SINOTRANS LIMITED

Stock Code : 598

Interim Report 2010

連接世界

Seamless **CONNECTION**

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Seamless **CONNECTION**

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Contents

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:

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Haidian District
Beijing 100044
People's Republic of China

PLACE OF BUSINESS IN HONG KONG:

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23 Harbour Road
Wanchai
Hong Kong

LEGAL REPRESENTATIVE OF THE COMPANY:

Mr. Zhao Huxiang

COMPANY SECRETARY:

Mr. Gao Wei

INVESTOR AND MEDIA RELATIONS:

Securities and Legal Affairs Department
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HONG KONG SHARE REGISTRAR:

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

H SHARE LISTING:

The Stock Exchange of Hong Kong Limited

ABBREVIATION OF THE COMPANY'S SHARES:

中國外運 (SINOTRANS)

STOCK CODE:

598

PRINCIPAL BANKERS:

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

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

AUDITORS:

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

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

LEGAL ADVISERS:

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2010

	Note	For the six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited) (Restated, Note 2)
Revenue	3	**20,002,742**	11,489,953
Other income		**115,960**	157,790
Business tax and other surcharges		**(127,872)**	(112,508)
Transportation and related charges		**(16,845,068)**	(9,051,710)
Staff costs		**(941,017)**	(858,022)
Depreciation and amortisation		**(197,294)**	(192,376)
Repairs and maintenance		**(59,703)**	(54,959)
Fuel		**(476,594)**	(336,174)
Travel and promotional expenses		**(124,564)**	(100,685)
Office and communication expenses		**(74,117)**	(67,648)
Rental expenses		**(556,277)**	(528,975)
Other (losses)/gains, net		**(110,984)**	186,196
Other operating expenses		**(189,120)**	(190,004)
Operating profit	4	**416,092**	340,878
Finance costs, net	5	**(84,374)**	(33,440)
Share of profit of jointly controlled entities		**244,412**	71,565
Share of profit of associates		**27,707**	20,190
Profit before income tax		**603,837**	399,193
Income tax expense	6	**(89,677)**	(119,083)
Profit for the period		**514,160**	280,110
Attributable to:			
– Equity holders of the Company		**382,243**	258,630
– Non-controlling interests		**131,917**	21,480
		514,160	280,110
Earnings per share for profit attributable to the equity holders of the Company, basic and diluted (RMB)	8	**0.09**	0.06

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

Dividends	7(b)	**84,980**	–

Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated, Note 2)
Profit for the period	**514,160**	280,110
Other comprehensive income		
Fair value gains on available-for-sale financial assets, net of tax		
– Gains arising during the period	**86,825**	175,200
– Less: reclassification adjustments for gains included in profit for the period	**(15,821)**	–
Share of other comprehensive income of associates	**2,873**	–
Currency translation differences	**(748)**	439
Other comprehensive income for the period, net of tax	**73,129**	175,639
Total comprehensive income for the period	**587,289**	455,749
Total comprehensive income attributable to:		
– Equity holders of the Company	**429,428**	370,254
– Non-controlling interests	**157,861**	85,495
	587,289	455,749

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2010

	Note	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited) (Restated, Note 2)
ASSETS			
Non-current assets			
Land use rights		**1,987,858**	1,632,756
Prepayments for acquisition of land use rights		**117,027**	362,763
Property, plant and equipment	9	**4,482,151**	4,364,322
Investments in jointly controlled entities		**1,724,441**	1,799,121
Investments in associates		**845,070**	825,602
Deferred income tax assets		**74,220**	66,754
Intangible assets		**96,469**	99,815
Available-for-sale financial assets	10	**1,558,080**	1,438,111
Other non-current assets		**57,396**	64,768
		10,942,712	10,654,012
Current assets			
Prepayments, deposits and other current assets		**638,179**	592,288
Inventories		**34,984**	30,949
Trade and other receivables	11	**7,217,656**	5,489,000
Financial assets at fair value through profit or loss		**5,276**	5,357
Restricted cash		**83,270**	239,283
Term deposits with initial terms of over three months		**664,182**	510,656
Cash and cash equivalents		**4,081,860**	4,196,987
		12,725,407	11,064,520
Total assets		**23,668,119**	21,718,532
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**4,249,002**	4,249,002
Reserves		**5,174,145**	4,829,697
Dividend declared/proposed	7(b)	**84,980**	84,980
		9,508,127	9,163,679
Non-controlling interests		**2,149,506**	2,057,690
Total equity		**11,657,633**	11,221,369

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Continued)

	Note	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited) (Restated, Note 2)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**255,838**	244,102
Provisions	15	**136,149**	149,330
Borrowings	14	**2,621,250**	2,552,000
Other non-current liabilities		**35,260**	164
		3,048,497	2,945,596
Current liabilities			
Trade payables	13	**4,930,546**	3,900,202
Other payables, accruals and other current liabilities		**962,112**	1,169,051
Receipts in advance from customers		**1,463,269**	1,497,521
Current income tax liabilities		**86,985**	87,448
Borrowings	14	**1,075,076**	435,765
Derivative financial instruments	12	**113,171**	122,606
Salary and welfare payables		**330,830**	338,974
		8,961,989	7,551,567
Total liabilities		**12,010,486**	10,497,163
Total equity and liabilities		**23,668,119**	21,718,532
Net current assets		**3,763,418**	3,512,953
Total assets less current liabilities		**14,706,130**	14,166,965

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	For the six months ended 30 June 2010 (Unaudited)								
	Attributable to equity holders of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2010, as previously reported	4,249,002	785,553	267,520	324,091	(20,505)	3,040,980	8,646,641	2,057,690	10,704,331
Adjustment for early adoption of amendment to IFRS 1	–	851,758	–	–	–	(334,720)	517,038	–	517,038
As at 1 January 2010, as restated, (Note 2)	4,249,002	1,637,311	267,520	324,091	(20,505)	2,706,260	9,163,679	2,057,690	11,221,369
Total comprehensive income for the period ended 30 June 2010	–	2,873	–	45,060	(748)	382,243	429,428	157,861	587,289
Transactions with owners									
2009 final dividends	–	–	–	–	–	(84,980)	(84,980)	–	(84,980)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	(70,660)	(70,660)
Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	4,615	4,615
Total transactions with owners	–	–	–	–	–	(84,980)	(84,980)	(66,045)	(151,025)
Transfer to statutory reserve (Note 7(a))	–	–	27,379	–	–	(27,379)	–	–	–
As at 30 June 2010	4,249,002	1,640,184	294,899	369,151	(21,253)	2,976,144	9,508,127	2,149,506	11,657,633
Representing:									
Share capital and reserves	4,249,002	1,640,184	294,899	369,151	(21,253)	2,891,164	9,423,147	2,149,506	11,572,653
2010 interim dividends (Note 7(b))	–	–	–	–	–	84,980	84,980	–	84,980
As at 30 June 2010	4,249,002	1,640,184	294,899	369,151	(21,253)	2,976,144	9,508,127	2,149,506	11,657,633

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

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

For the six months ended 30 June 2010

	For the six months ended 30 June 2009 (Unaudited) (Restated, Note 2)								
	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	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2009, as previously reported	4,249,002	738,730	225,151	54,671	(21,987)	2,743,765	7,989,332	1,847,436	9,836,768
Adjustment for early adoption of amendment to IFRS 1	–	898,592	–	–	–	(307,222)	591,370	–	591,370
As at 1 January 2009, as restated, (Note 2)	4,249,002	1,637,322	225,151	54,671	(21,987)	2,436,543	8,580,702	1,847,436	10,428,138
Total comprehensive income for the period ended 30 June 2009	–	–	–	111,185	439	258,630	370,254	85,495	455,749
Transactions with owners									
2008 final dividends	–	–	–	–	–	(84,980)	(84,980)	–	(84,980)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	(77,596)	(77,596)
Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	4,000	4,000
Acquisition of additional equity interests in subsidiaries from non-controlling interests	–	(11)	–	–	–	–	(11)	(987)	(998)
Total transactions with owners	–	(11)	–	–	–	(84,980)	(84,991)	(74,583)	(159,574)
Transfer to statutory reserve (Note 7(a))	–	–	25,610	–	–	(25,610)	–	–	–
As at 30 June 2009	4,249,002	1,637,311	250,761	165,856	(21,548)	2,584,583	8,865,965	1,858,348	10,724,313
Representing:									
Share capital and reserves	4,249,002	1,637,311	250,761	165,856	(21,548)	2,584,583	8,865,965	1,858,348	10,724,313
2009 interim dividend	–	–	–	–	–	–	–	–	–
As at 30 June 2009	4,249,002	1,637,311	250,761	165,856	(21,548)	2,584,583	8,865,965	1,858,348	10,724,313

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2010

	Note	For the six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited) (Restated, Note 2)
Net cash (used in)/generated from operating activities		**(219,250)**	627,193
Net cash used in investing activities	17(a)	**(520,134)**	(1,241,484)
Net cash generated from financing activities	17(b)	**624,257**	562,987
Net decrease in cash and cash equivalents		**(115,127)**	(51,304)
Cash and cash equivalents at 1 January		**4,196,987**	3,770,770
Cash and cash equivalents at 30 June		**4,081,860**	3,719,466

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Sinotrans Limited (the "Company") was established in the People's Republic of China (the "PRC") on 20 November 2002 as a joint stock company with limited liability as a result of a group reorganisation of China National Foreign Trade Transportation (Group) Corporation ("Sinotrans Group Company") in preparation for a listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Reorganisation"). In 2009, the former Sinotrans Group Company changed its name to SINOTRANS & CSC Holdings Co., Ltd ("SINOTRANS & CSC") 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.

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

This unaudited condensed consolidated interim financial information was approved by the Board of Directors for issue on 24 August 2010.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting". This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

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

The Group has adopted the following new standards, amendments and interpretations for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are 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 value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

As the Group has adopted IFRS 3 (revised) from 1 January 2010, it is required to adopt IAS 27 (revised), 'consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill, gains or 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.

- IASB issued the amendment to Appendix D of IFRS 1 "First-time Adoption of International Financial Reporting Standards" in May 2010. With this amendment, a first-time adopter (FTA) may elect to use event-driven (such as privatization or initial public offering) fair values under previous GAAP as its IFRS deemed costs, provided that the revaluation took place at periods before or during the FTA's first set of IFRS financial statements.

  The amendment can be applied by existing IFRS preparers retrospectively and is effective for annual periods beginning on or after 1 January 2011.

  The Group had established a deemed cost in accordance with Chinese Accounting Standards and Interpretations ("CAS") for assets and liabilities by measuring them at fair values during the privatization in 2002 and 2007. Those revaluation surplus were reversed under IFRS, causing a GAAP difference.

  In order to eliminate this GAAP difference of the financial information prepared under CAS and IFRS, the Group has early adopted the IFRS 1 (Amendment) from 1 January 2010 and has applied it retrospectively.

  The effects of the early adoption are as follows:

	As at 31 December 2009, As previously reported RMB'000	Early adoption of amendment to IFRS 1 RMB'000	As at 31 December 2009, restated RMB'000
Land use rights	1,106,855	525,901	1,632,756
Property, plant and equipment	4,213,047	151,275	4,364,322
Deferred income tax assets	241,526	(174,772)	66,754
Other assets	15,640,066	14,634	15,654,700
Total assets	21,201,494	517,038	21,718,532
Equity attributable to the equity holders of the Company	8,646,641	517,038	9,163,679
Non-controlling interests	2,057,690	–	2,057,690
Total equity	10,704,331	517,038	11,221,369

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

	For the six months ended 30 June 2009, as previously reported RMB'000	Change in accounting policies for jointly controlled entities* RMB'000	Early adoption of amendment to IFRS 1 RMB'000	For the six months ended 30 June 2009, restated RMB'000
Revenue	13,097,277	(1,607,324)	–	11,489,953
Profit before income tax	472,230	(57,408)	(15,629)	399,193
Profit for the period, attributable to equity holders of the Company	270,352	–	(11,722)	258,630

* In the second half year of 2009, the Group has changed the accounting policy for jointly controlled entities from proportionate consolidation to the equity method.

Change in accounting policies for early adoption of amendment to IFRS 1 on the Group's financial positions as at 30 June 2010 and operating results for the six months ended 30 June 2010 is as follows:

	As at 30 June 2010, before early adoption of amendment to IFRS 1 RMB'000	**Early adoption of amendment to IFRS 1 RMB'000**	**As at 30 June 2010, RMB'000**
Land use rights	**1,469,055**	**518,803**	**1,987,858**
Property, plant and equipment	**4,335,807**	**146,344**	**4,482,151**
Deferred income tax assets	**242,637**	**(168,417)**	**74,220**
Other assets	**17,122,646**	**1,244**	**17,123,890**
Total assets	**23,170,145**	**497,974**	**23,668,119**
Equity attributable to the equity holders of the Company	**9,010,153**	**497,974**	**9,508,127**
Non-controlling interests	**2,149,506**	**–**	**2,149,506**
Total equity	**11,159,659**	**497,974**	**11,657,633**

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

	For the six months ended 30 June 2010, before early adoption of amendment to IFRS 1 RMB'000	Early adoption of amendment to IFRS 1 RMB'000	For the six months ended 30 June 2010 RMB'000
Profit before income tax	629,256	(25,419)	603,837
Profit for the period, attributable to equity holders of the Company	401,307	(19,064)	382,243

Other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 January 2010, are not currently relevant for the Group or do not have material impact on the Group in the period ended 30 June 2010.

3. SEGMENT INFORMATION

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

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

Management assesses the performance of the operating segments based on segment profit. Segment profit is the operating profit excludes the effects of other (losses)/gains, net and corporate expenses.

The Group's segment assets exclude financial assets at fair value through profit or loss, investment 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 condensed consolidated interim income statement.

3. SEGMENT INFORMATION (Continued)

	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and Terminal services RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Group RMB'000
For the six months ended 30 June 2010 (Unaudited)								
Revenue – external	16,831,354	294,811	208,764	1,536,172	704,178	427,463	–	20,002,742
Revenue – inter-segment	170,973	69,806	3,078	357,189	108,082	86,168	(795,296)	–
Total revenue	17,002,327	364,617	211,842	1,893,361	812,260	513,631	(795,296)	20,002,742
Segment results	256,634	146,365	4,929	(50,915)	193,968	14,781	–	565,762
Other losses, net								(110,984)
Corporate expenses								(38,686)
Operating profit								416,092
Finance costs, net								(84,374)
Share of profit of jointly controlled entities	8,822	9,624	204,807	–	17,286	3,873	–	244,412
Share of profit of associates								27,707
Profit before income tax								603,837
Income tax expense								(89,677)
Profit for the period								514,160
As at 30 June 2010 (Unaudited)								
Segment assets	11,874,329	1,405,942	169,591	1,281,513	4,521,808	546,272	(859,536)	18,939,919

3. SEGMENT INFORMATION (Continued)

	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and Terminal services RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Group RMB'000
For the six months ended 30 June 2009 (Unaudited) (Restated, Note 2)								
Revenue – external	9,136,229	284,204	186,589	1,005,805	541,496	335,630	–	11,489,953
Revenue – inter-segment	167,933	26,875	4,340	218,749	93,157	55,707	(566,761)	–
Total revenue	9,304,162	311,079	190,929	1,224,554	634,653	391,337	(566,761)	11,489,953
Segment results	128,816	131,203	(9,958)	(172,995)	121,072	14,497	–	212,635
Other gains, net								186,196
Corporate expenses								(57,953)
Operating profit								340,878
Finance costs, net								(33,440)
Share of profit/(loss) of jointly controlled entities	944	2,064	106,222	–	9,394	(47,059)	–	71,565
Share of profit of associates								20,190
Profit before income tax								399,193
Income tax expense								(119,083)
Profit for the period								280,110
As at 31 December 2009 (Audited) (Restated, Note 2)								
Segment assets	10,368,945	1,205,373	184,498	1,135,230	4,089,263	537,470	(603,250)	16,917,529

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated, Note 2)
Crediting		
Rental income from		
– buildings	**11,748**	12,582
– plant and machinery	**42,742**	94,253
Gain on disposal of available-for-sale financial assets	**21,094**	–
Gain on disposal of property, plant and equipment	**7,352**	2,125
Reversal of provision for impairment losses of receivables	**3,598**	9,321
Realised net gain of the fuel oil forward contract	**178**	–
Charging		
Depreciation		
– owned property, plant and equipment	**185,339**	182,397
– owned property, plant and equipment leased out under operating leases	**3,181**	2,903
Losses on disposal of property, plant and equipment	**799**	1,009
Provision for impairment losses of receivables	**8,394**	21,908
Operating lease charges		
– land use rights	**22,445**	18,682
– buildings	**91,361**	89,222
– plant and equipment	**442,471**	421,071
Amortisation of intangible assets	**8,774**	7,076
Charges on property management and facilities	**40,224**	36,702
Realised net loss of the fuel oil forward contract	**–**	21,847
Provision for onerous contract and foreseeable losses	**29,310**	1,697
Charges on IT support	**11,549**	13,380
Provision for outstanding claims	**2,272**	2,804

5. FINANCE COSTS, NET

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated, Note 2)
Interest income on bank balances	**27,420**	43,223
Interest expenses on borrowings	**(55,251)**	(65,339)
Exchange losses, net	**(49,629)**	(1,485)
Bank and other charges	**(6,914)**	(9,839)
	(84,374)	(33,440)

6. INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated, Note 2)
Current income tax		
– Hong Kong profit tax	**367**	19
– PRC income tax expense	**108,846**	129,655
Deferred PRC income tax	**(19,536)**	(10,591)
	89,677	119,083

6. INCOME TAX EXPENSE (Continued)

Hong Kong profit tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period.

The provision for PRC current income tax is based on the statutory rate of 25% (2009: 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 12.5% to 22% (2009: 0% to 22%) based on the relevant PRC tax laws and regulations.

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

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

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

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

7. PROFIT APPROPRIATIONS

(a) Statutory surplus reserve

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

For the six months ended 30 June 2010, approximately RMB27,379,000 (corresponding period in 2009: RMB25,610,000), representing 10% of profit after tax (corresponding period in 2009: 10%) determined under the PRC accounting standards, has been appropriated to the statutory surplus reserve.

(b) Dividends

The final dividend that related to the year ended 31 December 2009 amounting to RMB84,980,000 was paid during the first half of 2010.

At the Board of Directors' meeting held on 24 August 2010, the director declared an interim dividend of RMB0.02 per ordinary share for the six months ended 30 June 2010. The total dividend declared is approximately RMB84,980,000 (six months ended 30 June 2009: nil) for 4,249,002,200 shares, being the number of ordinary shares issued and outstanding on 30 June 2010. This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in the year ending 31 December 2010.

8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated, Note 2)
Profit attributable to equity holders of the Company (RMB'000)	**382,243**	258,630
Weighted average number of ordinary shares in issue (thousands)	**4,249,002**	4,249,002
Basic and diluted earnings per share (RMB)	**0.09**	0.06

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

9. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June 2010 (Unaudited)								
	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 2010 (as previously reported)	2,650,208	16,800	684,235	39,491	1,113,491	1,154,468	458,837	211,033	6,328,563
Adjustment for early adoption of amendment to IFRS 1	320,248	(13,567)	28,733	(5,287)	3,797	10,719	(26,703)	(340)	317,600
At 1 January 2010 (Restated, Note 2)	2,970,456	3,233	712,968	34,204	1,117,288	1,165,187	432,134	210,693	6,646,163
Exchange differences	(267)	–	–	(203)	(40)	(622)	10	–	(1,122)
Additions	3,791	50	664	21,182	67,732	66,663	17,969	143,039	321,090
Disposals	(7,763)	–	(28)	(6)	(6,336)	(22,174)	(5,437)	–	(41,744)
Transfer upon completion	10,111	–	–	–	3,699	2,883	668	(17,361)	–
At 30 June 2010	2,976,328	3,283	713,604	55,177	1,182,343	1,211,937	445,344	336,371	6,924,387
Accumulated depreciation and impairment losses									
At 1 January 2010 (as previously reported)	(471,879)	(12,739)	(166,703)	(19,190)	(517,620)	(602,811)	(324,574)	–	(2,115,516)
Adjustment for early adoption of amendment to IFRS 1	(179,903)	11,317	(26,177)	5,772	770	(676)	22,572	–	(166,325)
At 1 January 2010 (Restated, Note 2)	(651,782)	(1,422)	(192,880)	(13,418)	(516,850)	(603,487)	(302,002)	–	(2,281,841)
Exchange differences	106	–	–	32	(4)	568	(78)	–	624
Depreciation charge	(50,657)	(198)	(14,993)	(1,307)	(47,030)	(52,893)	(21,442)	–	(188,520)
Disposals	1,336	–	–	5	4,911	18,495	2,722	–	27,469
Reversal of provision for impairment losses	32	–	–	–	–	–	–	–	32
At 30 June 2010	(700,965)	(1,620)	(207,873)	(14,688)	(558,973)	(637,317)	(320,800)	–	(2,442,236)
Net book value									
At 30 June 2010	2,275,363	1,663	505,731	40,489	623,370	574,620	124,544	336,371	4,482,151
At 1 January 2010 (Restated, Note 2)	2,318,674	1,811	520,088	20,786	600,438	561,700	130,132	210,693	4,364,322

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	For the six months ended 30 June 2009 (Unaudited) (Restated, Note 2)								
	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 (as previously reported)	1,893,966	17,870	605,804	40,433	1,005,851	1,192,600	457,744	776,378	5,990,646
Adjustment for early adoption of amendment to IFRS 1	320,313	(15,511)	8,137	(5,330)	9,822	4,870	(26,362)	9,562	305,501
At 1 January 2009 (Restated, Note 2)	2,214,279	2,359	613,941	35,103	1,015,673	1,197,470	431,382	785,940	6,296,147
Exchange differences	48	–	–	(84)	8	(79)	8	–	(99)
Additions	35,888	–	803	156	47,924	22,764	14,162	139,174	260,871
Acquisition of a subsidiary	–	–	–	–	38,247	16,591	229	–	55,067
Disposals	(12,857)	–	(1,915)	–	(14,698)	(40,102)	(9,894)	–	(79,466)
Transfer upon completion	331,390	–	37,701	–	11,699	–	4,645	(385,435)	–
At 30 June 2009	2,568,748	2,359	650,530	35,175	1,098,853	1,196,644	440,532	539,679	6,532,520
Accumulated depreciation and impairment losses									
At 1 January 2009 (as previously reported)	(405,521)	(10,078)	(155,916)	(19,254)	(457,219)	(569,298)	(312,416)	–	(1,929,702)
Adjustment for early adoption of amendment to IFRS 1	(166,890)	9,315	(9,768)	6,090	(7,738)	8,415	22,283	–	(138,293)
At 1 January 2009 (Restated, Note 2)	(572,411)	(763)	(165,684)	(13,164)	(464,957)	(560,883)	(290,133)	–	(2,067,995)
Exchange differences	1	–	–	(23)	3	17	8	–	6
Depreciation charge	(39,007)	(174)	(10,393)	(804)	(46,483)	(60,624)	(27,815)	–	(185,300)
Disposals	6,024	–	627	–	9,308	32,743	6,977	–	55,679
Provision for impairment losses	(20)	–	–	–	–	50	–	–	30
At 30 June 2009	(605,413)	(937)	(175,450)	(13,991)	(502,129)	(588,697)	(310,963)	–	(2,197,580)
Net book value									
At 30 June 2009 (Restated, Note 2)	1,963,335	1,422	475,080	21,184	596,724	607,947	129,569	539,679	4,334,940
At 1 January 2009 (Restated, Note 2)	1,641,868	1,596	448,257	21,939	550,716	636,587	141,249	785,940	4,228,152

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2010	31 December 2009
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Listed equity investment (a)	**1,378,124**	1,289,053
Unlisted equity investments, at cost less impairment (b)	**179,956**	149,058
Available-for-sale financial assets	**1,558,080**	1,438,111

(a) Movements in Listed equity investment are analysed as follows:

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	**1,289,053**	328,000
Disposal	**(5,600)**	–
Net gains transfer from equity	**(21,094)**	–
Net gains transfer to equity	**115,765**	233,600
At end of period	**1,378,124**	561,600

Listed equity investment includes the ordinary shares of Air China Limited ("Air China") and China Eastern Airlines Corporation Limited ("China Eastern") on the Shanghai Stock Exchange. Air China and China Eastern were incorporated in the PRC whose principal activities were air transportation. The Group removed profit of RMB21,094,000 from equity into the income statement due to disposal of 2 million ordinary shares of Air China.

The fair value of all equity securities is based on their current bid prices in an active market.

(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 IAS 39. 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.

As at 30 June 2010 and 31 December 2009, the entire available-for-sale financial assets were denominated in RMB and none of them were impaired or pledged.

11. TRADE AND OTHER RECEIVABLES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade receivables, net	**6,365,639**	4,837,044
Bills receivable	**162,375**	135,674
Other receivables, net	**375,677**	246,166
Due from related parties	**313,965**	270,116
	7,217,656	5,489,000

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade receivables	**6,409,121**	4,880,605
Less: Provision for impairment of receivables	**(43,482)**	(43,561)
Trade receivables, net	**6,365,639**	4,837,044

As at 30 June 2010 and 31 December 2009, the aging analysis of trade receivables is as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within 6 months	**6,319,192**	4,760,996
Between 6 and 12 months	**40,560**	49,900
Between 1 and 2 years	**29,729**	59,329
Between 2 and 3 years	**16,065**	7,351
Over 3 years	**3,575**	3,029
	6,409,121	4,880,605

11. TRADE AND OTHER RECEIVABLES (Continued)

As at 30 June 2010 and 31 December 2009, the aging analysis of amounts due from related parties, which are trading in nature, is summarised as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within 6 months	**72,288**	77,036
Between 6 and 12 months	**164**	304
Between 1 and 2 years	**75**	645
Between 2 and 3 years	**17**	47
Over 3 years	**55**	12
	72,599	78,044

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Current liabilities		
– Foreign exchange forward contracts-held for trading(a)	**113,171**	122,784
– Fuel oil forward contract-held for trading(b)	**–**	(178)
	113,171	122,606

The critical accounting estimates and judgments on derivative financial instruments made by management are consistent with those disclosed in the annual financial statements for the year ended 31 December 2009.

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2009.

12. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The Group's derivative financial instruments are as follows:

(a) Foreign exchange forward contracts

As at 30 June 2010, the Group had certain outstanding gross-settled foreign exchange forward contracts with banks. Upon the spot rate as at balance sheet date, the Group is to buy approximately US$107,565,217 and simultaneously sell approximately JPY10,898,200,000 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.

For the six months ended 30 June 2010, the realised net losses of the above foreign exchange forward contracts amounting to RMB37,100,000 were charged in the consolidated income statement under "Finance costs, net" – "Exchange losses, net".

(b) Fuel oil forward contract

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, subjected to certain structured terms. The contract had been settled in January 2010.

For the six months ended 30 June 2010, the realised net gains of the above fuel oil forward contract amounting to RMB178,000 were credited in the consolidated income statement under "fuel".

13. TRADE PAYABLES

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within 6 months	**4,473,067**	3,454,118
Between 6 and 12 months	**198,863**	230,223
Between 1 and 2 years	**180,215**	123,476
Between 2 and 3 years	**41,889**	54,855
Over 3 years	**36,512**	37,530
	4,930,546	3,900,202

14. BORROWINGS

(a) Borrowings are analysed as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Current:		
Bank borrowings	**1,060,076**	430,765
Current portion of non-current bank borrowings	**15,000**	5,000
	1,075,076	435,765
Non-current:		
Bank borrowings	**121,250**	52,000
Entrusted loans payable to SINOTRANS & CSC	**2,500,000**	2,500,000
	2,621,250	2,552,000
Total borrowings	**3,696,326**	2,987,765
Borrowings:		
Unsecured		
– Bank borrowings	**1,022,615**	344,728
– Entrusted loans payable to SINOTRANS & CSC	**2,500,000**	2,500,000
Secured and guaranteed	**173,711**	143,037
	3,696,326	2,987,765

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

	For the six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited) (Restated, Note 2)
At beginning of period	**2,987,765**	2,071,241
Proceeds from borrowings	**1,136,803**	2,102,551
Repayments of borrowings	**(428,242)**	(1,513,470)
At end of period	**3,696,326**	2,660,322

14. BORROWINGS (Continued)

(b) The non-current borrowings as at 30 June 2010 and 31 December 2009 were repayable as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
1 – 2 years	**2,520,000**	1,520,000
2 – 5 years	**101,250**	1,032,000
	2,621,250	2,552,000

(c) The weighted average effective annual interest rate of the bank borrowings and the entrusted loans payable to SINOTRANS & CSC as at 30 June 2010 is 3.17% and 3.48% (31 December 2009: 5.09% and 3.48%) respectively.

(d) Securities and guarantees

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Restricted cash secured	**64,414**	15,637
Net book value of property, plant and equipment pledged	**124,908**	189,833
Net book value of land use rights pledged	**56,101**	53,520
Corresponding borrowings		
– secured by restricted cash	**55,711**	15,637
– pledged by property, plant and equipment	**74,588**	89,856
– pledged by land use rights	**43,412**	37,544
	173,711	143,037

15. PROVISIONS

	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
			(Unaudited)			
As at 31 December 2009	**31,682**	**3,133**	**52,541**	**55,244**	**6,730**	**149,330**
Additional provision	**–**	**–**	**2,272**	**26,303**	**3,007**	**31,582**
Utilised during the period	**(121)**	**–**	**(7,900)**	**(30,012)**	**(6,730)**	**(44,763)**
As at 30 June 2010	**31,561**	**3,133**	**46,913**	**51,535**	**3,007**	**136,149**
As at 1 January 2009	32,773	8,178	27,095	26,663	10,165	104,874
Additional provision	–	–	2,804	–	1,697	4,501
Utilised during the period	(931)	–	(3,693)	(12,243)	(10,165)	(27,032)
As at 30 June 2009	31,842	8,178	26,206	14,420	1,697	82,343

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

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

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

16. CASH-SETTLED SHARE-BASED PAYMENT

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

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

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

16. CASH-SETTLED SHARE-BASED PAYMENT (Continued)

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

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

As at 30 June 2010, the Company has granted SAR to a total of 5 (31 December 2009: 5) directors, 1 (31 December 2009: 1) supervisor and 120 (31 December 2009: 120) senior employees of the Group. As at 30 June 2010, the directors and the supervisor have received 2,740,000 SAR (31 December 2009: 2,740,000 SAR) and the senior employees of the Group have received 22,324,000 SAR (31 December 2009: 22,324,000 SAR).

Information on outstanding SAR is summarized as follows:

(a) Information on outstanding SAR:

	Date of grant	Expiry date	Exercise price in HK$ per share	**30 June 2010 Number of SAR (Thousands) (Unaudited)**	31 December 2009 Number of SAR (Thousands) (Audited)
Tranche I	20 January 2003 (Note(i))	20 January 2013	2.19	**21,004**	21,004
Tranche II	24 June 2003 (Note(ii))	24 June 2013	2.18	**4,060**	4,060
				25,064	25,064

(i) The fair value of SAR granted under Tranche I as at 30 June 2010 determined using the Black-Scholes valuation model was HK$0.22 (31 December 2009: HK$0.46). The significant inputs into the model were share price of HK$1.79 (31 December 2009: HK$2.04), exercise price per share shown above, expected life of SAR of 1.28 years (31 December 2009: 1.53 years), expected dividend rate of 1.35% (31 December 2009: 1.33%) and risk-free interest rate of 0.63% (31 December 2009: 0.40%). The expected volatility is estimated based on historical daily share price of the Company.

(ii) The fair value of SAR granted under Tranche II as at 30 June 2010 determined using the Black-Scholes valuation model was HK$0.26 (31 December 2009: HK$0.50). The significant inputs into the model were share price of HK$1.79 (31 December 2009: HK$2.04), exercise price per share shown above, expected life of SAR of 1.49 years (31 December 2009: 1.74 years), expected dividend rate of 1.35% (31 December 2009: 1.33%) and risk-free interest rate of 0.66% (31 December 2009: 0.49%). The expected volatility is estimated based on historical daily share price of the Company.

(iii) The intrinsic value of SAR vested at 30 June 2010 for both Tranche I and II is nil (31 December 2009: nil).

16. CASH-SETTLED SHARE-BASED PAYMENT (Continued)

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

	For the six months ended 30 June (Unaudited)			
	2010		2009	
	Average Exercise price in HK$ per share	**Number of SAR (Thousands)**	Average exercise price in HK$ per share	Number of SAR (Thousands)
At beginning of period	**2.19**	**25,064**	2.19	25,384
Exercised	**2.19**	**–**	2.19	–
At end of period	**2.19**	**25,064**	2.19	25,384

All of the outstanding SAR as at 30 June 2010 (31 December 2009: All) were exercisable. 616,000 (31 December 2009: 616,000) SAR have been exercised since the date of grant.

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

	For the six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
(Credited)/charged to other (losses)/gains, net	**(5,307)**	2,639

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Salary and welfare payables	**4,984**	10,291

17. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

(a) Major investing activities:

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated, Note 2)
(Increase)/decrease in term deposits with initial terms of over three months	**(153,526)**	108,581
Interest income received	**28,348**	47,347
Proceeds from disposal of property, plant and equipment	**51,583**	24,904
Dividends received from associates	**11,128**	14,497
Purchase of land use rights	**(159,080)**	(11,195)
Prepayments for acquisition of land use rights	**(39,630)**	(71,760)
Settlement of investment cost paid by ultimate holding company on behalf of the Group	**(96,575)**	(405,439)
Purchase of available-for-sale financial assets	**(30,898)**	(111,383)
Purchase of property, plant and equipment	**(426,202)**	(278,658)
Proceeds from disposal of available-for-sale financial assets	**26,694**	–
Proceeds from disposal of land use rights	**87,443**	–
Dividends received from jointly controlled entities	**273,774**	65,126
Capital injection to jointly controlled entities	**–**	(115,935)
Payment of consideration for acquisition from ultimate holding company	**–**	(400,000)

(b) Major financing activities

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated, Note2)
New bank borrowings	**1,136,803**	422,551
Entrusted loans payable to SINOTRANS & CSC	**–**	1,680,000
Decrease in restricted cash	**156,013**	300,225
Payment of dividends	**(134,212)**	(35,748)
Dividends paid to non-controlling interests in subsidiaries	**(70,660)**	(58,137)
Repayments of bank borrowings	**(428,242)**	(1,513,470)
Repayments to ultimate holding company	**–**	(200,000)

18. 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 15. Where management cannot reasonably estimate the outcome of the lawsuits or believe the probability of loss is remote, no provision has been made. As at 30 June 2010, the maximum exposure of such lawsuits of the Group amounted to approximately RMB 75,304,000 (31 December 2009: RMB 72,492,000).

19. CAPITAL COMMITMENTS

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Authorised and contracted for but not provided for	**216,762**	41,451
Authorised but not contracted for	**364,910**	253,827
	581,672	295,278

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Acquisition of property, plant and equipment	**212,605**	136,965
Construction commitments	**303,882**	136,313
Investments in subsidiaries, jointly controlled entities and associates	**65,185**	22,000
	581,672	295,278

20. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Land and buildings		
– not later than one year	**147,698**	103,265
– later than one year but not later than five years	**330,356**	172,426
– later than five years	**138,133**	100,818
Vessels, containers and other property, plant and equipment		
– not later than one year	**596,805**	654,795
– later than one year but not later than five years	**352,579**	387,931
– later than five years	**15,586**	5,394
	1,581,157	1,424,629

(b) The Group as lessor

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Land and buildings		
– not later than one year	**21,451**	17,244
– later than one year but not later than five years	**20,485**	15,657
– later than five years	**7,874**	4,975
Machinery		
– not later than one year	**79,612**	74,889
– later than one year but not later than five years	**21,594**	53,406
	151,016	166,171

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

On 4 February 2009, the Group entered into a business service agreement with SINOTRANS & CSC, the ultimate holding company, which regulates the provision of transportation and logistics services and ancillary services by members of our Group to SINOTRANS & CSC (including its subsidiaries and associates) and vice versa. The business service agreement contemplates that the relevant members of the Group and SINOTRANS & CSC (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 & CSC 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 & CSC 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 unaudited condensed consolidated interim financial information, the following is a summary of other significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions and such transactions are carried out on normal commercial terms that are consistently applied to all customers.

21. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated, Note2)
Transactions with ultimate holding company and fellow subsidiaries		
Revenue		
Revenue from provision of services	**97,196**	66,929
Expenses		
Service fees	**88,297**	92,550
Rental expenses for office buildings	**20,143**	20,021
Rental expenses for containers	**22,730**	28,152
Rental expenses for vessels	**43,712**	58,358
Transactions with associates of the Group		
Revenue		
Revenue from provision of services	**61,663**	44,771
Expenses		
Service fees	**64,402**	28,663
Transactions with jointly controlled entities of the Group		
Revenue		
Revenue from provision of services	**59,942**	52,220
Expenses		
Service fees	**184,341**	64,506
Transactions with other PRC state-owned enterprises		
Interest income from bank deposits	**26,266**	29,117

21. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Balances with ultimate holding company and fellow subsidiaries		
Trade and other receivables	93,835	110,339
Prepayments, deposits, and other current assets	6,683	11,674
Trade payables	63,861	88,735
Other payables, accruals and other current liabilities	446,055	527,032
Receipts in advance from customers	1,907	2,646
Balances with jointly controlled entities of the Group		
Trade and other receivables	199,554	148,297
Prepayments, deposits, and other current assets	736	639
Trade payables	48,133	19,613
Other payables, accruals and other current liabilities	3,109	40,862
Receipts in advance from customers	1,361	715
Balances with associates of the Group		
Trade and other receivables	20,609	11,503
Prepayments, deposits, and other current assets	28	3
Trade payables	7,709	7,210
Other payables, accruals and other current liabilities	1,585	–
Receipts in advance from customers	3	1,562
Balances with other PRC state-owned enterprises		
Restricted cash	27,961	239,283
Term deposits with initial terms of over three months	566,720	167,290
Cash and cash equivalents	3,958,222	3,004,630

21. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Borrowings

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Entrusted loans payable to SINOTRANS & CSC		
At beginning of period	**2,500,000**	–
Proceeds from loans	**–**	1,680,000
Repayment of loans	**–**	–
At end of period	**2,500,000**	1,680,000
Interest charged	**44,177**	28,013
Interest paid	**(25,630)**	–

As at 30 June 2010, the weighted average effective interest rate of the entrusted loans above is 3.48% (31 December 2009: 3.48%) respectively.

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated, Note2)
Borrowings from the PRC state-owned banks		
At beginning of period	**487,765**	2,070,734
Proceeds from borrowings	**1,136,803**	422,551
Repayment of borrowings	**(428,242)**	(1,513,081)
At end of period	**1,196,326**	980,204
Interest charged	**11,074**	37,326
Interest paid	**(10,687)**	(36,428)

As at 30 June 2010, the weighted average effective interest rate of the bank borrowings above was 3.17% (31 December 2009: 5.09%) per annum.

21. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(d) Key management personnel compensation

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Basic salaries, housing allowances and other allowances and benefits in kind	**1,489**	1,596
Discretionary bonuses	**1,337**	1,459
Contributions to pension plans	**148**	144

22. SUBSEQUENT EVENTS

(a) On 7 July 2010, Sinotrans Air Transportation Development Company Limited ("Sinoair"), one of the Company's subsidiaries, entered into an equity transfer agreement with Beijing Foreign Enterprise Human Resources Service Co., Ltd. (FESCO) to dispose its 30% equity interests in China Peace International Tourism Co., Ltd for a cash consideration of RMB4,950,360.

(b) At the Board of Directors' meeting held on 24 August 2010, the directors declared an interim dividend of RMB0.02 per ordinary share for the six months ended 30 June 2010.

Management Discussion and Analysis of Results of Operations and Financial Position

REVIEW OF OPERATING RESULTS

The Chinese economy continued its recovery during the first half of 2010. With the rebound of the global economy, foreign trade picked up again as reflected by an obvious improvement in export. Foreign import and export value increased by 43.1% as compared with the corresponding period last year, of which export increased by 35.2% and import increased by 52.7%. Compared with the same period of last year, foreign trade throughput at nationwide large-scale ports across the country increased 21.1% while throughput at coastal ports and inland ports increased 21.6% and 16.0% respectively.

During the first half of the year, the Group grasped the opportunity brought by the macro economic recovery through enhanced marketing activities, aggressive adjustment to business structure and optimized operation model. The Group implemented a series of measures such as strict cost controls, which gave rise to better performance on operating result and management. Each operation indicator of the Group has recovered basically to the standard prior to the economic crisis while the Group maintained sound development in production, which laid a solid foundation for achieving the target for 2010.

For the six months ended 30 June 2010, as compared with the corresponding period last year, the number of containers handled by sea freight forwarding services increased by 28.8%; the business volume handled by air freight forwarding services increased by 18.7%; the business volume handled by express services decreased by 55.0%; the business volume handled by express services of the jointly controlled entity increased by 85.9%; the number of containers handled in shipping agency business increased by 21.5%; the shipping volume by marine transportation increased by 25.0%; the number of containers handled in terminal throughput increased by 21.3%, the business volume of containers handled at container yards increased by 28.1% and the number of containers handled in trucking business decreased by 5.4%.

For the six months ended 30 June 2010, the Group achieved revenue of approximately RMB20,002.7 million, representing an increase of 74.1% as compared with the corresponding period in 2009. Profit attributable to equity holders of the Company amounted to RMB382.2 million, representing an increase of 47.8% as compared to the corresponding period in 2009. Earnings per share was RMB0.09 (corresponding period in 2009: RMB0.06).

OPERATING STATISTICS

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

	For the six months ended 30 June	
	2010	2009 (Restated)
Freight forwarding		
Sea freight forwarding		
Bulk cargo (in millions of tonnes)	**2.7**	3.3
Container cargo (in ten thousands of TEUs)	**333.0**	258.5
Air freight forwarding (in millions of kilograms)	**163.0**	137.3
Rail freight forwarding		
Bulk cargo (in millions of tonnes)	**0.4**	0.3
Container cargo (in ten thousands of TEUs)	**1.5**	1.7
Road freight forwarding		
Bulk cargo (in millions of tonnes)	**0.06**	0.05
Container cargo (in ten thousands of TEUs)	**16.3**	1.8
Express services		
Packages (in millions of units)	**0.76**	1.69
Shipping agency		
Net registered tonnes (in millions of tonnes)	**287.8**	263.6
Vessel calls (number of times)	**29,948**	30,933
Containers (in millions of TEUs)	**5.66**	4.66
Bulk cargo (in millions of tonnes)	**87.1**	81.6
Storage and terminal services		
Warehouse operating volume		
Bulk cargo (in millions of tonnes)	**6.2**	5.1
Containers (in millions of TEUs)	**4.1**	3.2
Terminal throughput		
Bulk cargo (in millions of tonnes)	**0.9**	1.4
Containers (in ten thousands of TEUs)	**141.4**	116.6
Marine transportation		
TEUs (in ten thousands of TEUs)	**102.1**	81.7
Other services		
Trucking of bulk cargo (in ten thousands of tonnes)	**118.3**	139.4
Trucking of containers (in ten thousands of TEUs)	**33.1**	35.0

FINANCIAL STATISTICS

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

	For the six months ended 30 June (Unaudited)	
	2010	2009 (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	**20,002.7**	11,490.0
Other income	**116.0**	157.8
Business tax and other surcharges	**(127.9)**	(112.5)
Transportation and related charges	**(16,845.1)**	(9,051.7)
Depreciation and amortisation	**(197.3)**	(192.4)
Cost of operation (excluding transportation and related charges, business tax and surcharges, depreciation and amortisation and other (losses)/gains, net):		
– Staff costs	**(941.0)**	(858.0)
– Repairs and maintenance	**(59.7)**	(55.0)
– Fuel	**(476.6)**	(336.2)
– Travel and promotional expenses	**(124.5)**	(100.7)
– Office and communication expenses	**(74.1)**	(67.6)
– Rental expenses	**(556.3)**	(529.0)
– Other operating expenses	**(189.1)**	(190.0)
Other (losses)/gains, net	**(111.0)**	186.2
Operating profit	**416.1**	340.9
Financial costs, net	**(84.4)**	(33.4)
Share of profit of jointly controlled entities	**244.4**	71.5
Share of profit of associates	**27.7**	20.2
Profit before income tax	**603.8**	399.2
Income tax expense	**(89.6)**	(119.1)
Profit after income tax	**514.2**	280.1
Attributable to:		
– Equity holders of the Company	**382.2**	258.6
– Non-controlling interests	**132.0**	21.5
Declared interim dividend	**85.0**	–
Earnings per share for profit attributable to the equity holders of the Company, basic and diluted	**RMB0.09**	RMB0.06
Number of shares (in millions of shares)	**4,249.0**	4,249.0

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

	For the six months ended 30 June (unaudited)			
	2010		2009 (restated)	
Freight forwarding	**17,002.3**	**81.7%**	9,304.2	77.2%
Express services	**211.8**	**1.0%**	190.9	1.6%
Shipping agency	**364.6**	**1.8%**	311.1	2.6%
Storage and terminal services	**812.3**	**3.9%**	634.7	5.3%
Marine transportation	**1,893.4**	**9.1%**	1,224.6	10.1%
Other services	**513.6**	**2.5%**	391.3	3.2%

The table below sets forth the segment results (in million RMB) of the major business segments of the Group and the comparative figures for the corresponding period in 2009. The result of each segment is defined as the operating profit of each segment excludes other (losses)/gains, net and corporate expenses.

	For the six months ended 30 June (Unaudited)	
	2010	2009 (Restated)
Freight forwarding	**256.6**	128.8
Express services	**4.9**	(10.0)
Shipping agency	**146.4**	131.2
Storage and terminal services	**194.0**	121.1
Marine transportation	**(50.9)**	(173.0)
Other services	**14.8**	14.5

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Revenue

For the six months ended 30 June 2010, the Group's revenue amounted to RMB20,002.7 million, up by 74.1% from RMB11,490 million for the corresponding period in 2009. The increase in revenue was mainly attributable to the continuous growth of the Chinese economy during the first half of 2010, the resumption in growth of foreign trade as well as the gradual improvement in import and export.

Freight Forwarding

For the six months ended 30 June 2010, revenue from our freight forwarding services amounted to RMB17,002.3 million, increasing by 82.7% from RMB9,304.2 million for the corresponding period in 2009.

The number of containers handled in sea freight forwarding services increased by 28.8% to 3.33 million TEUs for the first half of 2010 from 2.585 million TEUs for the first half of 2009; while the amount of cargo handled by air freight forwarding services increased by 18.7% to 163,000 tonnes for the first half of 2010 from 137,300 tonnes for the first half of 2009.

The increase in revenue from freight forwarding for the first half of 2010 was primarily attributable to increased business volume of sea freight forwarding and higher market freight rates.

Express Services

For the six months ended 30 June 2010, revenue for the Group's express services reached RMB211.8 million, representing a 11.0% increase from RMB190.9 million for the corresponding period in 2009.

For the first half of 2010, the number of documents and parcels handled through the Group's express services was 760,000 units, a decrease of 55% from the 1.69 million units handled for the corresponding period in 2009.

The growth rate of revenue was mainly attributable to the increase in revenue generated from international express business.

The investment income generated from the express business of the Group's jointly controlled entities amounted to RMB204.8 million, representing an increase of 92.8% as compared with the corresponding period of last year. For the first half of 2010, the number of units handled by the express business of the Group's jointly controlled entities increased 85.9% to 11.88 million units from 6.39 million units for the first half of 2009, of which 7.29 million units and 4.59 million units were handled by international express business and domestic express business respectively during the first half of the year. As compared with the same period of last year, the international express business volume increased by 14.1%.

Shipping Agency

For the six months ended 30 June 2010, revenue from the Group's shipping agency reached RMB364.6 million, representing a 17.2% increase from RMB311.1 million for the corresponding period in 2009.

For the first half of 2010, the number of containers handled in shipping agency business of the Group was 5.66 million TEUs, representing an increase of 21.5% from 4.66 million TEUs for the corresponding period in 2009. Net registered tonnage of vessels handled by the shipping agency services reached 287.80 million tonnes, up by 9.2% from 263.60 million tonnes for the corresponding period in 2009. Number of vessel calls managed reduced by 3.2% to 29,948, compared with 30,933 for the corresponding period in 2009.

The increase in revenue and business volume was mainly attributable to the aggressive market expansion of the Group by implementing all-in-one marketing as well as the enhanced strategic cooperation with shipping companies.

Storage and Terminal Services

For the six months ended 30 June 2010, the revenue from storage and terminal services amounted to RMB812.3 million, up by 28.0% from RMB634.7 million for the corresponding period in 2009.

For the first half of 2010, the Group's warehouses handled 6.20 million tonnes of bulk cargo, up by 21.6% from 5.10 million tonnes for the corresponding period in 2009; containers handled was up by 28.1% to 4.10 million TEUs from 3.20 million TEUs for the corresponding period in 2009; containers handled in terminals was up by 21.3% to 1.414 million TEUs from 1.166 million TEUs for the corresponding period in 2009. The volume of bulk cargo handled at terminals decreased by 35.7% to 0.90 million tonnes from 1.40 million tonnes for the corresponding period in 2009.

The growth in revenue and business volume was mainly a result of the enhanced cooperation with shipping companies and the aggressive market expansion.

Marine Transportation

For the six months ended 30 June 2010, revenue from marine transportation was RMB1,893.4 million, increasing by 54.6% from RMB1,224.6 million for the corresponding period in 2009.

For the first half of 2010, the number of containers shipped by the Group increased by 25.0% to 1.021 million TEUs from 0.817 million TEUs for the corresponding period in 2009.

The increase in revenue and business volume of marine transportation was mainly attributable to the enhanced market expansion and increased shipping capacity by the Group.

Other Services

Revenue from other services (mainly from trucking services) for the six months ended 30 June 2010 amounted to RMB513.6 million, increasing by 31.3% from RMB391.3 million for the corresponding period in 2009.

The bulk cargo trucking volume of the Group registered 1.183 million tonnes for the first half of 2010, a 15.1% drop from 1.394 million tonnes from the corresponding period of 2009. The volume of containers handled decreased by 5.4% to 331,000 TEUs from 350,000 TEUs for the corresponding period of 2009.

The more rapid growth rate of revenue than that of business volume was mainly attributable to the higher freight rates and the longer average transportation distance.

Transportation and Related Charges

For the six months ended 30 June 2010, transportation and related charges increased by 86.1% to RMB16,845.1 million, compared with RMB9,051.7 million for the corresponding period in 2009. Such increase was mainly attributable to the increase in the business volume and the freight rates of the Group.

Depreciation and Amortisation

Depreciation and amortisation amounted to RMB197.3 million for the six months ended 30 June 2010, representing an increase of 2.6% from RMB192.4 million for the corresponding period in 2009, primarily as a result of the gradual utilisation of the Group's newly acquired assets.

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

The Group's operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges and other (losses)/gains, net) were RMB2,421.3 million for the six months ended 30 June 2010, increasing by 13.3% from RMB2,136.5 million for the corresponding period in 2009.

The increase in operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges, and other (losses)/gains, net) was mainly attributable to the rise in fuel cost and staff cost.

In light of the economic crisis last year, the Company moderately streamlined the staff cost. However, with the growth of results this year, more budget could be allocated to staff remuneration, resulting in higher staff cost.

Fuel expenses increased mainly due to the rise in fuel price and the growth of marine transportation.

Operating Profit

The Group's operating profit was RMB416.1 million for the six months ended 30 June 2010, representing an increase of 22.1% from RMB340.9 million for the corresponding period in 2009. Operating profit for the six months ended 30 June 2010 as a percentage of total revenue decreased to 2.1% from 2.9% for the six months ended 30 June 2009, and decreased to 12.7% from 13.1% as a percentage of net revenue (total revenue less transportation and related charges), which were mainly attributable to fair value gain generated from the financial derivatives of the Group last year.

Income Tax Expense

For the six months ended 30 June 2010, income tax expense of the Group amounted to RMB89.60 million, representing a decrease of 24.7% from RMB119.1 million for the corresponding period in 2009. Income tax expense as a percentage of profit before income tax expense dropped to 14.9% from 29.8% for the six months ended 30 June 2009, mainly attributable to the growth of the share of jointly controlled entities after income tax, and the partial elimination of income tax expense by the loss from the transfer of equity of the Group's non wholly-owned subsidiary occurred in 2009, which was deductible before tax with the approval granted by the taxation authority in 2010.

NET PROFIT ATTRIBUTABLE TO THE NON-CONTROLLING INTERESTS

Net profit attributable to the non-controlling interests for the six months ended 30 June 2010 amounted to RMB132.0 million, increasing by 514.1% from RMB21.5 million for the corresponding period in 2009, reflecting mainly increased profit for the period of Sinoair, a non wholly-owned subsidiary of the Group.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit after income tax from the Group for the six months ended 30 June 2010 amounted to RMB514.2 million, representing an increase of 83.6% from RMB280.1 million for the same period in 2009.

The Group's profit attributable to shareholders of the Company for the six months ended 30 June 2010 amounted to RMB382.2 million, representing an increase of 47.8% from RMB258.6 million for the same period in 2009.

LIQUIDITY AND CAPITAL RESOURCES

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

	For the six months ended 30 June (Unaudited)	
	2010	2009
	RMB in millions	RMB in millions (Restated)
Net cash (used in)/generated from operating activities	**(219.3)**	627.2
Net cash used in investing activities	**(520.1)**	(1,241.5)
Net cash generated from financing activities	**624.3**	563.0
Net decrease in cash and cash equivalents	**(115.1)**	(51.3)
Cash and cash equivalents at the end of period	**4,081.9**	3,719.5

Operating Activities

Net cash used in operating activities for the six months ended 30 June 2010 amounted to RMB219.3 million, while cash generated from operating activities was RMB627.2 million for the corresponding period in 2009. For the six months ended 30 June 2010, net cash used in operating activities reflected primarily profit attributable to shareholders of the Company amounting to RMB382.2 million (corresponding period in 2009: RMB258.6 million), an increase of RMB1,030.3 million in trade payables (corresponding period in 2009: increase of RMB101.1 million), a decrease of RMB34.252 million in advanced receipts from customers (corresponding period in 2009: increase of RMB135.50 million), an increase of RMB1,697.2 million in trade receivables (corresponding period in 2009: decrease of RMB63.7 million) and an increase of RMB45.891 million (corresponding period in 2009: decrease of RMB85.561 million) in prepayments, deposits and other current assets.

For the six months ended 30 June 2010, the average age of trade receivables was 57 days, as compared to 71 days for the corresponding period in 2009.

Investing Activities

For the six months ended 30 June 2010, net cash used in the Group's investing activities amounted to RMB520.1 million, comprising mainly RMB426.2 million for the addition of property, plant and equipment, RMB198.7 million for the acquisition of land use rights and cash prepaid for acquisition of land use rights, RMB96.6 million for the repayment of investment amounts advanced by the ultimate holding company. Term deposits with maturity of over three months increased by RMB153.5 million, partially offset by RMB87.4 million received from the disposal of land use rights, RMB51.6 million from the disposal of properties and other equipment and RMB273.8 million from dividends received from jointly controlled entities. For the six months ended 30 June 2009, net cash used in the Group's investing activities of RMB1,241.5 million comprised mainly RMB278.7 million for the addition of property, plant and equipment, RMB83.0 million for the acquisition of land use rights and cash prepaid for acquisition of land use rights, RMB 405.4 million for the repayment of investment amounts advanced by the ultimate holding company, RMB400.0 million for the settlement of balance amounts in the consideration payable for the acquisition of a subsidiary in 2008, and RMB111.4 million for the purchase of available-for-sale financial assets, which was partially offset by the decrease of RMB 108.6 million in term deposits with maturity of over three months and RMB 65.1 million from dividends received from jointly controlled entities.

Financing Activities

Net cash generated from the Group's financing activities amounted to RMB624.3 million for the six months ended 30 June 2010, compared with net cash generated from financing activities of RMB563.0 million for the corresponding period in 2009.

Net cash generated from the Group's financing activities for the six months ended 30 June 2010 comprised mainly additional bank borrowings amounting to RMB1,136.8 million, partially offset by paid dividends of RMB204.9 million, repayments of bank borrowings of RMB428.2 million. For the six months ended 30 June 2009, net cash generated from financing activities amounted to RMB563.0 million comprising mainly additional bank borrowings amounting to RMB422.6 million, additional entrusted bank loans from the ultimate controlling company amounting to RMB1,680.0 million, partially offset by paid dividends of RMB93.9 million, repayments of bank borrowings of RMB1,513.5 million.

Capital Expenditure

For the six months ended 30 June 2010, the Group's capital expenditure amounted to RMB626.5 million, consisting primarily of RMB426.2 million for acquisition of property, plant and equipment, RMB198.7 million for the purchase of land use rights and RMB1.6 million for the acquisition of intangible assets. Of which, RMB446.3 million was used for the renovation and construction of terminals, warehouses, logistics centres and container yards, RMB134.4 million for the purchase of vehicles, vessels and machinery equipment and RMB45.8 million for IT investment and refurbishment and purchase of office equipment.

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2010, the Group's contingent liabilities mainly comprised RMB75.30 million (31 December 2009: RMB72.49 million) in relation to outstanding lawsuits.

As at 30 June 2010, the amount of guarantees provided by the Group on behalf of benefit of jointly controlled entities and customers was RMB4 million (31 December 2009: on behalf of benefit of jointly controlled entities and customers: RMB4 million).

In addition, in the common business practice, certain subsidiaries of the Group issued related letters of guarantee, to the Civil Aviation Administration of China to ensure the jointly controlled entities and associates to obtain the operation licenses of air freight forwarding. Such letters of guarantee contains no specific amount, among which, the longest will terminate in 2013.

BORROWINGS

As at 30 June 2010, the Group's total borrowings amounted to RMB3,696.3 million (31 December 2009: RMB2,987.8 million), which comprised bank borrowings of RMB1,196.3 million denominated as to RMB198.0 million in RMB, RMB744.8 million in USD, RMB51.3 million in HK$, RMB199.4 million in Japanese Yen and RMB2.8 million in Euro. The weighted average annual interest rate for the above bank borrowings was 3.17%. The total borrowings also included a RMB entrusted loan of RMB2,500 million obtained from the ultimate holding company, with a weighted average annual interest rate of 3.48%.

SECURED AND GUARANTEED BORROWINGS

As at 30 June 2010, the Group pledged restricted cash amounting to approximately RMB64.4 million for borrowings. As at the same date, the Group also pledged property, plant and equipment (with net book value of approximately RMB124.9 million) and land use rights (with net book value of approximately RMB56.1 million) for borrowings.

GEARING RATIO

As at 30 June 2010, the gearing ratio of the Group was 59.8% (as at 31 December 2009: 57.8%), which was calculated by dividing the sum of liabilities and non-controlling interests by total assets of the Group as at 30 June 2010.

FOREIGN EXCHANGE RATE RISK

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

CREDIT RISK

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

EMPLOYEES

As of 30 June 2010, the Group had 23,141 (31 December 2009: 24,519) employees. Details of our remuneration policies and staff development were substantially the same as those disclosed in the 2009 Annual Report with no significant changes.

PROSPECTS AND OUTLOOK

During the first half of 2010, the economic recovery in major countries was stronger than expected. While the Chinese economy maintaining its growth, the global economy, however, is subject to uncertainties. Given the complex situation, it is expected that the growth rate of the Chinese economy will slow down in the second half of the year and the growth rate of import and export will be more subdued as compared with the first half of the year. Nevertheless, the Group will be opened to more favorable market opportunities. Under the impact of the financial crisis, the manufacturing and logistics industries generally suffered from intense pressure, which accelerated the logistics outsourcing. As international enterprises prefer to have domestic logistics companies handle their outsourcing logistics in China, we are offered such rare opportunity to gain access into the field of high-end logistics. The promotion of international strategy and the stronger demand for overseas logistics service from the domestic manufacturing sector also provide us with an opportunity to expand overseas and explore the foreign markets. The Group will carry on with various projects according to its annual plans by leveraging on all favorable conditions that would help our endeavors in the second half of the year.

The Group will be dedicated to broadening income source and tightening cost by aggressively implementing all possible measures to enhance its operation quality and efficiency so as to ensure that all annual targets could be achieved. Besides, we will focus on restructuring the integrated logistics segment, establish the new five-year development plan, further identify strategic customers, continue optimizing operating model, accelerate the development of transportation for domestic trade, strengthen the basic management as well as reinforce our corporate management control.

We believe that with our efforts, each of the major businesses of the Group will maintain a stable growth, together with continuous growth in profitability so that the Company can achieve a healthy, rapid and sustainable growth and deliver greater value to our shareholders.

Zhao Huxiang
Chairman

Beijing, 24 August 2010

Interim Dividend

The Board has declared an interim dividend of RMB0.02 per share for the six month ended 30 June 2010. Shareholders at the annual general meeting of the Company for the year 2009 authorised the directors of the Company to decide on matters relating to the recommendation, declaration and payment of the interim dividends for the year 2010.

It is expected that the interim dividend will be paid on or before Friday, 19 November 2010 to shareholders whose names appear on the register of members on Friday, 29 October 2010. The register of members of the Company will be closed from Monday, 25 October 2010 to Friday, 29 October 2010 (both days inclusive), during which no transfers will be registered for the purposes of ascertaining entitlements to the Company's 2010 interim dividend.

In order to qualify for the interim 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, 22 October 2010, for registration.

Pursuant to the Articles of Association 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 (17 August 2010 to 24 August 2010) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.874123. Accordingly, the amount of interim dividend for each H Share of the Company is HK$0.022880.

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 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.

Other Information

DIRECTORS' AND SUPERVISORS' INTEREST IN SHARES

As at 30 June 2010, so far as the directors of the Company were aware, 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 Securities and Futures Ordinance (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").

SHARE CAPITAL

Share capital of the Company as at 30 June 2010 was as follows:

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, 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 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
SINOTRANS & CSC Holdings Co., Ltd. (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	214,684,335(L)	H Shares	5.05%	12.01%
Mellon Corporation *(Note 3)*	128,430,835(P)	H Shares	3.02%	7.19%
Franklin Templeton Investments Corp.	178,567,000(L)	H Shares	4.20%	9.99%
JPMorgan Chase & Co. *(Note 4)*	140,330,252(L)	H Shares	3.30%	7.85%
	139,903,252(P)	H Shares	3.29%	7.83%
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%

* Notes: (L) Long Position, (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 & CSC Holdings Co., Ltd. ("SINOTRANS & CSC") 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 139,903,252 Shares held by JPMorgan Chase Bank, N.A., and 427,000 Shares held by J.P. Morgan Whitefriars Inc.. JPMorgan Chase Bank, N.A. and J.P. Morgan Whitefriars Inc. are both 100% held by JPMorgan Chase & Co.

Save as disclosed above, based on the register maintained by the Company as required under section 336 of the Securities and Futures Ordinance, as at 30 June 2010, so far as was known to the directors of the Company, there were no other person (other than a director or supervisor) who had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the listed securities of the Company by any members of the Group during the six months ended 30 June 2010.

SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions undertaken by the Group during the six months ended 30 June 2010 are set out in Note 21 to the unaudited condensed consolidated interim financial information.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company is committed to high standards of corporate governance and has adopted the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited as the code of corporate governance practices of the Company. The Company has complied with all the code provisions in effect as set out in the Code throughout the six months period ended 30 June 2010.

Board of Directors

As at 30 June 2010, the board of directors of the Company comprised of 11 directors. The members were as follows:

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

Other Information

Audit Committee

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

PricewaterhouseCoopers, the Company's auditors, conducted the review in accordance with International Standard on Review Engagements 2410. The Audit Committee of the Company has reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2010.

Remuneration Committee

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conducting securities transactions by Company's directors. The directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the period from 1 January to 30 June 2010.