042
Revenue – inter-segment	207,507	99,742	4,050	666,322	134,580	127,341	(1,239,542)	–
Total revenue	22,544,026	655,940	380,393	2,993,031	1,396,390	904,804	(1,239,542)	27,635,042
Segment results	310,668	254,972	(46,479)	(327,395)	249,195	38,168	–	479,129
Other gains, net								184,516
Corporate expenses								(128,507)
Operating profit								535,138
Finance costs, net								(110,476)
Share of profit/(loss) of jointly controlled entities	5,682	6,563	333,884	–	26,149	(43,954)	–	328,324
Share of profit of associates								36,517
Profit before income tax								789,503
Income tax expense								(235,354)
Profit for the year								554,149

6 Segment information (Continued)

	Freight forwarding *RMB'000*	Shipping agency *RMB'000*	Express services *RMB'000*	Marine transportation *RMB'000*	Storage and Terminal services *RMB'000*	Others *RMB'000*	Inter-segment elimination *RMB'000*	Group *RMB'000*
For the year ended 31 December 2008 (Restated, Note 2(d))								
Revenue – external	28,991,320	675,198	541,027	3,007,826	1,233,883	626,906	–	35,076,160
Revenue – inter-segment	360,827	40,857	4,670	416,210	92,007	108,395	(1,022,966)	–
Total revenue	29,352,147	716,055	545,697	3,424,036	1,325,890	735,301	(1,022,966)	35,076,160
Segment results	360,222	288,830	(135,927)	(157,264)	266,933	2,788	–	625,582
Other losses, net								(282,034)
Corporate expenses								(108,624)
Operating profit								234,924
Gain on disposal of a jointly controlled entity								514,070
Finance costs, net								(8,222)
Share of profit/(loss) of jointly controlled entities	47,504	10,585	416,846	–	30,969	(91,162)	–	414,742
Share of profit of associates								30,206
Profit before income tax								1,185,720
Income tax expense								(347,538)
Profit for the year								838,182

6 Segment information (Continued)

	Freight forwarding *RMB'000*	Shipping agency *RMB'000*	Express services *RMB'000*	Marine transportation *RMB'000*	Storage and Terminal services *RMB'000*	Others *RMB'000*	Inter-segment elimination *RMB'000*	Group *RMB'000*
As at 31 December 2009								
Segment assets	**10,198,292**	**1,206,723**	**178,011**	**1,125,304**	**3,581,381**	**541,679**	**(606,625)**	**16,224,765**
Financial assets at fair value through profit or loss								**5,357**
Investments in jointly controlled entities	**234,295**	**16,292**	**855,928**	**–**	**530,239**	**162,188**	**–**	**1,798,942**
Investments in associates								**825,602**
Available-for-sale financial assets								**1,438,111**
Deferred income tax assets								**241,526**
Interests and dividends receivable								**85,912**
Corporate assets								**581,279**
Total assets								**21,201,494**
As at 31 December 2008 (Restated, Note 2(d))								
Segment assets	9,414,134	1,346,713	634,458	1,149,653	2,940,718	423,795	(603,454)	15,306,017
Financial assets at fair value through profit or loss								414
Investments in jointly controlled entities	273,032	19,971	712,568	–	489,826	139,449	–	1,634,846
Investments in associates								911,530
Available-for-sale financial assets								367,454
Deferred income tax assets								185,446
Interests and dividends receivable								12,676
Corporate assets								650,431
Total assets								19,068,814

6 Segment information (Continued)

	For the year ended 31 December 2009							
					Storage and			
	Freight forwarding	Shipping agency	Express services	Marine transportation	Terminal services	Others	Corporate	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure*	**260,572**	**9,931**	**2,857**	**11,999**	**262,950**	**44,434**	**24,524**	**617,267**
Depreciation	**130,471**	**10,570**	**7,026**	**44,883**	**105,326**	**45,310**	**13,694**	**357,280**
Amortisation	**3,925**	**335**	**282**	**27**	**789**	**661**	**12,188**	**18,207**
Operating lease charges on land use rights	**9,477**	**458**	**407**	**97**	**9,866**	**1,226**	**–**	**21,531**
Provision for/(reversal of) impairment loss of receivables	**13,844**	**(1,114)**	**(99)**	**(33)**	**(51)**	**679**	**–**	**13,226**

	For the year ended 31 December 2008 (Restated, Note 2(d))							
					Storage and			
	Freight forwarding	Shipping agency	Express services	Marine transportation	Terminal services	Others	Corporate	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure*	527,694	9,122	26,933	155,544	405,950	32,915	34,388	1,192,546
Depreciation	116,772	11,564	18,044	36,091	103,575	14,104	14,280	314,430
Amortisation	4,171	164	473	6	372	27	10,590	15,803
Operating lease charges on land use rights	10,978	446	304	136	8,290	760	–	20,914
Provision for impairment loss on property, plant and equipment	986	–	–	–	–	–	–	986
Provision for impairment loss of inventories	86	–	5	–	33	11	–	135
Provision for/(reversal of) impairment loss of receivables	1,363	7,419	8,499	434	(421)	167	–	17,461

* The capital expenditure stands for the total cash paid for purchase of non-current segment assets for the year ended 31 December 2009 and 2008.

The Company is domiciled in the PRC. The result of the Group's revenue from external customers in China (excluding Hong Kong, Macao and Taiwan) for the year ended 31 December 2009 is RMB25,897,170,000 (2008, restated: RMB33,317,038,000), and the result of the Group's revenue from external customers from other regions is RMB1,737,872,000 (2008, restated: RMB1,759,122,000).

As at 31 December 2009, the total of non-current segment assets located in China (excluding Hong Kong, Macao and Taiwan) is RMB10,335,427,000 (As at 31 December 2008, restated: RMB9,698,775,000), and the total of these non-current segment assets located in other regions is RMB99,681,000 (As at 31 December 2008, restated: RMB138,592,000).

7 Directors' and senior management's emoluments

(a) Emoluments of directors and supervisors

The aggregate amounts of the emoluments paid and payable to the directors and supervisors of the Company by the Group during the year are as follows:

	2009 ***RMB'000***	2008 *RMB'000*
Directors:		
Fees	**411**	411
Other emoluments		
– Basic salaries, housing allowances, other allowances and benefits in kind	**505**	503
– Discretionary bonuses	**770**	633
– Contributions to pension plans	**52**	46
Supervisors:		
Fees	**63**	63
Other emoluments		
– Basic salaries, housing allowances, other allowances and benefits in kind	**146**	314
– Discretionary bonuses	**101**	191
– Contributions to pension plans	**26**	44

Directors' fees disclosed above include RMB411,000 (2008: RMB411,000) paid to independent non-executive directors.

7 Directors' and senior management's emoluments (Continued)

(a) Emoluments of directors and supervisors (Continued)

The emoluments of directors and supervisors for the year ended 31 December 2009 are as follows:

	2009				
	Fees	Basic salaries and allowances	Discretionary bonuses	Contributions to pension plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director					
Zhang Jianwei	–	268	770	26	1,064
Tao Suyun	–	237	(*)	26	263
Sun Shuyi	137	–	–	–	137
Lu Zhengfei	137	–	–	–	137
Miao Yuexin	137	–	–	–	137
Name of supervisor					
Zhang Junkuo	63	–	–	–	63
Shen Xiaobin	–	146	101	26	273

* Tao Suyun, Director, was also a Vice President of SINOTRANS GROUP COMPANY, which was responsible for determining and approving the amount of her discretionary bonus. Such amount is not disclosed in this annual report as it has not yet been determined and approved by SINOTRANS GROUP COMPANY.

	2008				
	Fees	Basic salaries and allowances	Discretionary bonuses	Contributions to pension plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director					
Zhang Jianwei	–	267	633	23	923
Tao Suyun	–	236	436**	23	695
Sun Shuyi	137	–	–	–	137
Lu Zhengfei	137	–	–	–	137
Miao Yuexin	137	–	–	–	137
Name of supervisor					
Zhang Junkuo	63	–	–	–	63
Wang Xiaozheng	–	169	99	21	289
Shen Xiaobin	–	145	92	23	260

** In 2009, Tao Suyun's discretionary bonus of RMB436,000 for the year ended 31 December 2008 was determined and approved by SINOTRANS GROUP COMPANY.

No directors and supervisors of the Company waived any remuneration in 2009 (2008: nil).

7 Directors' and senior management's emoluments (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year are as follows:

	Number of individuals	
	2009	2008
Directors	**1**	1
Senior management	**4**	4

The five individuals whose emoluments were the highest in the Group during the year include one (2008: one) directors whose emoluments are reflected in the analysis presented in Note 7(a). Details of remuneration of members of senior management amongst the five highest paid individuals are as follows:

	2009 *RMB'000*	2008 *RMB'000*
Basic salaries, housing allowances and other allowances and benefits in kind	**1,774**	1,501
Discretionary bonuses	**2,590**	1,629
Contributions to pension plans	**131**	93

The emoluments of these members of senior management fell within the following bands:

	Number of individuals	
	2009	2008
Nil – Hong Kong Dollar ("HK$") 1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**1**	1
	4	4

8 Staff costs

Staff costs which include remuneration to directors, supervisors and senior management of the Company are as follows:

	2009	2008
	RMB'000	*RMB'000*
		(Restated, Note 2(d))
Wages and salaries	**1,211,673**	1,225,384
Housing benefits (a)	**96,539**	90,144
Contributions to pension plans (b)	**143,570**	141,886
Termination benefits and early retirement benefits (c)	**32,737**	9,626
Welfare and other expenses	**369,396**	382,020
	1,853,915	1,849,060

(a) These include the Group's contributions to government sponsored housing funds (at rates ranging from 5% to 25% (2008: 5% to 25%) of the employees' basic salaries) and cash housing subsidies paid and payable to its employees.

(b) The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 29% (2008: 5% to 29%), dependent upon the applicable local regulations, of the employees' basic salaries for the year. As at 31 December 2009, contributions totalling RMB3,655,000 (2008 restated: RMB4,477,000) were payable to these plans.

(c) Certain employees of the Group were directed to retire early or terminate their employment services. Employee termination and early retirement benefits are recognised in the income statement in the year in which the Group entered into an agreement specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. These specific terms vary among the terminated or early retired employees depending on various factors including position, length of service and location of the employee concerned.

9 Other gains/(losses), net

	2009	2008
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss:		
– fair value losses	**–**	(293)
– fair value gains	**231**	–
Derivative financial instruments (Note 29):		
– fair value gains/(losses) on foreign exchange forward contracts	**130,978**	(256,183)
– fair value gains/(losses) on fuel oil forward contracts	**58,323**	(55,724)
Change in fair values of SAR (Note 41)	**(5,016)**	30,166
	184,516	(282,034)

10 Operating profit

Operating profit is stated after crediting and charging the following:

	2009 *RMB'000*	2008 *RMB'000* (Restated, Note 2(d))
Crediting		
Rental income from		
– Buildings	**23,272**	25,416
– Plant and machinery	**168,071**	189,439
Gains on disposal of property, plant and equipment	**5,790**	1,220
Dividend income on available-for-sale financial assets	**3,226**	5,472
Reversal of provision for impairment losses of receivables	**13,382**	19,624
Income from property management	**12,310**	16,433
Charging		
Depreciation		
– owned property, plant and equipment	**350,716**	303,442
– owned property, plant and equipment leased out under operating leases	**6,564**	10,988
Losses on disposal of property, plant and equipment	**1,275**	3,874
Auditor's remuneration		
– Audit fee	**4,800**	8,500
– Audit-related and other services fee	**3,000**	6,500
Provision for impairment losses of property, plant and equipment	**–**	986
Provision for impairment losses of receivables	**26,608**	37,085
Provision for impairment losses of inventories	**–**	135
Operating lease charges on		
– land use rights	**21,531**	20,914
– buildings	**182,751**	178,223
– plant and equipment	**1,102,345**	1,324,785
Amortisation of intangible assets	**18,207**	15,803
Charges on property management and facilities	**78,853**	77,750
Other tax expenses	**53,147**	53,086
Provision for onerous contract and foreseeable losses	**56,545**	36,828
Charges on IT support	**32,683**	24,815
Provision for outstanding claims	**36,709**	3,994

11 Finance costs, net

	2009 *RMB'000*	2008 *RMB'000* (Restated, Note 2(d))
Interest income on bank balances	**83,506**	97,735
Interest expenses on bank borrowings	**(132,591)**	(59,629)
Exchange losses, net	**(46,148)**	(33,073)
Bank charges	**(15,243)**	(13,255)
	(110,476)	(8,222)

12 Taxation

Income tax expense in the consolidated income statement represents:

	2009 *RMB'000*	2008 *RMB'000* (Restated, Note 2(d))
Current income tax	**269,430**	253,918
Deferred PRC income tax	**(34,076)**	93,620
	235,354	347,538

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

PRC income tax expense has been provided on the estimated assessable profit for the year according to the tax laws and regulations applicable to the PRC enterprises.

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

The provision for PRC current income tax is based on the statutory rate of 25% (2008: 25%) of the assessable income of each of the companies comprising the Group as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential rates ranging from 0% to 22% (2008: 0% to 20%) based on the relevant PRC tax laws and regulations.

12 Taxation (Continued)

(a) The reconciliation between the Group's actual income tax expense and the amount which is calculated based on the statutory tax rate of 25% (2008: 25%) in the PRC is as follows:

	2009 *RMB'000*	2008 *RMB'000* (Restated, Note 2(d))
Profit before income tax	**789,503**	1,185,720
Less: Share of profit of associates	**(36,517)**	(30,206)
Share of profit of joint controlled entities	**(328,324)**	(414,742)
	424,662	740,772
Tax calculated at the statutory tax rate of 25%	**106,166**	185,193
Tax effects of:		
Utilisation of prior year unrecognised tax losses	**(567)**	(3,535)
Deferred income tax benefits arising from tax losses in certain entities not recognised	**76,070**	158,759
Non-taxable income	**(12,913)**	(17,968)
Expenses not deductible for tax purposes	**94,688**	49,567
Preferential tax rates on the income of certain subsidiaries	**(27,412)**	(23,428)
Others	**(678)**	(1,050)
Income tax expense	**235,354**	347,538

The weighed average applicable tax rate was 55% (2008, restated: 47%).

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2009			2008 (Restated, Note 2(d))		
	Before tax	**Tax (charge)/ credit**	**After tax**	Before tax	Tax credit	After tax
Fair value gains/(losses) on available-for-sale financial assets, net of tax	**566,053**	**(141,513)**	**424,540**	(1,867,200)	466,800	(1,400,400)
Deferred income tax assets arising from revaluation surplus deductible for income tax purposes	**–**	**46,834**	**46,834**	–	–	–
Currency translation differences	**1,482**	**–**	**1,482**	(22,664)	–	(22,664)
Other comprehensive income	**567,535**	**(94,679)**	**472,856**	(1,889,864)	466,800	(1,423,064)
Current tax		**–**			–	
Deferred tax		**(94,679)**			466,800	

12 Taxation (Continued)

(b) As at 31 December 2009 and 2008, none of the Group's deferred income taxes assets and deferred income taxes liabilities could be offset and their movements before offset are as follows:

Deferred income tax assets

	The Group	
	2009	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))
At beginning of year (Restated, Note 2(d))	**185,446**	182,240
Credited to consolidated income statement	**9,246**	3,206
Credited to other comprehensive income	**46,834**	–
At end of year	**241,526**	185,446
Provided for in respect of:		
Asset revaluation surplus during the Reorganisation deductible for income tax purposes (Note 12(b)(i))	**173,851**	135,583
Provision for impairment of receivables	**13,653**	14,087
Provision for one-off cash housing subsidies	**7,906**	8,593
Salary payable which is not deductible for income tax purposes	**19,425**	11,436
Provision for claims	**4,829**	3,027
Depreciation on property, plant and equipment	**3,662**	4,953
Tax losses	**8,188**	4,088
Other temporary differences	**10,012**	3,679
	241,526	185,446

12 Taxation (Continued)

Deferred income tax assets (Continued)

(i) 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 RMB839,800,000, arising from the Reorganisation, which was recorded by the Group in the consolidated financial statements prepared under the PRC accounting standards, is deductible for the PRC enterprise income tax purposes. Since the Group did not recognise the above asset revaluation surplus in its consolidated financial statements prepared in accordance with IFRS, a deferred income 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 year based on the depreciation and operating lease charges on the asset revaluation surplus.

In 2009, 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 RMB306,798,000, arising from the common control combination in 2008, which was recorded by the Group in the consolidated financial statements prepared under the PRC accounting standards, is deductible for the PRC enterprise income tax purposes. Since the Group did not recognise the above asset revaluation surplus in its consolidated financial statements prepared in accordance with IFRS, a deferred income tax asset of RMB46,834,000 was recognised and credited to capital reserve in 2009. Such deferred income tax asset is charged to income tax expense during each year based on the depreciation and operating lease charges on the asset revaluation surplus.

	The Group		**The Company**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated, Note 2(d))		
Temporary differences for which deferred income tax assets were not recognised:				
Amortisation on intangible assets and non-current assets	**6,362**	6,883	**6,362**	6,883
Depreciation on property, plant and equipment	**260**	218	**260**	218
Tax losses (Note 12(b)(ii))	**1,261,897**	1,091,352	**–**	–
	1,268,519	1,098,453	**6,622**	7,101

(ii) Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2009, the Group did not recognise deferred income tax assets of RMB315,474,000 in respect of the above stated tax losses which can be carried forward against future taxable income, and tax losses amounting to RMB3,244,000, RMB72,802,000, RMB48,683,000, RMB148,110,000 and RMB42,635,000 would expire in 2010, 2011, 2012, 2013 and 2014 respectively.

12 Taxation (Continued)

Deferred income tax liabilities

	The Group	
	2009	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))
At beginning of year (Restated, Note 2(d))	**127,419**	497,393
(Credited)/charged to consolidated income statement	**(24,830)**	96,826
Charged/(credited) to other comprehensive income	**141,513**	(466,800)
At end of year	**244,102**	127,419
Provided for in respect of:		
Change in fair values of available-for-sale financial assets	**167,513**	26,000
Operating lease charges on land use rights	**3,147**	3,228
Deferred income recognised arising from disposal of a jointly controlled entity	**72,819**	97,564
Other temporary differences	**623**	627
	244,102	127,419

	The Group	
	2009	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))
Deferred income tax assets to be recovered after more than 12 months	**213,535**	172,486
Deferred income tax assets to be recovered within 12 months	**27,991**	12,960
	241,526	185,446
Deferred income tax liabilities to be recovered after more than 12 months	**48,782**	73,173
Deferred income tax liabilities to be recovered within 12 months	**195,320**	54,246
	244,102	127,419

The temporary differences associated with the Group's underlying investments in subsidiaries, jointly controlled entities and associates amounted to RMB550,364,000 (2008, restated: RMB550,364,000) as at 31 December 2009 for which deferred income tax liabilities have not been recognised. Within the above amounts was mainly a gain of RMB543,944,000 (2008: RMB543,944,000) arising from deemed disposal of the Company's share of net assets of Sinotrans Air Transportation Development Co., Ltd ("Sinoair") after the issuance of shares by the latter in connection with its initial public offering on the Shanghai Stock Exchange in 2000.

13 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB435,471,000 (2008: RMB1,084,559,000).

14 Dividends

	The Company	
	2009	2008
	RMB'000	*RMB'000*
Interim, paid, of nil (2008: RMB0.03) per ordinary share	**–**	127,470
Final, proposed, of RMB0.02 (2008: RMB0.02) per ordinary share	**84,980**	84,980
	84,980	212,450

At the Board of Directors' meeting held on 23 March, 2010, the directors proposed a final dividend of RMB0.02 per ordinary share totaling RMB84,980,000 for the year ended 31 December 2009. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

The aggregate amounts of the dividends paid and proposed during 2009 and 2008 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

15 Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2009 and 31 December 2008, respectively.

	The Group	
	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**424,564**	568,569
Weighted average number of ordinary shares in issue (thousands)	**4,249,002**	4,249,002
Basic and diluted earnings per share (RMB per share)	**0.10**	0.13

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

16 Property, plant and equipment

The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost									
At 1 January 2009 (Restated, Note 2(d))	1,893,966	17,870	605,804	40,433	1,005,851	1,192,600	457,744	776,378	5,990,646
Exchange differences	(9)	–	–	4	(162)	(278)	179	–	(266)
Additions	35,631	973	14,283	614	88,928	50,284	30,727	337,368	558,808
Acquisition of a subsidiary (Note 43)	–	–	–	–	38,247	16,591	229	–	55,067
Disposals	(26,724)	–	(26,072)	(1,560)	(36,680)	(67,750)	(18,075)	(25,035)	(201,896)
Disposals of a subsidiary (Note 44)	–	(2,043)	–	–	(5,189)	(42,013)	(24,551)	–	(73,796)
Transfer upon completion	747,344	–	90,220	–	22,496	5,034	12,584	(877,678)	–
At 31 December 2009	2,650,208	16,800	684,235	39,491	1,113,491	1,154,468	458,837	211,033	6,328,563
Accumulated depreciation and impairment losses									
At 1 January 2009 (Restated, Note 2(d))	(405,521)	(10,078)	(155,916)	(19,254)	(457,219)	(569,298)	(312,416)	–	(1,929,702)
Exchange differences	136	–	–	(7)	12	162	(39)	–	264
Depreciation charge	(75,862)	(3,354)	(25,706)	(1,366)	(92,549)	(113,968)	(44,475)	–	(357,280)
Disposals	9,368	–	14,919	1,437	27,584	52,904	17,847	–	124,059
Disposals of a subsidiary (Note 44)	–	693	–	–	4,552	27,239	14,509	–	46,993
Reversal of provision for impairment losses	–	–	–	–	–	150	–	–	150
At 31 December 2009	(471,879)	(12,739)	(166,703)	(19,190)	(517,620)	(602,811)	(324,574)	–	(2,115,516)
Net book value									
At 31 December 2009	2,178,329	4,061	517,532	20,301	595,871	551,657	134,263	211,033	4,213,047
At 1 January 2009 (Restated, Note 2(d))	1,488,445	7,792	449,888	21,179	548,632	623,302	145,328	776,378	4,060,944

16 Property, plant and equipment (Continued)

The Group (Continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost									
At 1 January 2008 (Restated, Note 2(d))	1,756,744	14,895	504,485	22,630	885,372	1,019,186	430,863	504,929	5,139,104
Exchange differences	(3,868)	–	–	53	(244)	(15,467)	(694)	–	(20,220)
Additions	18,815	3,854	(2,587)	19,375	76,864	238,223	47,691	600,052	1,002,287
Disposals	(11,826)	(879)	(165)	(1,625)	(29,149)	(59,808)	(27,073)	–	(130,525)
Transfer upon completion	134,101	–	104,071	–	73,008	10,466	6,957	(328,603)	–
At 31 December 2008 (Restated, Note 2(d))	1,893,966	17,870	605,804	40,433	1,005,851	1,192,600	457,744	776,378	5,990,646
Accumulated depreciation and impairment losses									
At 1 January 2008 (Restated, Note 2(d))	(349,297)	(6,914)	(135,060)	(19,829)	(406,819)	(521,241)	(283,637)	–	(1,722,797)
Exchange differences	2,247	–	–	12	19	8,609	218	–	11,105
Depreciation charge	(62,195)	(3,635)	(20,856)	(951)	(76,078)	(98,703)	(52,012)	–	(314,430)
Disposals	3,488	471	–	1,514	25,659	41,487	23,015	–	95,634
Reversal of provision for impairment losses	236	–	–	–	–	550	–	–	786
At 31 December 2008 (Restated, Note 2(d))	(405,521)	(10,078)	(155,916)	(19,254)	(457,219)	(569,298)	(312,416)	–	(1,929,702)
Net book value									
At 31 December 2008 (Restated, Note 2(d))	1,488,445	7,792	449,888	21,179	548,632	623,302	145,328	776,378	4,060,944
At 1 January 2008 (Restated, Note 2(d))	1,407,447	7,981	369,425	2,801	478,553	497,945	147,226	504,929	3,416,307

The Group's buildings are mainly located in the Mainland, the PRC. Property, plant and equipment pledged as security for bank borrowings are disclosed in Note 34(c).

16 Property, plant and equipment (Continued)

The Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost						
At 1 January 2009	3,581	3,191	6,448	92,919	24,098	130,237
Additions	154	257	1,039	2,523	11,322	15,295
Disposals	–	–	–	(68)	(25,035)	(25,103)
Transfer upon completion	15	38	–	3,880	(3,933)	–
At 31 December 2009	3,750	3,486	7,487	99,254	6,452	120,429
Accumulated depreciation						
At 1 January 2009	(1,748)	(1,443)	(3,834)	(59,340)	–	(66,365)
Depreciation	(688)	(555)	(1,265)	(11,894)	–	(14,402)
Disposals	–	–	–	65	–	65
At 31 December 2009	(2,436)	(1,998)	(5,099)	(71,169)	–	(80,702)
Net book value						
At 31 December 2009	1,314	1,488	2,388	28,085	6,452	39,727
At 1 January 2009	1,833	1,748	2,614	33,579	24,098	63,872

16 Property, plant and equipment (Continued)

The Company (Continued)

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles and vessels *RMB'000*	Furniture and office equipment *RMB'000*	Assets under construction *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2008	2,720	2,148	6,448	84,716	15,238	111,270
Additions	105	117	–	3,510	15,248	18,980
Disposals	–	–	–	(13)	–	(13)
Transfer upon completion	756	926	–	4,706	(6,388)	–
At 31 December 2008	3,581	3,191	6,448	92,919	24,098	130,237
Accumulated depreciation						
At 1 January 2008	(1,196)	(1,007)	(2,792)	(46,179)	–	(51,174)
Depreciation	(552)	(436)	(1,042)	(13,174)	–	(15,204)
Disposals	–	–	–	13	–	13
At 31 December 2008	(1,748)	(1,443)	(3,834)	(59,340)	–	(66,365)
Net book value						
At 31 December 2008	1,833	1,748	2,614	33,579	24,098	63,872
At 1 January 2008	1,524	1,141	3,656	38,537	15,238	60,096

The Company's buildings are located in the Mainland, the PRC.

17 Prepayments for acquisition of land use rights

	The Group	
	2009	2008
	RMB'000	*RMB'000*
		(Restated, Note 2(d))
At beginning of year	**388,514**	317,471
Additions	**79,007**	100,505
Transfer to land use rights	**(104,758)**	(29,462)
At end of year	**362,763**	388,514

18 Land use rights

	The Group	
	2009	2008
	RMB'000	*RMB'000*
		(Restated, Note 2(d))
At beginning of year (Restated, Note 2(d))	**955,800**	869,700
Additions	**67,828**	77,552
Transfer from prepayments for acquisition of land use rights	**104,758**	29,462
Operating lease charges	**(21,531)**	(20,914)
At end of year	**1,106,855**	955,800

All of the Group's land use rights are located in the Mainland, the PRC and are held under operating leases of between 10 to 50 years (2008: 10 to 50 years).

Land use rights pledged as security for bank borrowings are disclosed in Note 34(c).

19 Intangible assets

	The Group				
				2009	2008
	Software	Goodwill	Others	**Total**	Total
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000* (Restated, Note 2(d))
Cost					
At beginning of year (Restated, Note 2(d))	140,589	40,523	–	**181,112**	165,867
Additions	35,195	–	–	**35,195**	15,245
Acquisition of a subsidiary (Note 43)	–	–	6,000	**6,000**	–
At end of year	175,784	40,523	6,000	**222,307**	181,112
Accumulated amortisation					
At beginning of year (Restated, Note 2(d))	(103,772)	–	–	**(103,772)**	(87,969)
Amortisation	(17,607)	–	(600)	**(18,207)**	(15,803)
At end of year	(121,379)	–	(600)	**(121,979)**	(103,772)
Net book value					
At end of year	54,405	40,523	5,400	**100,328**	77,340
At beginning of year (Restated, Note 2(d))	36,817	40,523	–	**77,340**	77,898

For the purposes of impairment testing, goodwill has been allocated to 14 (2008: 14) individual CGUs.

The recoverable amount was determined based on value-in-use calculations. The recoverable amount of each CGU is based on certain similar key assumptions. Value-in-use calculations use cash flow projections based on financial forecasts approved by management covering a 5-year period, and a discount rate of 8%. Cash flow projections during the forecast period for the CGUs are based on the expected gross margins during the forecast period. Forecast gross margins have been determined based on past performance and management's expectations for the market development.

As at 31 December 2009, management of the Group was of the view that there was no impairment of goodwill.

19 Intangible assets (Continued)

	The Company	
	2009	2008
	Software	Software
	RMB'000	*RMB'000*
Cost		
At beginning of year	**83,201**	73,491
Additions	**28,847**	9,710
At end of year	**112,048**	83,201
Accumulated amortisation		
At beginning of year	**(58,512)**	(47,816)
Amortisation	**(12,723)**	(10,696)
At end of year	**(71,235)**	(58,512)
Net book value		
At end of year	**40,813**	24,689
At beginning of year	**24,689**	25,675

20 Investments in subsidiaries

	The Company	
	2009	2008
	RMB'000	*RMB'000*
Investments at cost:		
Unlisted equity interests	**3,846,645**	2,732,355
Shares in a company listed in the PRC	**1,153,107**	1,153,107
	4,999,752	3,885,462
Market value of the listed shares	**5,051,066**	3,378,870

Shares in a company listed in the PRC represent a 63.46% equity interest in Sinoair, a company listed on the Shanghai Stock Exchange.

20 Investments in subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31 December 2009:

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
China Marine Shipping Agency Company Limited	Beijing, the PRC Limited liability company	RMB30,000,000	80%	100%	Shipping agency
Sinotrans Logistics Development Company Limited	Beijing, the PRC Limited liability company	RMB50,000,000	98.93%	100%	Freight forwarding
Sinotrans Air Transportation Development Company Limited	Beijing, the PRC Joint stock company with limited liability	RMB905,481,720	63.46%	63.46%	Air freight forwarding and express services
Sinotrans Eastern Company Limited	Shanghai, the PRC Limited liability company	RMB1,120,503,439	96.33%	100%	Freight forwarding, shipping agency and express services
Sinotrans Jiangsu Company Limited	Nanjing, the PRC Limited liability company	RMB100,000,000	10%	100%	Freight forwarding, shipping agency and express services
Sinotrans Zhejiang Company Limited	Ningbo, the PRC Limited liability company	RMB100,000,000	10%	100%	Freight forwarding, shipping agency and express services
Sinotrans Hubei Company Limited	Wuhan, the PRC Limited liability company	RMB70,000,000	87%	100%	Freight forwarding
Sinotrans Container Lines Company Limited	Shanghai, the PRC Limited liability company	RMB100,000,000	10%	100%	Marine transportation
Sinotrans Fujian Company Limited	Xiamen, the PRC Limited liability company	RMB223,257,966	90%	100%	Freight forwarding, shipping agency, express services and non-vessel operating common carrier
Trade Sky International Limited	Hong Kong, the PRC Limited liability company	HK$161,100,000	100%	100%	Investment activities

20 Investments in subsidiaries (Continued)

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
Sinotrans Guangdong Company Limited	Guangzhou, the PRC Limited liability company	RMB1,249,668,932	93.8%	100%	Freight forwarding, shipping agency and express services
Sinotrans Shandong Company Limited	Qingdao, the PRC Limited liability company	RMB645,339,942	97.5%	100%	Freight forwarding, shipping agency and express services
Sinotrans Tianjin Company Limited	Tianjin, the PRC Limited liability company	RMB57,363,906	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Liaoning Company Limited	Dalian, the PRC Limited liability company	RMB48,966,940	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Landbridge Transportation Company Limited	Lianyungang, the PRC Limited liability company	RMB59,382,238	90%	100%	Freight forwarding, shipping agency and express services
Sintrans Heavy-lift Logitics Company Limited	Jinan, the PRC Limited liability company	RMB46,080,000	80%	80%	Hoisting and transporting
Sinotrans Anhui Company Limited	Hefei, the PRC Limited liability company	RMB78,266,081	100%	100%	Freight forwarding
Sinotrans Chongqing Company Limited	Chongqing, the PRC Limited liability company	RMB27,925,642	100%	100%	Freight forwarding
Sinotrans (Hong Kong) Logistics Company Limited	Hong Kong, the PRC Limited liability company	HK$500,000	100%	100%	Freight forwarding, shipping agency
Sinotrans Jiangxi Company Limited	Jiujiang, the PRC Limited liability company	RMB9,924,241	100%	100%	Freight forwarding

The names of certain subsidiaries referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

21 Investments in jointly controlled entities

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
At beginning of year	**1,634,846**	1,626,936	**10,150**	7,650
Acquisition of jointly controlled entities	**115,935**	168,825	**–**	2,500
Share of profit of jointly controlled entities				
– profit before income tax	**454,487**	580,963	**–**	–
– income tax expense	**(126,163)**	(166,221)	**–**	–
	328,324	414,742	**–**	–
Disposals	**(773)**	(144,000)	**–**	–
Dividends received	**(279,390)**	(431,657)	**–**	–
At end of year	**1,798,942**	1,634,846	**10,150**	10,150

The following is a list of the principal jointly controlled entities as at 31 December 2009, which are held by the Company directly and indirectly through its subsidiaries.

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
Ningbo Southeast International Freight Company Limited	Ningbo, the PRC Sino-foreign equity joint venture	US$1,120,000	–	55%	Freight forwarding
Ningbo Taiping International Trade Transportation Company Limited	Ningbo, the PRC Sino-foreign equity joint venture	US$3,750,000	–	55%	Freight forwarding, warehousing and trucking
Shanghai Express International Company Limited	Shanghai, the PRC Sino-foreign equity joint venture	US$4,000,000	20%	51%	Freight forwarding, warehousing and trucking
DHL-Sinotrans International Air Courier Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$14,500,000	–	31.73%*	Express services

21 Investments in jointly controlled entities

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
Sinotrans-OCS International Express Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$2,540,000	–	31.73%*	Express services
Rex International Forwarding Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$2,200,000	–	31.73%*	Air freight forwarding
Sinoswiss Inspection Company Limited	Beijing, the PRC Sino-foreign equity joint venture	RMB15,000,000	51%	51%	Inspection and storage management

The names of certain jointly controlled entities referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

* These companies are jointly controlled entities of which 50% equity interest held by Sinoair, a company whose 63.46% equity interest held by the Group.

The Group's share of the revenues and results of the principal jointly controlled entities, all of which are unlisted, and their aggregate assets (including goodwill) and liabilities are as below:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Non-current assets	**1,549,361**	1,389,729
Current assets	**1,583,501**	1,423,915
Non-current liabilities	**(270,697)**	(307,900)
Current liabilities	**(1,065,837)**	(870,898)
Net assets	**1,796,328**	1,634,846
Revenues	**4,395,950**	6,197,264
Expenses	**(3,924,369)**	(5,626,979)
Profit for the year	**328,324**	414,742

Investments in jointly controlled entities as at 31 December 2009 include goodwill of RMB5,724,000 (2008: RMB6,319,000) and unrecognised investment loss of RMB2,614,000 (2008: nil).

21 Investments in jointly controlled entities (Continued)

There are no significant contingent liabilities of the jointly controlled entities themselves; and the capital and operating lease commitments related to the Group's share of the jointly controlled entities are as below:

Capital commitments	**2009** *RMB'000*	2008 *RMB'000* (Restated, Note 2(d))
Authorised and contracted for but not provided for	**15,000**	190,044
Authorised but not contracted for	**–**	–
	15,000	190,044
An analysis of the above capital commitments by nature is as follows:		
Acquisition of property, plant and equipment	**–**	617
Construction commitments	**–**	1,927
Investments in subsidiaries/jointly controlled entities/associates	**15,000**	187,500
	15,000	190,044

Operating lease commitments – as lessee	**2009** *RMB'000*	2008 *RMB'000*
Land and buildings		
– Not later than one year	**54,437**	55,835
– Later than one year but not later than five years	**58,457**	57,425
– Later than five years	**51,334**	51,141
Vessels, containers and other equipment		
– Not later than one year	**1,272**	1,035
– Later than one year but not later than five years	**118**	828
	165,618	166,264

Operating lease commitments – as lessor	**2009** *RMB'000*	2008 *RMB'000*
Land and buildings		
– Not later than one year	**710**	917
– Later than one year but not later than five years	**889**	1,178
Vessels, containers and other equipment		
– Not later than one year	**92**	–
	1,691	2,095

22 Investments in associates

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year	**911,530**	478,837	**155,069**	162,440
Addition	**14,027**	447,829	**–**	–
Share of profit of associates				
– profit before income tax	**50,308**	40,275	**–**	–
– income tax expense	**(13,791)**	(10,069)	**–**	–
	36,517	30,206		–
Disposals*	**(103,735)**	–	**(69,684)**	–
Additional interests of an associate acquired	**–**	(2,450)	**–**	–
Currency translation differences of an associate	**387**	(10,821)	**–**	–
Dividends received	**(33,124)**	(32,071)	**–**	(7,371)
At end of year	**825,602**	911,530	**85,385**	155,069

* The disposals of associates are mainly including: On 16 July 2009, the Company and Sinoair disposed of their respective 35% and 12.5% equity interests in Sinotrans Logistics Investment Holding Co., Ltd. to the SINOTRANS GROUP COMPANY for an aggregate consideration of RMB108,806,000.

Investments in associates as at 31 December 2009 include goodwill of RMB38,011,000 (2008: RMB38,011,000).

The Group's share of the revenue and results of the principal associates, all of which are unlisted, and their aggregate assets (including goodwill) and liabilities are as below:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Assets	**1,228,618**	1,399,908
Liabilities	**403,016**	488,378
Revenue	**708,011**	803,253
Profit for the year	**36,517**	30,206

22 Investments in associates (Continued)

The following is a list of the principal associates as at 31 December 2009:

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
Shanghai Haihui International Container Repair Company Limited	Shanghai, the PRC Sino-foreign equity joint venture	US$1,420,000	–	35%	International container piling and storage, container repair
AMS Global Transportation Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$1,980,000	–	12.69%	Air freight forwarding
Changshu Nissin Sinotrans Transportation Company Limited	Jiangsu, the PRC Sino-foreign equity joint venture	US$1,200,000	–	30%	Freight forwarding
Ma'anshan Tianshun Port Company Limited	Ma'anshan, the PRC Limited liability company	RMB70,000,000	30%	30%	Storage and terminal services
Jiangsu Jiangyin Port Company Limited	Jiangyin, the PRC Limited liability company	RMB87,750,000	20%	20%	Storage and terminal services
Weidong Ferry Company Limited	Shandong, the PRC Sino-foreign equity joint venture	US$15,000,000	–	30%	International marine transportation
Shenzhen Haixing Harbour Development Company Limited	Guangdong, the PRC Sino-foreign equity joint venture	US$15,151,500	–	33%	Storage and terminal services
Wuhan Port Container Company Limited	Wuhan, the PRC Limited liability company	RMB400,000,000	–	30%	Container loading and freight forwarding

The names of certain associates referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

23 Financial instruments by category

The accounting policies for financial instruments of the Group and the Company have been applied to the line items below:

The Group	Loans and receivables *RMB'000*	At fair value through profit or loss *RMB'000*	Available-for-sale *RMB'000*	Total *RMB'000*
Financial assets as per consolidated balance sheet				
As at 31 December 2009				
Available-for-sale financial assets (Note 25)	**–**	**–**	**1,438,111**	**1,438,111**
Trade and other receivables (Note 28)	**5,489,000**	**–**	**–**	**5,489,000**
Financial assets at fair value through profit or loss (Note 30)	**–**	**5,357**	**–**	**5,357**
Restricted cash (Note 31)	**239,283**	**–**	**–**	**239,283**
Term deposits with initial terms of over three months (Note 32)	**510,656**	**–**	**–**	**510,656**
Cash and cash equivalents (Note 33)	**4,196,987**	**–**	**–**	**4,196,987**
Total	**10,435,926**	**5,357**	**1,438,111**	**11,879,394**
As at 31 December 2008 (Restated, Note 2(d))				
Available-for-sale financial assets (Note 25)	–	–	367,454	367,454
Trade and other receivables (Note 28)	4,580,412	–	–	4,580,412
Financial assets at fair value through profit or loss (Note 30)	–	414	–	414
Restricted cash (Note 31)	441,782	–	–	441,782
Term deposits with initial terms of over three months (Note 32)	1,147,175	–	–	1,147,175
Cash and cash equivalents (Note 33)	3,770,770	–	–	3,770,770
Total	9,940,139	414	367,454	10,308,007

23 Financial instruments by category (Continued)

The Company	Loans and receivables RMB'000	At fair value through profit or loss RMB'000	Total RMB'000
Financial assets as per balance sheet			
As at 31 December 2009			
Trade and other receivables (Note 28)	**4,955,368**	**–**	**4,955,368**
Financial assets at fair value through profit or loss (Note 30)	**–**	**5,216**	**5,216**
Restricted cash (Note 31)	**800**	**–**	**800**
Cash and cash equivalents (Note 33)	**464,104**	**–**	**464,104**
Total	**5,420,272**	**5,216**	**5,425,488**
As at 31 December 2008			
Trade and other receivables (Note 28)	5,307,253	–	5,307,253
Restricted cash (Note 31)	800	–	800
Cash and cash equivalents (Note 33)	506,504	–	506,504
Total	5,814,557	–	5,814,557

The Group	At fair value through profit or loss RMB'000	Measured at amortised cost RMB'000
Financial liabilities as per consolidated balance sheet		
As at 31 December 2009		
Trade payables (Note 36)	**–**	**3,900,202**
Other payables, accruals and other current liabilities (Note 37)	**–**	**1,169,051**
Borrowings (Note 34)	**–**	**2,987,765**
Derivative financial instruments (Note 29)	**122,606**	**–**
Total	**122,606**	**8,057,018**
As at 31 December 2008 (Restated, Note 2(d))		
Trade payables (Note 36)	–	3,230,575
Other payables, accruals and other current liabilities (Note 37)	–	1,946,668
Borrowings (Note 34)	–	2,071,241
Derivative financial instruments (Note 29)	311,907	–
Total	311,907	7,248,484

23 Financial instruments by category (Continued)

The Company	At fair value through profit or loss *RMB'000*	Measured at amortised cost *RMB'000*
Financial liabilities as per balance sheet		
As at 31 December 2009		
Trade payables (Note 36)	**–**	**133,897**
Other payables, accruals and other current liabilities (Note 37)	**–**	**1,328,257**
Borrowings (Note 34)	**–**	**2,772,524**
Total	**–**	**4,234,678**
As at 31 December 2008		
Trade payables (Note 36)	–	113,069
Other payables, accruals and other current liabilities (Note 37)	–	2,484,936
Borrowings (Note 34)	–	1,402,232
Derivative financial instruments (Note 29)	11,893	–
Total	11,893	4,000,237

24 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the nature of counterparties and the historical information about counterparty default rates.

(a) Trade and other receivables

As at 31 December 2009, the Group's trade and other receivables of RMB5,223,427,000 (2008, restated: RMB4,261,815,000) and the Company's trade and other receivables of RMB4,911,319,000 (2008: RMB5,246,898,000) were fully performing. Trade and other receivables that were fully performing mainly represent those due from customers with good credit history and low default rate. None of trade and other receivables that were fully performing has been renegotiated in 2009 and 2008. Trade and other receivables that were either past due or impaired were disclosed in Note 28.

(b) Cash at bank, short-term bank deposits, restricted cash and term deposits with initial terms over three months

As at 31 December 2009 and 2008, substantially all of the Group's and the Company's cash at bank, short-term bank deposits, restricted cash and term deposits with initial terms over three months were held in major financial institutions located in the PRC, which are of high credit quality with good credit history without any default records. None of cash at bank, short-term bank deposits, restricted cash and term deposits with initial terms over three months that were fully performing has been renegotiated in 2009 and 2008.

25 Available-for-sale financial assets

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Listed equity investment (a)	**1,289,053**	328,000
Unlisted equity investments, at cost less impairment (b)	**149,058**	39,454
Available-for-sale financial assets	**1,438,111**	367,454

The available-for-sale financial assets include:

(a) Listed equity investment represented:

(i) The subscription by Sinoair of 80 million ordinary shares of RMB2.80 each in Air China Limited ("Air China") upon its initial public offering of A shares on the Shanghai Stock Exchange at a cash consideration of RMB224,000,000 in August 2006, with a fair value of RMB776,800,000 (31 December 2008: RMB328,000,000) as at 31 December 2009. Air China was incorporated in the PRC whose principal activities were air transportation.

(ii) The subscription by Sinoair of 83,158,000 ordinary shares of RMB4.75 each in China Eastern Airlines Corporation Limited ("China Eastern") upon its Non-public offering at a cash consideration of RMB395,000,000 in December 2009, with a fair value of RMB512,253,000 (31 December 2008: nil) as at 31 December 2009. China Eastern was incorporated in the PRC whose principal activities were air transportation.

(b) Unlisted equity investments comprised equity interests in entities which are engaged in logistics and freight forwarding operations. There is no open market for these instruments and the directors consider that the marketability of the Group's shareholdings is low. In light of the minority shareholdings held by the Group, the probabilities of the range of possible fair values of these investments cannot be reliably assessed. These investments are therefore stated at cost less impairment. The Group makes assessment when there is objective evidence that the available-for-sale financial assets are impaired in accordance with the guidelines in IAS39. The assessment requires the Company's directors to make judgments. In making these judgments, the Group has assessed various factors, such as financial operation of the investees, prospect of their operations in short to medium terms, as well as the prospect of the industries the investees operate in, and changes in their operating environment.

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

26 Prepayments, deposits and other current assets

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated, Note 2(d))		
Prepayments on behalf of customers	**546,780**	397,390	**14,855**	51,653
Prepaid expenses	**20,161**	25,081	**151**	1,610
Due from related parties	**12,317**	5,689	**550**	13,714
Others	**1,911**	5,797	**1,089**	–
	581,169	433,957	**16,645**	66,977

The amounts due from related parties are generally unsecured, non-interest bearing and repayable on demand.

27 Inventories

Inventories mainly comprise supplies, consumables and spare parts. As at 31 December 2009, the inventories of the Group stated at net realisable value amounted to RMB9,487,000 (2008, restated: RMB8,374,000).

28 Trade and other receivables

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated, Note 2(d))		
Trade receivables (a)	**4,837,044**	3,985,140	**216,009**	162,421
Bills receivables (b)	**135,674**	90,658	**2,200**	1,300
Other receivables (c)	**246,166**	287,940	**10,549**	1,726
Due from related parties (d)	**270,116**	216,674	**4,726,610**	5,141,806
	5,489,000	4,580,412	**4,955,368**	5,307,253

The carrying amounts of trade and other receivables approximate their fair values.

28 Trade and other receivables (Continued)

The carrying amounts of the Group's and the Company's trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
RMB	**3,916,043**	3,362,133	**4,774,742**	5,175,250
US$	**1,501,995**	1,119,314	**180,626**	131,935
HK$	**57,636**	49,464	**–**	–
Others	**13,326**	49,501	**–**	68
	5,489,000	4,580,412	**4,955,368**	5,307,253

The credit period of the Group's and the Company'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.

As at 31 December 2009 and 2008, the following trade and other receivables were impaired. The factors considered by management in determining the impairment are described in Note 3(m). It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Within 6 months	**2,654**	5,265	**–**	–
Between 6 and 12 months	**50,183**	71,485	**28,242**	10,438
Between 1 and 2 years	**59,814**	34,169	**12,950**	787
Between 2 and 3 years	**8,943**	12,125	**695**	1,285
Over 3 years	**28,359**	31,472	**–**	528
	149,953	154,516	**41,887**	13,038
Less: Provision for impairment of receivables	**(71,554)**	(98,276)	**(6,866)**	(2,133)
	78,399	56,240	**35,021**	10,905

28 Trade and other receivables (Continued)

As at 31 December 2009 and 2008, the following trade and other receivables were past due but not impaired. The aging analysis of these receivables is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Within 6 months	**186,334**	261,409	**9,028**	49,450
Between 6 and 12 months	**222**	925	**–**	–
Between 1 and 2 years	**601**	2	**–**	–
Between 2 and 3 years	**6**	–	**–**	–
Over 3 years	**11**	21	**–**	–
	187,174	262,357	**9,028**	49,450

Movements on the provision for impairment of trade and other receivables are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
At beginning of year (Restated, Note 2(d))	**(98,276)**	(112,692)	**(2,133)**	(13,668)
Provision for impairment	**(26,608)**	(37,085)	**(17,503)**	(1,391)
Receivables written off as uncollectible	**39,948**	31,877	**12,431**	7,138
Unused amounts reversed	**13,382**	19,624	**339**	5,788
At end of year	**(71,554)**	(98,276)	**(6,866)**	(2,133)

The creation and release of provision for impaired receivables have been included in 'other operating expenses' and 'other income' in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

28 Trade and other receivables (Continued)

(a) Trade receivables

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Trade receivables	**4,880,605**	4,055,128	**222,875**	164,554
Less: Provision for impairment of receivables	**(43,561)**	(69,988)	**(6,866)**	(2,133)
Trade receivables, net	**4,837,044**	3,985,140	**216,009**	162,421

Aging analysis of the above gross trade receivables is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Within 6 months	**4,760,996**	3,934,802	**180,989**	151,932
Between 6 and 12 months	**49,900**	71,255	**28,242**	10,438
Between 1 and 2 years	**59,329**	32,986	**12,950**	772
Between 2 and 3 years	**7,351**	9,965	**694**	884
Over 3 years	**3,029**	6,120	**–**	528
	4,880,605	4,055,128	**222,875**	164,554

(b) Bills receivables are bills of exchange with maturity dates of within 6 months.

28 Trade and other receivables (Continued)

(c) Other receivables

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Deposits receivables	**228,963**	271,074	**10,518**	1,695
Dividend and investment income receivables	**24**	1,373	**–**	–
Interest receivable	**4,906**	8,154	**31**	31
Others	**40,243**	35,547	**–**	–
	274,136	316,148	**10,549**	1,726
Less: Provision for impairment of receivables	**(27,970)**	(28,208)	**–**	–
	246,166	287,940	**10,549**	1,726

(d) Due from related parties

The amounts due from related parties are analysed as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Trade receivables:				
Ultimate holding company and fellow subsidiaries	**27,683**	97,921	**552**	5,201
Jointly controlled entities	**40,630**	15,045	**–**	–
Associates	**9,731**	14,274	**–**	–
	78,044	127,240	**552**	5,201
Less: Provision for impairment of receivables	**(3)**	(60)	**–**	–
	78,041	127,180	**552**	5,201

28 Trade and other receivables (Continued)

(d) Due from related parties (Continued)

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Other receivables:				
Ultimate holding company and fellow subsidiaries	**82,656**	60,796	**4,725,976**	5,136,551
Jointly controlled entities	**107,667**	28,662	**–**	–
Associates	**1,772**	56	**82**	54
	192,095	89,514	**4,726,058**	5,136,605
Less: Provision for impairment of receivables	**(20)**	(20)	**–**	–
	192,075	89,494	**4,726,058**	5,136,605
	270,116	216,674	**4,726,610**	5,141,806

The credit period of the Group's and the Company's trade receivables due from related parties generally ranges from 1 to 6 months.

The aging of these amounts due from ultimate holding company, fellow subsidiaries, jointly controlled entities, associates and other related parties, which are trading in nature, is summarised as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Within 6 months	**77,036**	125,420	**552**	4,785
Between 6 and 12 months	**304**	1,123	**–**	–
Between 1 and 2 years	**645**	672	**–**	15
Between 2 and 3 years	**47**	1	**–**	401
Over 3 years	**12**	24	**–**	–
	78,044	127,240	**552**	5,201

Other receivables due from related parties are generally unsecured, non-interest bearing and repayable on demand.

29 Derivative financial instruments

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current liabilities				
– Foreign exchange forward contracts-held for trading (a)	**122,784**	256,183	**–**	11,893
– Fuel oil forward contracts – held for trading (b)	**(178)**	55,724	**–**	–
Total	**122,606**	311,907	**–**	11,893

The Group's and the Company's derivative financial instruments are as follows:

(a) Foreign exchange forward contracts

As at 31 December 2009, the Group had certain outstanding gross-settled foreign exchange forward contracts with banks. Upon the spot rate as at 31 December 2009, the Group is to buy approximately US$144,754,000 and simultaneously sell approximately JPY14,718,235,000 as notional principal amount in aggregate over the remaining periods of the contracts, subject to certain structured terms. These contracts are settled on a monthly basis and will expire through 2010 and 2011. These contracts may be terminated before the maturity date when certain conditions are met.

During the year ended 31 December 2009, the realised net losses of the above foreign exchange forward contracts amounting to RMB56,665,000 were charged in the consolidated income statement under "Finance costs, net".

(b) Fuel oil forward contracts

As at 31 December 2009, the Group had an outstanding fuel oil forward contract with a bank to buy fuel oil from 2,000 metric tons to 4,000 metric tons, subject to certain structured terms. The contract had been settled in January 2010.

During the year ended 31 December 2009, the realised net losses of the above fuel oil forward contract amounting to RMB20,688,000 were charged in the consolidated income statement under "fuel".

30 Financial assets at fair value through profit or loss

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Listed equity securities in the PRC, at market value	**5,357**	414	**5,216**	–

Financial assets at fair value through profit or loss, comprising principally of marketable equity securities listed in the Mainland, the PRC, are stated at fair value at the close of business at year end. The fair value of all equity securities is based on their current bid prices in an active market.

30 Financial assets at fair value through profit or loss (Continued)

Gains or losses on changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains/(losses), net" in the consolidated income statement.

31 Restricted cash

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Deposits denominated in RMB in banks restricted for				
– bank borrowings	**15,637**	417,704	**–**	–
– other business purposes	**223,646**	24,078	**800**	800
	239,283	441,782	**800**	800

The maximum exposure to credit risk at the reporting dates is the carrying amounts of the Group's and the Company's restricted cash mentioned above.

The weighted average effective interest rates of the Group and the Company on restricted cash per annum were 1.62% (2008: 4.14%) and 0.36% (2008: 0.72%) respectively as at 31 December 2009.

32 Term deposits with initial terms of over three months

The Group's term deposits with initial terms of over three months are deposited in banks in the PRC, which management believes are of high credit quality and expects no high credit risks in this aspect. The Group's term deposits with initial terms of over three months are denominated in RMB:

	The Group	
	2009	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))
Term deposits with initial terms of over three months	**510,656**	1,147,175

As at 31 December 2009, the weighted average effective interest rates per annum on term deposits with initial terms of over three months of the Group was 3.22% (2008, restated: 3.42%).

The maximum exposure to credit risk at the reporting dates is the carrying amounts of the Group's term deposits with initial terms of over three months mentioned above.

33 Cash and cash equivalents

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Cash at bank and in hand	**3,361,213**	2,880,349	**229,104**	347,737
Short-term bank deposits	**835,774**	890,421	**235,000**	158,767
	4,196,987	3,770,770	**464,104**	506,504

(a) As at 31 December 2009 and 2008, the Group's and the Company's cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
RMB	**3,460,449**	2,805,151	**413,410**	251,531
US$	**653,387**	906,266	**47,492**	254,061
HK$	**65,389**	45,728	**58**	851
JPY	**8,773**	12,077	**9**	10
Others	**8,989**	1,548	**3,135**	51
	4,196,987	3,770,770	**464,104**	506,504

(b) The weighted average effective interest rates of the Group and the Company on short term bank deposits per annum were 2.31% (2008, restated: 2.10%) and 1.35% (2008: 1.35%) respectively as at 31 December 2009.

34 Borrowings

(a) Borrowings represented bank borrowings and entrusted loans payable to SINTRANS GROUP COMPANY, which are analysed as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated, Note 2(d))		
Current				
Bank borrowings denominated in				
– RMB	**80,402**	510,508	**–**	400,000
– US$	**158,530**	683,706	**80,691**	273,412
– HK$	**–**	352,800	**–**	352,800
– JPY	**191,833**	376,020	**191,833**	376,020
– Euro ("EUR")	**–**	121,207	**–**	–
Current portion of non-current borrowings denominated in RMB	**5,000**	–	**–**	–
	435,765	2,044,241	**272,524**	1,402,232
Non-current				
Bank borrowings repayable between 1 to 2 years – denominated in RMB	**20,000**	–	**–**	–
Bank borrowings repayable between 2 to 5 years – denominated in RMB	**32,000**	27,000	**–**	–
Entrusted loans payable to Sinotrans Group Company between 1 to 2 years – denominated in RMB	**1,500,000**	–	**1,500,000**	–
Entrusted loans payable to Sinotrans Group Company between 2 to 5 years – denominated in RMB	**1,000,000**	–	**1,000,000**	–
	2,552,000	27,000	**2,500,000**	–
Total borrowings	**2,987,765**	2,071,241	**2,772,524**	1,402,232
Borrowings				
Unsecured				
– Bank borrowings	**344,728**	1,582,896	**272,524**	1,402,232
– Entrusted loans payable to SINOTRANS GROUP COMPANY	**2,500,000**	–	**2,500,000**	–
Secured or guaranteed	**143,037**	488,345	**–**	–
	2,987,765	2,071,241	**2,772,524**	1,402,232

The carrying amounts of the borrowings at the respective balance sheet dates approximate their fair values.

34 Borrowings (Continued)

(b) The weighted average effective interest rates per annum of the borrowings for the Group were 5.73% (2008, restated: 6.84%) for bank borrowings denominated in RMB, 5.00% (2008, restated: 5.59%) for bank borrowings denominated in US$, 4.80% (2008, restated: 5.56%) for bank borrowings denominated in HK$, 3.84% (2008, restated: 5.39%) for bank borrowings denominated in JPY and 7.67% (2008, restated: 7.65%) for bank borrowings denominated in EUR and 3.48% (2008, restated: nil) for entrusted loans payable to SINOTRANS GROUP COMPANY as at 31 December 2009.

The weighted average effective interest rates per annum of the borrowings for the Company were 6.18% (2008: 6.81%) for bank borrowings denominated in RMB, 3.79% (2008: 5.55%) for bank borrowings denominated in US$, 4.80% (2008: 5.45%) for bank borrowings denominated in HK$ and 3.84% (2008: 3.90%) for bank borrowings denominated in JPY and 3.48% (2008: nil) for entrusted loans payable to SINOTRANS GROUP COMPANY as at 31 December 2009.

(c) Securities and guarantees

	The Group	
	2009	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))
Restricted cash pledged	**15,637**	417,704
Net book value of property, plant and equipment pledged	**189,833**	152,414
Net book value of land use rights pledged	**53,520**	22,145
Guarantees provided by third parties	**–**	508
Corresponding borrowings		
– pledged by restricted cash	**15,637**	425,838
– pledged by property, plant and equipment	**89,856**	53,885
– pledged by land use rights	**37,544**	8,114
– guaranteed by third parties	**–**	508
	143,037	488,345

(d) The exposure of the Group's and the Company's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
6 months or less	**427,765**	1,633,637	**272,524**	1,202,232
6-12 months	**8,000**	410,604	**–**	200,000
1-5 years	**2,552,000**	27,000	**2,500,000**	–
	2,987,765	2,071,241	**2,772,524**	1,402,232

35 Provisions

	The Group					
	One-off cash housing subsidies *RMB'000*	Guarantees *RMB'000*	Outstanding claims *RMB'000*	Onerous contracts *RMB'000*	Foreseeable losses *RMB'000*	Total *RMB'000*
As at 1 January 2009	**32,773**	**8,178**	**27,095**	**26,663**	**10,165**	**104,874**
Additional provision	**–**	**–**	**36,709**	**49,815**	**6,730**	**93,254**
Utilised during the year	**(1,091)**	**(5,045)**	**(11,263)**	**(21,234)**	**(10,165)**	**(48,798)**
As at 31 December 2009	**31,682**	**3,133**	**52,541**	**55,244**	**6,730**	**149,330**
As at 1 January 2008	33,841	8,200	79,464	20,178	–	141,683
Additional provision	–	–	3,994	26,663	10,165	40,822
Utilised during the year	(1,068)	(22)	(56,363)	(20,178)	–	(77,631)
As at 31 December 2008	32,773	8,178	27,095	26,663	10,165	104,874

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 RMB 74,560,000 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.

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

	The Company Outstanding claims	
	2009 ***RMB'000***	2008 *RMB'000*
As at 1 January	**6,160**	6,160
Additional provision	**4,604**	–
Utilised during the year	**(8,964)**	–
As at 31 December	**1,800**	6,160

The carrying amounts of the Group's and the Company's provisions at the respective balance sheet dates approximate their fair values as the impact of discounting is not significant.

36 Trade payables

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Trade payables (a)	**3,784,644**	3,092,165	**122,685**	92,945
Due to related parties (b)	**115,558**	138,410	**11,212**	20,124
	3,900,202	3,230,575	**133,897**	113,069

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
RMB	**2,905,348**	2,422,320	**28,577**	31,898
US$	**903,030**	720,187	**105,261**	78,915
HK$	**62,268**	53,038	**–**	–
Others	**29,556**	35,030	**59**	2,256
	3,900,202	3,230,575	**133,897**	113,069

(a) 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:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Within 6 months	**3,355,317**	2,687,621	**109,974**	76,072
Between 6 and 12 months	**225,796**	202,847	**8,050**	5,205
Between 1 and 2 years	**122,849**	107,227	**3,404**	5,026
Between 2 and 3 years	**54,465**	41,065	**348**	6,031
Over 3 years	**26,217**	53,405	**909**	611
	3,784,644	3,092,165	**122,685**	92,945

36 Trade payables (Continued)

(b) Due to related parties

The amounts due to related parties, which are trading in nature, are analysed as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Ultimate holding company and fellow subsidiaries	**88,735**	120,178	**11,212**	20,036
Jointly controlled entities	**19,613**	8,659	**–**	88
Associates	**7,210**	9,573	**–**	–
	115,558	138,410	**11,212**	20,124

The normal credit period for trade payables due to related parties generally ranges from 1 to 3 months. The aging of these amounts due to the ultimate holding company, fellow subsidiaries, jointly controlled entities, associates and other related parties is summarised as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Within 6 months	**98,801**	122,628	**11,158**	19,171
Between 6 and 12 months	**4,427**	2,744	**15**	835
Between 1 and 2 years	**627**	1,066	**39**	118
Between 2 and 3 years	**390**	1,389	**–**	–
Over 3 years	**11,313**	10,583	**–**	–
	115,558	138,410	**11,212**	20,124

37 Other payables, accruals and other current liabilities

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated, Note 2(d))		
Other payables and accruals (a)	**599,595**	482,606	**32,205**	66,582
Due to related parties (b)	**569,456**	1,464,062	**1,296,052**	2,418,354
	1,169,051	1,946,668	**1,328,257**	2,484,936

(a) Other payables and accruals

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated, Note 2(d))		
Payables for property, plant and equipment	**173,293**	74,606	**–**	–
Customers' deposits	**263,836**	272,239	**7,876**	13,297
Accrued expenses	**40,260**	50,395	**10,287**	21,594
Dividends payable to minority shareholders of subsidiaries	**6,514**	4,638	**–**	–
Temporary receipts	**39,445**	18,444	**7,678**	26,348
Other current tax liabilities	**55,026**	46,097	**6,172**	5,343
Others	**21,221**	16,187	**192**	–
	599,595	482,606	**32,205**	66,582

(b) Due to related parties

The amounts due to related parties are analysed as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated, Note 2(d))		
Ultimate holding company and fellow subsidiaries	**527,032**	1,462,369	**1,296,052**	2,418,354
Jointly controlled entities	**40,862**	705	**–**	–
Associates	**1,562**	988	**–**	–
	569,456	1,464,062	**1,296,052**	2,418,354

The amounts due to related parties are generally unsecured, non-interest bearing and have no fixed repayment terms.

38 Receipts in advance from customers

	The Group	
	2009	2008
	RMB'000	*RMB'000*
		(Restated, Note 2(d))
Receipts in advance from customer	**669,802**	687,843
Collection and payment on behalf of others	**827,719**	371,734
	1,497,521	1,059,577

39 Share capital

	The Company	
	2009	2008
	RMB'000	*RMB'000*
Registered, issued and fully paid		
– Domestic shares of RMB1.00 each	**2,461,596**	2,461,596
– H shares of RMB1.00 each	**1,787,406**	1,787,406
	4,249,002	4,249,002

As at 31 December 2009 and 2008, the registered and issued share capital of the Company comprises 2,461,596,200 domestic shares and 1,787,406,000 H shares, representing 57.9% and 42.1% of the issued capital, respectively.

All the domestic state-owned ordinary shares and H shares rank pari passu in all material respects except that the dividends to holders of H shares are declared in RMB but paid in HK$.

40 Reserves

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 year ended 31 December 2009, the Company transferred of 10% of the Company's profit after tax determined under the PRC accounting standards, after reduction of accumulative losses, of RMB42,369,000 to the statutory surplus reserve fund.

As at 31 December 2009, the Company's retained earnings available for distribution was approximately RMB338,762,000, being the amount determined in accordance with the PRC accounting standards.

41 Cash-settled share-based payment

The Group had cash-settled share-based payment arrangements, also known as 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 Group 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 31 December 2009, the Company has granted SAR to a total of 5 (2008: 5) directors, 1 (2008: 1) supervisor and 120 (2008: 122) senior employees of the Group. As at 31 December 2009, the directors and the supervisor had received 2,740,000 SAR (31 December 2008: 2,740,000 SAR) and the senior employees of the Group had received 22,324,000 SAR (31 December 2008: 22,644,000 SAR).

Information on outstanding SAR is summarised as follows:

(a) Information on outstanding SAR

	Date of grant	Expiry date	Exercise price in HK$ per share	The Group **2009 (Thousands)**	 2008 (Thousands)
Tranche I	20 January 2003 (Note 41(a)(i))	20 January 2013	2.19	**21,004**	21,324
Tranche II	24 June 2003 (Note 41(a)(ii))	24 June 2013	2.18	**4,060**	4,060
				25,064	25,384

41 Cash-settled share-based payment (Continued)

(a) Information on outstanding SAR (Continued)

(i) The fair value of SAR granted under Tranche I as at 31 December 2009 determined using the Black-Scholes valuation model was HK$0.46 (2008: HK$0.23). The significant inputs into the model were share price of HK$2.04 as at 31 December 2009 (2008: HK$1.50), exercise price shown above, expected life of SAR of 1.53 years (2008: 2.03 years), expected dividend rate of 1.33% (2008: 4.54%) and risk-free interest rate of 0.40% (2008: 0.55%). The expected volatility is estimated based on historical daily share price of the Company.

(ii) The fair value of SAR granted under Tranche II as at 31 December 2009 determined using the Black-Scholes valuation model was HK$0.50 (2008: HK$0.25). The significant inputs into the model were share price of HK$2.04 as at 31 December 2009 (2008: HK$1.50), exercise price per share shown above, expected life of SAR of 1.74 years (2008: 2.24 years), expected dividend rate of 1.33% (2008: 4.54 %) and risk-free interest rate of 0.49% (2008: 0.60%). The expected volatility is estimated based on historical daily share price of the Company.

(iii) The intrinsic value of SAR vested at 31 December 2009 for both Tranche I and II is nil (31 December 2008: nil).

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

	2009		2008	
	Average exercise price in HK$ per share	**Number of SAR (Thousands)**	Average exercise price in HK$ per share	Number of SAR (Thousands)
At beginning of year	**2.19**	**25,384**	2.19	25,544
Forfeited	**–**	**–**	–	–
Exercised	**2.19**	**(320)**	2.19	(160)
At end of year	**2.19**	**25,064**	2.19	25,384

All of the outstanding SAR as at 31 December 2009 (31 December 2008: All) were exercisable. 616,000 (2008: 296,000) SAR have been exercised since the date of grant.

(c) The amounts recognised in the consolidated financial statements (before taxes) for SAR:

	The Group	
	2009 *RMB'000*	2008 *RMB'000*
At beginning of year	**5,275**	35,441
Charged/(credited) to other gains/(losses), net	**5,016**	(30,166)
At end of year	**10,291**	5,275

42 Notes to consolidated statement of cash flows

Reconciliation of profit for the year to cash generated from operations:

	The Group	
	2009	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))
Profit for the year	**554,149**	838,182
Interest income	**(83,506)**	(97,735)
Interest expenses	**132,591**	59,629
Exchange losses on held-to-maturity financial assets	**–**	2,567
(Gains)/losses on disposal of property, plant and equipment	**(4,515)**	2,654
Provision for impairment on receivables	**13,226**	17,461
(Gains)/losses on financial assets at fair value through profit and loss	**(231)**	293
Depreciation of property, plant and equipment	**357,280**	314,430
Provision for impairment on property, plant and equipment	**–**	986
Provision for impairment on inventories	**–**	135
Amortisation of intangible assets	**18,207**	15,803
Operating lease charges on other non-current assets	**36,632**	11,516
Operating lease charges on land use rights	**21,531**	20,914
Share of profit of jointly controlled entities, net of taxation	**(36,517)**	(30,206)
Share of profit of associates, net of taxation	**(328,324)**	(414,742)
Dividend income on available-for-sale financial assets	**(3,226)**	(5,472)
Gain on disposal of a jointly controlled entity	**–**	(514,070)
Gain on disposal of a subsidiary	**(4,002)**	–
Gain on disposal of an associate	**(6,380)**	–
Fair value (gains)/losses on derivative financial instruments	**(189,301)**	311,907
Fair value losses/(gains) on SAR	**5,016**	(30,166)
Bank charges of entrusted loans payable to SINOTRANS GROUP COMPANY	**5,108**	–
Operating profit before working capital changes	**487,738**	504,086
Increase in deferred income tax assets	**(9,246)**	(3,206)
(Increase)/decrease in prepayments, deposits and other current assets	**(149,665)**	84,173
Decrease/(Increase) in inventories	**2,669**	(4,659)
(Increase)/decrease in trade and other receivables	**(905,286)**	1,006,585
(Decrease)/increase in deferred income tax liabilities	**(24,830)**	96,826
Increase/(decrease) in other non-current liabilities	**64**	(1,854)
Increase/(decrease) in provisions	**44,456**	(36,809)
Increase/(decrease) in trade payables	**689,323**	(696,346)
Increase in other payables, accruals and other current liabilities	**138,748**	65,464
Increase/(decrease) in receipts in advance from customers	**439,720**	(116,747)
Increase in income tax liabilities	**270,118**	253,918
Increase in salary and welfare payable	**52,246**	41,174
Cash generated from operations	**1,036,055**	1,192,605

43 Business Combination

On 20 January 2009, one of the Company's subsidiaries, Sinotrans Heavy-lift Logistics Company Limited acquired trucking business related assets and businesses of Rugao Benz Transportation Company Limited ("Rugao"), which is mainly engaged in certain trucking business in the PRC. The total cash consideration after agreed adjustments is RMB64,160,000.

The acquired business contributed revenues of RMB84,544,000 and profit of RMB7,284,000 to the Group for the year from acquisition to 31 December 2009. If the acquisition had occurred on 1 January 2009, the acquired business's revenue and profit for the year ended 31 December 2009 would have been RMB88,120,000 and RMB7,796,000 respectively; the Group's consolidated revenue and consolidated profit would have been RMB27,638,618,000 and RMB554,661,000 respectively.

Details of the assets acquired are as follows:

	Provisional Fair value *RMB'000*	**Acquiree's carrying amount** *RMB'000*
Property, plant and equipment	55,067	21,154
Inventories	3,093	4,344
Intangible assets	6,000	6,000
Net identifiable assets acquired	64,160	31,498
Fair value of net identifiable assets acquired	64,160	
Goodwill on acquisition	–	
Total purchase consideration – cash paid and payable	64,160	

Net cash outflow in respect of the acquisition in 2009 is analysed as follows:

Cash and cash equivalents in Rugao	–
Cash paid	(25,160)*
Net cash outflow on acquisition	(25,160)

* Part of the consideration amounting to RMB36,000,000 was prepaid in 2008.

44 Disposal of a subsidiary

On 1 July 2009, Sinoair entered into an equity transfer agreement with DHL-Sinotrans to dispose its 100% equity interests in Beijing Sinotrans Express Company Co., LTD ("Sinotrans-Sudi") to DHL-Sinotrans at a total cash consideration after agreed adjustments of RMB 8,973,000.

Details of net assets disposed of and gain on disposal of the subsidiary are as follows:

	RMB'000
Total consideration	8,973
Less: Net assets disposed of – as shown below	(4,971)
Gain on disposal	4,002

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

	RMB'000
Prepayments, deposits and other current assets	2,452
Inventories	74
Trade and other receivables	56,353
Cash and cash equivalents	29,524
Property, plant and equipment	26,803
Other non-current assets	1,351
Trade payables	(19,696)
Other payables, accruals and other current liabilities	(82,226)
Salary and welfare payables	(7,201)
Receipts in advance from customers	(1,776)
Current income tax liabilities	(687)
Net assets disposed of	4,971
Total consideration settled in cash	8,973
Less: Cash and cash equivalents of the subsidiary disposed of	(29,524)
Net cash outflow on disposal of the subsidiary	(20,551)

45 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 35. 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 31 December 2009, the maximum exposure of such lawsuits to the Group amounted to approximately RMB72,492,000 (2008: RMB55,336,000).

46 Guarantees

The following is a summary of the Group's significant guarantees:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Performance guarantees provided by Group for the benefit of a jointly controlled entity	**3,000**	–
Tariff guarantees provided by Group for the benefit of third parties	**1,000**	2,000

In addition, in its ordinary course of business, Sinoair has issued various performance and liability guarantees of unspecified amount to the Civil Aviation Administration of China for the benefit of certain jointly controlled entities to enable those entities to obtain the required air freight forwarding operating licences. Certain of these guarantees have been extended for periods up to 2013, while the others have no expiry dates.

47 Capital commitments

The Group has the following outstanding capital commitments not provided for in the consolidated financial statements:

	The Group	
	2009	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))
Authorised and contracted for but not provided for	**41,451**	345,603
Authorised but not contracted for	**253,827**	250,815
	295,278	596,418
An analysis of the above capital commitments by nature is as follows:		
Acquisition of property, plant and equipment	**136,965**	287,908
Construction commitments	**136,313**	152,935
Investments in subsidiaries/jointly controlled entities/associates	**22,000**	155,575
	295,278	596,418

The Company didn't have any outstanding capital commitments in 2009 and 2008.

48 Operating lease commitments

(a) The Group as lessee

The Group leases various land and buildings, vessels, containers and other equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the consolidated income statement during the year is disclosed in Note 10.

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))	***RMB'000***	*RMB'000*
Land and buildings				
– Not later than one year	**103,265**	98,740	**6,946**	6,945
– Later than one year but not later than five years	**172,426**	193,874	**27,780**	27,780
– Later than five years	**100,818**	184,598	**55,560**	62,505
Vessels, containers and other equipment				
– Not later than one year	**654,795**	798,488	**83,373**	192,297
– Later than one year but not later than five years	**387,931**	684,464	**–**	61,547
– Later than five years	**5,394**	3,853	**–**	–
	1,424,629	1,964,017	**173,659**	351,074

(b) The Group as lessor

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

	The Group	
	2009	2008
	RMB'000	*RMB'000* (Restated, Note 2(d))
Land and buildings		
– Not later than one year	**17,244**	14,822
– Later than one year but not later than five years	**15,657**	15,600
– Later than five years	**4,975**	6,142
Machinery		
– Not later than one year	**74,889**	163,175
– Later than one year but not later than five years	**53,406**	119,914
	166,171	319,653

49 Significant related party transactions

On 4 February 2009, the Group entered into a business service agreement with SINOTRANS GROUP COMPANY, the ultimate holding company, which regulates the provision of transportation and logistics services and ancillary services by members of our Group to SINOTRANS GROUP COMPANY (including its subsidiaries and associates) and vice versa. The business service agreement contemplates that the relevant members of the Group and SINOTRANS GROUP COMPANY (including its subsidiaries and associates) will enter into contracts for specific services and when necessary, in compliance with the terms of the business service agreement.

In addition, on 4 February 2009, the Group also entered into a master lease agreement providing for the lease 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. In accordance with IAS 24, "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include SINOTRANS GROUP COMPANY and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and SINOTRANS GROUP COMPANY as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions and such transactions are carried out on normal commercial terms that are consistently applied to all customers.

49 Significant related party transactions (Continued)

(a) Transactions with related parties

	The Group	
	2009	2008
	RMB'000	*RMB'000*
		(Restated, Note 2(d))
Transactions with ultimate holding company and fellow subsidiaries		
Revenue:		
Revenue from provision of transportation and logistics services	**153,493**	213,296
Rental income from office buildings and warehouses	**690**	–
Rental income from containers	**3**	–
Expenses:		
Service fees	**(242,042)**	(231,394)
Rental expenses for office buildings, warehouses and depots	**(44,251)**	(48,508)
Rental expenses for containers	**(62,931)**	(52,256)
Rental expenses for vessels	**(75,005)**	(105,842)
Rental expenses for machines and equipments	**(833)**	–
Rental expenses for motor vehicles	**(576)**	(512)
Gains from disposal of an associate:	**6,380**	–
Transactions with associates of the Group		
Revenue:		
Revenue from provision of services	**165,035**	154,790
Rental income from buildings leased out	**–**	53
Expenses:		
Service fees	**(156,546)**	(80,335)

49 Significant related party transactions (Continued)

(a) Transactions with related parties (Continued)

	The Group	
	2009	2008
	RMB'000	*RMB'000*
		(Restated, Note 2(d))
Transactions with jointly controlled entities of the Group		
Revenue:		
Revenue from provision of services	**124,142**	207,676
Rental income from buildings leased out	**203**	468
Rental income from provisions of machines and equipments	**–**	1,374
Rental income from provisions of motor vehicles	**267**	–
Expenses:		
Service fees	**(256,638)**	(202,865)
Rental expenses for containers	**(1,380)**	(763)
Gains from disposal of a subsidiary:	**4,002**	–
Transactions with other PRC state-owned enterprises		
Interest income from bank deposits	**59,782**	94,079

49 Significant related party transactions (Continued)

(b) Balances with related parties

	The Group	
	2009	2008
	RMB'000	*RMB'000*
		(Restated, Note 2(d))
Balances with the ultimate holding company and fellow subsidiaries		
Trade and other receivables	**110,339**	158,717
Prepayments, deposits and other current assets	**11,674**	4,513
Trade payables	**88,735**	120,178
Other payables, accruals and other liabilities	**527,032**	1,462,369
Receipts in advance from customers	**2,646**	2,884
Balances with jointly controlled entities of the Group		
Trade and other receivables	**148,297**	43,707
Prepayments, deposits and other current assets	**639**	1,003
Trade payables	**19,613**	8,659
Other payables, accruals and other liabilities	**40,862**	705
Receipts in advance from customers	**715**	1,735
Balances with associates of the Group		
Trade and other receivables	**11,503**	14,330
Prepayments, deposits, and other current assets	**3**	173
Trade payables	**7,210**	9,573
Other payables, accruals and other liabilities	**1,562**	988
Receipts in advance from customers	**–**	915
Balances with other PRC state-owned enterprises		
Restricted cash	**239,283**	441,782
Terms deposits with initial terms of over three months	**167,290**	1,090,284
Cash and cash equivalents	**3,004,630**	3,629,713

49 Significant related party transactions (Continued)

(c) Borrowings

	The Group	
	2009	2008
	RMB'000	*RMB'000*
		(Restated, Note 2(d))
Entrusted loans payable to SINOTRANS GROUP COMPANY		
At beginning of year	**–**	–
Proceeds from borrowings	**2,500,000**	–
At end of year	**2,500,000**	–
Interest charged	**69,046**	–
Interest paid	**(53,153)**	–

As at 31 December 2009, the weighted average effective interest rate of the entrusted loans above was 3.48% (2008: nil) per annum.

	The Group	
	2009	2008
	RMB'000	*RMB'000*
		(Restated, Note 2(d))
Borrowings from the PRC state-owned banks		
At beginning of year (Restated, Note 2(d))	**2,070,734**	1,238,028
Proceeds from borrowings	**734,548**	3,837,236
Repayment of borrowings	**(2,317,517)**	(3,004,531)
At end of year	**487,765**	2,070,733
Interest charged	**63,545**	59,629
Interest paid	**(64,402)**	(60,530)

As at 31 December 2009, the weighted average effective interest rate of the bank borrowings above was 3.93% (2008, restated: 5.95%) per annum.

49 Significant related party transactions (Continued)

(d) Key management compensation

Key management includes executive directors, senior management and supervisors. The compensation paid or payable to key management for employee services is shown below:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Basic salaries, housing allowances and other allowances and benefits in kind	**3,197**	3,364
Discretionary bonuses	**4,551**	4,127
Contributions to pension plans	**290**	292

50 Subsequent events

The following events took place subsequent to 31 December 2009:

(a) On 31 January 2010, an open-air cotton storage yard of Sinotrans Shandong Qingdao International Logistics Company Limited (a subsidiary of Sinotrans Shandong Company Limited) was involved a fire incident. Approximately 15,000 tons of imported cotton and a small amount of other goods stored in the yard were damaged. In the course of putting out the fire, measures such as burying cotton were taken to protect goods so the fire did not cause the loss of all goods. Also, all goods stored there had respective insurance. As of 23 March 2010, the public assessment company appointed by relevant insurance company was still in the process of evaluating the damage caused by the fire incident, and the management was not able to assess the exact ultimate financial losses to the Group.

(b) At the Board of Directors' meeting held on 23 March 2010, the Directors proposed a final dividend of RMB0.02 per ordinary share at the year ended 31 December 2009.

51 Immediate and ultimate holding company

The Directors regard SINOTRANS GROUP COMPANY, an unlisted company established in the PRC, as the immediate and ultimate holding company of the Company.